

**MOVING THE MONEY: UNDERSTANDING  
THE IRANIAN REGIME'S ACCESS TO  
MONEY AROUND THE WORLD AND HOW  
THEY USE IT TO SUPPORT TERRORISM**

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**HEARING**  
BEFORE THE  
SUBCOMMITTEE ON OVERSIGHT  
AND INVESTIGATIONS  
OF THE  
COMMITTEE ON FINANCIAL SERVICES  
U.S. HOUSE OF REPRESENTATIVES  
ONE HUNDRED EIGHTEENTH CONGRESS  
FIRST SESSION

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# **MOVING THE MONEY: UNDERSTANDING THE IRANIAN REGIME'S ACCESS TO MONEY AROUND THE WORLD AND HOW THEY USE IT TO SUPPORT TERRORISM**

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**Thursday, October 26, 2023**

U.S. HOUSE OF REPRESENTATIVES,  
SUBCOMMITTEE ON OVERSIGHT  
AND INVESTIGATIONS,  
COMMITTEE ON FINANCIAL SERVICES,  
*Washington, D.C.*

The subcommittee met, pursuant to notice, at 9:09 a.m., in room 2128, Rayburn House Office Building, Hon. Bill Huizenga [chairman of the subcommittee] presiding.

Members present: Representatives Huizenga, Sessions, Wagner, Mooney, Rose, Meuser, Ogles; Green, Horsford, Garcia, and Williams of Georgia.

Also present: Representatives Luetkemeyer and Steil.

Chairman HUIZENGA. Good morning. The Subcommittee on Oversight and Investigations will come to order.

Without objection, the Chair is authorized to declare a recess of the subcommittee at any time.

Today's hearing is entitled, "Moving the Money: Understanding the Iranian Regime's Access to Money Around the World and How They Use It to Support Terrorism."

I will now recognize myself for 5 minutes to give an opening statement.

Mr. Goldberg, Mr. Noronha, and Mr. Thomas, I want to say thank you for being here. We appreciate your time. I know for at least two of you, you were also part of a hearing yesterday with my colleague, Blaine Luetkemeyer, so you are pulling some double duty, and we appreciate that.

At the end of the day, we are trying to find out how we can help stabilize the Middle East. That is the ultimate goal here.

Let me be clear: Today's hearing should not be labeled as partisan. Members from both sides of the aisle have concerns about how the Iranian regime is able to support terrorism around the world, continue its march towards developing nuclear weapon capabilities, and suppress the human rights of its own people.

Let's begin today by setting the stage. Since 2021, the Iranian regime has profited nearly \$80 billion from oil sales around the world, which is due in part to relaxed sanctions. Earlier this summer, reports indicated that the United States and Iran had re-

sumed diplomatic engagements after the Biden Administration failed to revive the Joint Comprehensive Plan of Action (JCPOA).

In September, the United States and Iran finalized a swap involving the release of five American hostages in exchange for five Iranian nationals who had been charged with sanctions violations and Federal crimes, while agreeing to give Iran access to approximately \$6 billion in funds previously held in South Korea. Similarly, the Administration waived sanctions to allow more than \$10 billion worth of Iranian assets held in Iraq to be transferred to Oman and other jurisdictions.

Three weeks ago, Hamas committed one of the most brutal terrorist attacks that we have ever seen on the state of Israel, and 30 Americans tragically lost their lives in that.

It is important to note that Hamas receives approximately \$350 million per year in support from Iran, roughly 93 percent of their total funding.

Finally, last week this subcommittee launched an investigation to better understand the Administration's decisions regarding economic sanctions on the Iranian regime.

So, today's hearing will focus around three central questions: first, how restricted Iranian funds are held around the world and how the Iranian regime accesses them; second, understanding the genesis of the \$6 billion used as negotiating terms to release the hostages in Iran, and is that, in fact, what happened; and third, how the Administration helped the Iranian regime more easily access an additional \$10 billion paid by Iraq for electricity.

Here is what Congress can do. First, we can push for greater transparency when any Administration is choosing to waive sanctions that have been passed by this body, especially as negotiating terms and any hostage deal with the Iranian regime. Members of this body should not be kept in the dark; the consequences are too great.

Next, we do not allow sanctions to be waived, rolled back, or funds transferred. Time and time again, Iran has shown that it is willing to starve its own people in pursuit of supporting terrorism or achieving a nuclear weapon. Naively believing that diplomatic agreements will deter the Iranian regime will be done at our own peril. We must cripple their economy and return to the previous Administration's maximum pressure campaign, in my opinion.

Let me close with this. I know there are a lot of different opinions about what is happening in Gaza and with the Palestinians and with Israel. But we should all agree that innocent civilians should not be used as political cover. Make no mistake, Hamas is no friend of the Palestinian people, in my opinion. And the Iranian regime is no friend of ours. We must not waiver in our support for our ally of Israel.

I look forward to hearing from our witnesses today, and I am going to yield back the balance of my time. I now recognize the ranking member of the subcommittee, the gentleman from Texas, Mr. Green, for 5 minutes.

Mr. GREEN. Thank you, Mr. Chairman. And I thank the witnesses for appearing as well.

Mr. Chairman, this hearing is ostensibly being held to investigate how Iran accesses restricted funds around the world, looking



at two instances where the United States has granted waivers for Iran to access these specific restricted funds.

Some of my colleagues across the aisle, however, may try to link these waivers to the attacks in Israel. That would be a callous attempt to politicize what is already a horrific crisis. We cannot allow this hearing to become a distraction action by my colleagues across the aisle from 23 days of legislative inaction. We cannot allow the blame game with political fallacies to masquerade as proven facts.

Let's examine some of the political fallacies refuted by proven facts. Political fallacy: The \$6 billion transferred from South Korea to Qatar has been handed over to Iran. Proven fact: Not a scintilla of a cent. Some things bear repeating. Not a scintilla of a cent has been released to Iran. On October 12, 2023, the U.S. and Qatar agreed to restrict the funds in response to the attack on Israel.

Political fallacy: The \$6 billion are U.S. taxpayer dollars. Proven fact: U.S. Presidents, including President Trump, have granted waivers for countries to purchase Iranian oil with each country's own money. No President has given foreign countries taxpayer dollars to purchase Iranian oil.

Political fallacy: President Biden shouldn't allow Iraq to purchase electricity from Iran. Proven fact: Former President Trump allowed Iraq to buy electricity from Iran with the justification that Iraq had a fragile economy. Should former President Trump be denounced for allowing Iraq to buy electricity from Iran?

In closing, I ask this of my Republican colleagues: Where were you when former President Trump allowed eight countries to purchase oil from Iran? Where were you when former President Trump allowed Iraq to purchase electricity from Iran? And why is there no mention of former President Trump in your distraction action memo?

Now, there are some things on which the Chair and I can agree. What he said about Israel and what happened there, I think we can find common ground on. It was a horrific event. It is something that never should have happened and should never happen again. But we also have to concern ourselves with peace. And you have to concern yourself with peace of the genesis of war, else you may not know what type of war to execute. And we also have to concern ourselves with humanitarian aid for the Palestinians. There are many other things that we might not agree on, but I do believe we agree on some of these.

Mr. Chairman, I thank you for the time, and I yield back.

Chairman HUIZENGA. Thank you. I appreciate that. And we will get to a number of those issues that the ranking member has brought up.

Today, we welcome the testimony of Mr. Richard Goldberg, the senior advisor for the Foundation for Defense of Democracies; Mr. Gabriel Noronha, a fellow with the Gemunder Center for Defense and Strategy at the Jewish Institute for National Security of America; and Mr. Clayton Thomas, one of our own, is a Specialist in Middle Eastern Affairs at the Congressional Research Service.

Thank you all for being here. We thank you for your time. We know it is valuable, especially for those of you pulling double duty. You will each be recognized for 5 minutes for your oral statements.

And without objection, your written statements will be made a part of the record.

Mr. Goldberg, you are now recognized for 5 minutes for your oral remarks.

**STATEMENT OF RICHARD GOLDBERG, SENIOR ADVISOR,  
FOUNDATION FOR DEFENSE OF DEMOCRACIES (FDD)**

Mr. GOLDBERG. Thank you, Mr. Chairman, and Ranking Member Green. It is great to be back in this chamber a few hours later for the double duty, and this is a really important topic. I do hope we can find bipartisan common ground here.

I do want to address some of the ranking member's last comments and questions, because I can answer them pretty quickly and easily. Where was I when President Trump issued oil waivers? Well, in 2018, I was at the FDD opposing those waivers. And in 2019, I was in the National Security Council ending them, because we ended them in May of 2019.

So, I don't know where this talking point keeps coming from that Trump did this too. Maximum pressure started in May 2019, Congressman. We ended the oil waivers. All of that money went on lockdown in escrow accounts, and they have not been reopened until this year, until these transfers.

Where was I when we were granting waivers under the statute that I wrote as a staffer in 2012, the Iran Freedom and Counter-Proliferation Act, when we allowed Iraq to continue importing electricity from Iran? First, I was at FDD, and then, I was at the National Security Council, and we worked for the Treasury Department and the State Department to ensure those funds were locked down. We allow, under the waiver, import of electricity. We don't allow Iran to access the funds. Now, we do.

I don't know where all of these claims keep coming from, but let's stick with facts.

If we today, in the wake of October 7th, agree that we need to do all we can to deny this regime in Tehran resources, that it is in our national security interest for the Islamic Republic of Iran to have less money, not more money at its fingertips, understanding the fungibility of money, putting aside whether this \$6 billion you are pointing to has been spent yet or borrowed against yet, there's an interesting question that's never asked.

What about the \$10 billion, Congressman? What about that money that was moved out of Iraq to Oman? You have no information about it. We just heard yesterday that the waiver was introduced into the record. We just learned about it. What has been spent out of there? Is that money frozen? Have the Omanis agreed to that? Have the Iraqis agreed to that? When that waiver expires, will we revert to the old waiver and ensure that money in Baghdad gets locked down for electricity payments?

We can allow Iraq to import electricity. We don't have to allow Iran access to the money.

Oil sanctions. This is just new.

This summer, we saw a massive spike as the secret nuclear deal that I outline in my written testimony started after Brett McGurk, the White House Middle East Coordinator had gone to Oman, and negotiated, through the Omanis, a secret nuclear understanding,

using all kinds of interesting pretext and executive authorities to start releasing money and stop enforcing sanctions. Why? Because they knew politically they couldn't come to this House to submit a deal under the Iran Nuclear Agreement Review Act to evade the laws we have all passed, that you all have voted on in the past. Why did they do that? Because they wanted a nuclear understanding. They wanted to say, oh, please, just don't go across that 90-percent enriched uranium threshold.

We heard yesterday in testimony that, oh, we should never have gotten out of the JCPOA. Look at Iran's nuclear program today. The vast majority of Iran's advancements in its nuclear activities have happened since January 2021. That is when they crossed to 20-percent enriched uranium, and then to 60 percent, and now they're just a stone's throw away from showing us their technical capability to get to 90 percent. Only when we went from maximum pressure to maximum concessions, maximum deference.

The policy needs to change. Oil exports have been steadily rising with nonenforcement throughout 2021 and 2022. It was only this year that they went through the roof, with some reports topping 2 million barrels per day, in August, under this nuclear deal.

And so, no, Congressman, I am not saying this \$6 billion was used to fund October 7th. It is factually inaccurate, but a posture of appeasement for 2½ years that emboldens this regime. A summer negotiated secret nuclear understanding that allows this regime to say, well, the Americans are off the table. They are afraid of us. They are deterred. We have already cut a pact with Saudi Arabia, too, through the Chinese earlier in the year. Now, we can turn all of our sights on Israel, the only country in the Middle East operating inside of Iran to stop that nuclear program. Now, we can activate all of our terror tentacles that the Islamic Revolutionary Guard Corps (IRGC) coordinates in Beirut, a cell coordinating Hezbollah, Hamas, and the Islamic jihad.

This is when we need to come together to say, let's lock down these resources. Let's turn our posture from appeasement, to deterrence, to pressure. That is how we take on the terror tentacles of Tehran.

I look forward to your questions today. Thank you so much for holding this hearing. I know that Qatar came up yesterday. There may be a hostage deal today involving Qatar. I think it is important we address that in the double game Qatar plays. But I look forward to your questions.

[The prepared statement of Mr. Goldberg can be found on page 30 of the appendix.]

Chairman HUIZENGA. Our witnesses are reminded that they need to address their remarks to the Chair, specifically. But I appreciate your passion, Mr. Goldberg, and I look forward to exploring a few of those issues.

Mr. Noronha, you are now recognized for 5 minutes for your oral remarks.

**STATEMENT OF GABRIEL NORONHA, FELLOW, THE  
GEMUNDER CENTER FOR DEFENSE AND STRATEGY, THE  
JEWISH INSTITUTE FOR NATIONAL SECURITY OF AMERICA  
(JINSA)**

Mr. NORONHA. Thank you, Chairman Huizenga, Ranking Member Green, and distinguished members of the subcommittee for inviting me here today.

Over the past decade, the Islamic Republic of Iran has spent more than \$20 billion to support foreign terror groups in the Middle East. It has spent tens of billions of its own dollars on its own terror operations. And I think it is important to understand that when the Islamic Republic chants, "Death to Israel," and they chant, "Death to America," they are really deadly serious about those chants, and we learned that 2 weeks ago.

And, Mr. Chairman, you are correct that this is not a partisan issue. They do not distinguish between Republicans and Democrats when they target us, and they don't in their ongoing assassination plots on U.S. soil.

Hamas' attack on Israel was only possible because of the increased funding from the Iranian regime over the last couple of years—not just in the last couple of months, but over the last couple of years. Historically, Iran has provided \$100 million to Hamas. In the past year, that has increased to \$350 million.

And I think it's important to understand how they got to the position of being able to increase those funds. Today, Iran provides Hamas 93 percent of its military budget. That funding allowed Hamas to lay low over the last year and prepare for these sneak attacks. Iran also trained 500 Hamas fighters inside Iran as recently as September. I think that is certainly a contributing factor to the success of their operations.

And the regime could afford this largesse because of the problems with financing that has really flooded in—as you mentioned, Mr. Chairman, \$80 billion at least in oil sales since the beginning of 2021. The \$10 billion from Iraq, facilitated by State Department waivers—which I saw that you submitted into the record yesterday—which are very strange, having written them myself, and very unprecedented. They may now be laundering that money through China to get rid of all humanitarian exemptions. And then, the \$6 billion that was deposited into Qatari accounts in exchange for the release of 5 Iranian-American hostages. There are also reports that Iran has gained access to \$6.7 billion in International Monetary Fund (IMF) Special Drawing Rights. That is very much in this committee's jurisdiction.

Supreme Leader Khamenei's philosophy is to use all the funds it can obtain to advance its terrorism. They don't really care about providing for the material needs of the Iranian people. They will always prioritize terror. And the United States should not aid the regime in this effort.

I have a few recommendations. First, Congress should force the Executive Branch to enforce its existing oil sanctions against shipping companies, tanker companies, ports, refiners, and insurance companies. There are over 300 tankers facilitating trade in Iranian oil which are not sanctioned today. And these sanctions seem to be mandatory, not discretionary. The same applies to Iran's—the

United States' sectorial sanctions against Iran's metals and petrochemical exports. Those sanctions have really not been enforced in the past 30 months.

Second, Congress should work to bring an end to these ongoing energy waivers that we provide to Iraq and make sure that those funds can't be laundered in China. This is a really serious terror financing threat. This issue has gone on for a long time, through multiple Administrations. And I think it is incumbent on Congress to find a solution in the Executive Branch on how we can wean Iraq off Iranian energy independence, but then try to bring this to an end fast.

Third, the United States must claw back the \$6 billion provided to the Qatari fund for Iran last month. It has not been disbursed yet. My concern, based on Iranian budgeting principles, is that they plan out their foreign currency payments months in advance, and they were planning to draw down on this. And we are in the process of moving funds around until just now, I think.

The deal we made with Iran in August and September became irrelevant the moment they funded the slaughter of 30 Americans in Israel last month and took a dozen more Americans hostage. We should not view that deal as having any legitimacy anymore.

And I think the other point that is important to know is that the regime has a long history of pilfering food and medicine to resell on the black market in Iraq and Afghanistan. The proceeds, even if we gave them food and medicine, would likely go to terror or be stolen by the regime elite. And so, I believe Congress should rescind the September 11th waiver to formally and permanently freeze those funds and ultimately work to provide the funds to the victims of terror.

Thank you, and I look forward to your questions.

[The prepared statement of Mr. Noronha can be found on page 37 of the appendix.]

Chairman HUIZENGA. Thank you.

Mr. Thomas, you are now recognized for 5 minutes for your oral remarks.

**STATEMENT OF CLAYTON THOMAS, SPECIALIST, MIDDLE EASTERN AFFAIRS, CONGRESSIONAL RESEARCH SERVICE (CRS)**

Mr. THOMAS. Chairman Huizenga, Ranking Member Green, and members of the subcommittee, thank you for inviting the Congressional Research Service to testify today.

This morning, I will summarize my written statement on Iran's funds abroad, starting with a brief overview of the U.S. sanctions authorities that underpin the funds and their use before focusing on the Biden Administration's decision earlier this year to facilitate the transfer of \$6 billion of those Iranian funds from South Korea to Qatar. I will finish by suggesting some options and implications for congressional action.

For background, the United States has, for decades, sought to limit the Iranian Government's financial resources via sanctions in an effort to deprive the government of the ability to fund its programs to develop weapons of mass destruction and the means to deliver them, its nuclear activities, and its support for terrorist

groups. Led by Congress, these U.S. efforts have included a decade's long effort to limit Iran's petroleum exports, a key revenue source for the regime.

Starting in 2011, Congress authorized exceptions from U.S. sanctions for countries that otherwise could be subject to penalties for purchasing Iranian petroleum to continue such purchases if they gradually reduced their imports. Congress further mandated that excepted foreign buyers had to deposit payments for Iranian petroleum in financial institutions of the purchasing country, not in Iran. Congress explicitly permitted the use of those funds for humanitarian trade in multiple Iran-specific sanctions authorities, in line with long-standing provisions in U.S. law that exempt humanitarian goods like food and medicine from U.S. sanctions programs.

Still, restrictions on those Iranian funds abroad lead many to describe them as frozen, as foreign financial institutions have generally restricted their use in order not to run afoul of U.S. law and themselves become potential targets for secondary sanctions.

In September 2023, in conjunction with mutual prisoner releases from the United States and Iran, the U.S. approved the transfer of \$6 billion in Iranian funds from South Korea to Qatar. These actions occurred in the context of broader diplomatic engagement to de-escalate U.S.-Iran tensions. To facilitate the transfer of funds, Secretary Blinken issued sanctions waivers to allow European financial institutions to participate without the risk of U.S. sanctions.

Executive Branch officials did not provide a detailed description of the oversight mechanisms that would have applied to the funds, but said that U.S. oversight, in partnership with that of the Government of Qatar, would be substantial and that the United States would take, "appropriate action," if Iran attempted to use the funds for purposes other than nonsanctionable humanitarian trade.

The September 7, 2023, Hamas attacks on Israel and the resulting conflict have prompted increased scrutiny of U.S. policy towards Iran, a long-time backer of Hamas. That scrutiny includes attention to the \$6-billion transfer. According to press reports, Deputy Treasury Secretary Wally Adeyemo told legislators that in the wake of Hamas' assault on Israel, U.S. and Qatari officials had agreed to prevent the use of the funds indefinitely. The Administration has not made any official statements on the status of those funds.

Going forward, as part of its oversight responsibilities, Congress could consider whether or not to seek greater visibility into Iran's funds abroad, including via legislation to require regular reporting by the Administration to Congress on the funds and their use. Congress could also consider whether or not to mandate congressional review of Administration decisions with respect to the funds.

Some Members of Congress are urging or seeking to compel the Administration to act in a demonstrable, transparent way to ensure the funds in Qatar are not used for transactions that would benefit the Iranian Government. Since September 7th, Members of Congress have introduced at least 18 pieces of legislation related to Iran. Many of those bills would rescind the waivers issued to facilitate the transfer and seek to encourage third parties to block or otherwise decline to conduct transactions with the funds. Other leg-

isolation would seek to confiscate and repurpose the funds, although the United States' ability to seize the funds appears to be limited, as the United States does not have jurisdiction over them.

New official action to newly block the funds could provoke an Iranian response or have other impacts on U.S. interests, including with respect to Qatar, a major non-NATO ally of the United States that hosts major U.S. military facilities. Formal action to rescind the waivers or amend the authorities underlying them could also have implications for Iraq, which has long relied on U.S. sanctions waivers to import Iranian electricity. Congress could also revisit long-standing sanctions exemptions for humanitarian trade, weighing them against the broader goal of pressuring the Iranian Government and the interest some Members have expressed in supporting the Iranian people.

This concludes my brief remarks. Thank you for the opportunity to testify, and I look forward to your questions.

[The prepared statement of Mr. Thomas can be found on page 53 of the appendix.]

Chairman HUIZENGA. Thank you, Mr. Thomas.

We are going to now turn to Member questions, and I am going to recognize myself for 5 minutes.

Honestly, I really do wish we could have a long-form podcast kind of conversation here today because there are so many avenues to explore in this, but I will only have 5 minutes. We will all have 5 minutes, but I am sure we will be having quite a bit of follow-up on that.

Mr. Noronha, yesterday at our National Security Subcommittee hearing, I entered into the record, as you had indicated, the report to Congress on the renewal of Iraq's sanctions waiver for electricity payments. This is the Biden Administration's sanctions waiver for the payment of electricity by Iraq to Iran.

Have you seen this document?

Mr. NORONHA. Yes, Mr. Chairman.

Chairman HUIZENGA. Okay. What are your immediate takeaways? I know you touched on a few of those things, but just explore that briefly.

Mr. NORONHA. It struck me that they were trying to use the 2012 law which was intended to reduce imports of Iranian oil——

Chairman HUIZENGA. And let's be clear, this is the 2012 National Defense Authorization Act (NDAA)——

Mr. NORONHA. Correct.

Chairman HUIZENGA. ——under the Obama Administration.

Mr. NORONHA. Correct. This was passed bipartisan from Congress and signed into law by President Obama. It was intended to get Iran's oil and electricity revenues down. And instead, what it appears the Administration used that law for is to, in my view, illegally create a channel where Iran could get euros.

Congressman HUIZENGA. Which was specifically the Korea situation, correct? Korea had a reliance on Iranian oil and this was part of trying to wean them off of that?

Mr. NORONHA. There were eight countries that we were working on to wean off their imports of Iranian oil. We couldn't do so overnight. And we were trying to do this very fast. Iraq is slightly separate.

Chairman HUIZENGA. Yesterday, you said you were immediately struck a little bit that Germany, France, and Oman were the three exceptions to that. Can you explore that briefly?

Mr. NORONHA. France, Germany, and Oman have never imported Iranian oil. They have never imported Iranian petroleum products. They were never given waivers by the Trump Administration because they didn't need them.

Chairman HUIZENGA. So, why in the world would they be included in this now?

Mr. NORONHA. It is, in my view, legal fiction that was used to somehow cite this law so that they could be the mechanism to launder funds from Iraq into euros for an Omani channel.

Chairman HUIZENGA. Mr. Goldberg, I am going to turn to you. The Administration obviously allowed the transfer of \$10 billion from Iraq as well. Where do you suspect this money is now?

Mr. GOLDBERG. We don't have clarity on that. We do know that, if you look back, and I document this in my written testimony, we have multiple statements from various Iranian officials and Iraqi officials in that May-June-July timeframe that give us this dollar figure, some say \$10 billion, or \$11 billion. But remember, Iraq is still importing electricity, so that money continues to grow. It is not one-time money like a frozen account in South Korea or the \$3 billion that is still sitting in Japan or any money that is in Delhi or in Beijing that may have been on the docket for transfer in the future under this nuclear understanding.

This \$10 billion—let's use that figure—is a public number. Some amount of that was already paid out: \$2.76 billion. We saw that. That was an initial allowance under a prior waiver in June that was used to pay off various debts of the Iranians, including imports from Turkmenistan, according to public reporting. Then the rest of it, the balance at some point is transferred under this new waiver, sir, that you have just entered into the record. In July, we have the State Department on record saying that they are designating Oman to be the custodian. This waiver now provides France and Germany in this as well.

Clearly, there is some movement of cash converting Iraqi dinar to euro in Europe and moving it into Oman. The balance in Oman is unknown, the balance in Iraq is unknown, and the balance in France or Germany is unknown. But according to the waiver, these are the institutions that would be involved. And, of course, we don't have the names of the institutions.

Chairman HUIZENGA. Yes. Is Oman known as a straight-up player in the banking industry?

Mr. GOLDBERG. Oman is viewed in some ways, in historical terms, as worse than Qatar as far as playing all sides. We have seen public reporting in the past of their ties to the IRGC, at times in smuggling routes through Oman and around Oman that the Iranians have used. They have been used—if you go back to 2015, 2013, right after Congress had enacted the two laws that are really disgusting here, that secret negotiation of the now National Security Advisor was with the Omanis to get to that JCPOA originally, that is why the Omanis were used again by Brett McGurk for this channel.



Chairman HUIZENGA. I just have a few seconds left, and so much more to discuss. Are any of you aware if there is a written agreement between the Qataris and the United States? And the same question on the Omanis. Because when we see White House spokespeople saying these funds are, "frozen," it does not appear that they really are frozen.

Mr. NORONHA. Mr. Chairman, there is a written agreement that outlines the hostage deal and the \$6 billion payment. To my knowledge, I do not know of a written agreement pertaining to the potential freeze.

Mr. GOLDBERG. The waiver, I believe, sir, does make reference to communications. The committee should ask for all communications.

Chairman HUIZENGA. Okay. I appreciate that. And my time has expired.

The gentleman from Nevada, Mr. Horsford, is recognized for 5 minutes.

Mr. HORSFORD. Thank you, and good morning. Thank you to the Chair and the ranking member for this timely hearing.

Like so many of us, I was shocked and appalled by the horrific attacks on the people of Israel by Hamas terrorists. It is our duty to ensure that never again happens anywhere, and this hearing and the work of the Administration is imperative.

I am in a unique position here—I am a member of both this committee and the House Armed Services Committee, so I received classified information and attended closed-door hearings to better understand the events that occurred on the ground, the preparation and planning leading up to these despicable attacks and, most importantly, the actions available to us going forward.

Let me be clear: The response from the United States must be unequivocal and project American strength internationally. We stand with our ally, Israel, and are willing to use any of the tools available to us to support that end. But we are here today to discuss one of those tools, one that is undoubtedly important. And we must take a serious look at solutions to mitigate the ability of Iran and any other state sponsor of terrorism to finance these kinds of horrific attacks around the globe. So, it is imperative to deny Hamas and Russia access to illicit funds.

I would like to enter into the record, Mr. Chairman, an article from Axios. Actually, the Deputy Secretary of the Treasury is en route to Europe. He will be speaking to the Royal United Services Institute in London this Friday, and it is specifically around the issues on sanctions against these sponsors of terrorism.

Chairman HUIZENGA. Without objection, it is so ordered.

Mr. HORSFORD. As we have heard, it likely took multiple years to plan the coordinated and multifaceted attack on October 7th, which means that there were likely multiple years of funding, in spite of strict U.S. sanctions. While we know that Hamas isn't using U.S.-based financial institutions, they are able to still engage in the financial sector writ large.

Mr. Thomas, would you please speak to the array of financing options available to Iran in spite of the sanctions regime? And what else can the United States Government do to stem that flow of illicit funds?

Mr. THOMAS. Thank you, Congressman. With respect to Iran's support for Hamas, this is a relationship that goes back many decades, nearly to the inception of Hamas as a group in the late 1980s. Traditionally, Iranian financial support for Hamas has been estimated at about \$100 million a year. Although, as we have heard, there have been press reports citing Israeli sources indicating that support may have increased in recent years, and there have been numbers as high as \$350 million.

Of course, Iran's support for Hamas is not limited to financial support. The means by which Iran provides material support to Hamas vary. Clearly, the nature of these illicit transactions makes tracking them difficult. But from what we know, Iran relies on smuggling via tunnels under the Gaza-Egypt border. The Egyptian Government has cracked down on those in large part since 2013, but there are indications that trade continues.

In terms of Iran's financial status abroad in general, which I imagine we will discuss at length today, those funds, pursuant to U.S. law and regulations, are limited to funds transactions involving non-sanctioned humanitarian trade.

Mr. HORSFORD. On that point, we have heard many of my colleagues on the other side emphasize that money is fungible and that the dollars spent on humanitarian aid is \$1 that is freed up from the Iranian Government to spend on financing terrorism. However, it seems that can only be true if they ever intended to spend money on that in the first place.

Mr. Thomas, do you believe that without the \$6 billion in funds, Iran would otherwise provide this same aid to its people? Yes or no?

Mr. THOMAS. I think given the history of Iran's support for these groups, and its support for these groups in spite of the humanitarian needs of the Iranian people, again, Iran has continued to provide support for terrorist groups regardless of the economic situation.

Mr. HORSFORD. Is there any indication that links past increases in humanitarian aid to an increase in availability of Iranian funds to finance terrorism, given the numerous controls that are in place?

Mr. THOMAS. Not that I am aware of. Again, that support has remained consistent for years.

Mr. HORSFORD. Thank you, Mr. Chairman.

Chairman HUIZENGA. The gentleman's time has expired.

The Chair recognizes the gentleman from Texas, Mr. Sessions, for 5 minutes.

Mr. SESSIONS. Mr. Chairman, thank you very much. And I think that your opening statement by this last discussion from our colleagues does tell us this is a bipartisan hearing. And thank you very much for doing that.

Mr. Thomas, can you give us more information about how the Iranian accounts work, and are they special purpose accounts?

Mr. THOMAS. These accounts really go back to 2012. We have discussed at length the Fiscal Year 2012 National Defense Authorization Act (NDAA). That legislation, as I mentioned in my remarks, permits countries to continue to import Iranian oil, provided that they keep it in special purpose accounts, as you have described. The year after the 2012 NDAA was passed, Congress, as part of the

2013 NDAA, included a provision subtitle D, IFCA, which Mr. Goldberg mentioned, the Iran Freedom and Counter-Proliferation Act. That Act tightens those restrictions by mandating that purchases for Iranian oil—the funds from those purchases must remain in the purchasing country, not remitted to Iran.

The conditions that govern the restrictions on those accounts are prescribed in U.S. law and U.S. regulations, namely, that they must be used for bilateral, nonsanctioned humanitarian trade that does not involve the Iranian Government or Iranian entities. For example, funds in country X would be allowed to be drawn down to pay an exporter in country X to export humanitarian goods into Iran.

Mr. SESSIONS. Thank you.

Gentlemen, I would like for each one of you to take a whack at the question about the Qatar relationship with Iran, because it appears as though, from what I see, we do favorably count on Qatar and their relationship, not only with us as a host country, but also as an intermediary. Can you please discuss that?

First, Mr. Goldberg?

Mr. GOLDBERG. Congressman, it is a very important and timely question. I think it's important that for anybody who had views of Qatar's relationship with Iran, Qatar's relationship with Hamas before October 7th that didn't align with my view, I hope we can all reset assumptions at this point.

Mr. SESSIONS. I think they reset it.

Mr. GOLDBERG. Exactly, sir. They did reset it.

And any sort of hostage negotiations that are going on, if there is a hostage exchange—today, I heard perhaps of a release of some women and children—we want to have everyone back that we can. We want all hostages released. But understand that Qatar is playing us. It is the arsonist playing firefighter at this point and coming to our rescue, as they host a summit between the Iranians and Hamas after October 7th so they can coordinate in Doha the day after Secretary Blinken goes, while they continue to have financial channels, while Al Jazeera is spitting out horrible anti-American hate, incitement to violence, and pro-Hamas propaganda. I think it is absolutely time for us to reassess that relationship. We have a lot of leverage there. Yes, they host the Combined Air Operations Center (CAOC), yes, they host our air operations center. And yes, Al Dhafra Air Base in the United Arab Emirates (UAE) could do it too.

Mr. SESSIONS. Thank you.

Mr. Noronha?

Mr. NORONHA. Thank you. Qatar is more of a diplomatic and political partner to Iran than an economic partner. They don't do much trade. I believe that we should try to rescind some of the agreements we have made with Qatar regarding Hamas.

There was an agreement made in 2012 to host the political leadership office in Qatar. We should make a formal ask of the Qataris and say we want this office gone and a formal extradition request for the leaders of Hamas who are currently in Qatar.

Mr. SESSIONS. Would they not have recognized that themselves internally as a result of, "this reset," or is that still part of the rela-

tionship that the United States needs to be out there pushing them this way?

Mr. NORONHA. It needs to be a formal ask. They are currently effectively the mediators for the hostage talks, so I think there is a different policy view of what should happen in the next 2 weeks versus what should happen—

Mr. SESSIONS. And we want to keep working with them.

Mr. Thomas?

Thank you, by the way, each of you.

Mr. THOMAS. U.S. officials, as has been said, have credited Qatar for the role that it has played in the release of hostages. More broadly, again, Qatar does support some important U.S. interests. It does have a very multidirectional foreign policy in that it has relationships with Iran as well as with many other U.S. partners in the Middle East.

What I would say is that Secretary Blinken has said that business as usual with Hamas is over. And I imagine going forward, it is going to be balancing this kind of new approach with these long-standing U.S. interests with respect to Afghanistan, and with respect to U.S. facilities in Qatar. And this, I imagine, is going to be a place where Congress can play a role in overseeing what the Administration's path with Qatar is going forward.

Mr. SESSIONS. Gentlemen, thank you very much.

Mr. Chairman, I would encourage us, as I know you will do, to consider the region that we don't live in, but in which we have vast interests. And thank you very much.

Thank you for your service to our country.

Chairman HUIZENGA. The gentleman's time has expired.

With that, Ms. Garcia from Texas is recognized for 5 minutes.

Ms. GARCIA. Thank you, Mr. Chairman. And to the witnesses, thank you for being here on such a timely and very critical topic.

Like most of my colleagues, I strongly condemn the horrific October 7th attacks carried out by Hamas in Israel. We have all seen the gruesome images and heard the heartbreaking stories of those impacted. In the aftermath of this tragedy, it is critical that we stand with our ally, Israel.

I am proud to have supported passage yesterday of the bipartisan resolution expressing strong support for Israel and its right to defend herself against Hamas and other terrorist groups in the region.

Iran plays a key role in the financing of terrorist groups like Hamas and Hezbollah. Therefore, U.S. sanctions in Iran are critically important. I recently joined a bipartisan letter with my colleagues demanding that Iran be held accountable for its role in funding Hamas and for the maximum enforcement of all U.S. sanctions in the region.

We have heard testimony here today that places a lot of focus on the Biden Administration's work this summer to free American prisoners in Iran. I want to inquire further about the history of the financial relationship between Iran and its proxies.

Mr. Thomas, can you speak a little more about the financial ties between Iran and groups like Hamas and Hezbollah?

Mr. THOMAS. The relationship between Iran and Hezbollah is a little bit different than the relationship between Iran and Hamas.

When we are talking about Hezbollah, Hezbollah is really kind of the crown jewel of Iran's regional network of proxies. Iranian support to Hezbollah is thought to be about \$1 billion a year. And I think that is a reflection of the much closer political and ideological ties that link Tehran to Hezbollah in Lebanon.

Hamas, on the other hand, has fewer of those kind of natural ties to Tehran. And I think that is reflected in the support, which is generally estimated to be \$100 million in recent years. Again, some estimates that it may be higher.

In terms of how Iran provides support, as I said, much of this is covert and evasive. But what we do know is that Hamas does rely on kind of international networks of both licit and illicit financing.

In the past, the Department of the Treasury has designated networks of financiers across the region for their role in providing support to Hamas and its activities.

With respect to Iran, Hamas officials have said in the past that a lot of this is cash. They have talked about going to Tehran and coming back with suitcases of cash. There is a wide variety of ways that Iran can support these groups. It is going to be a little bit harder with Hamas, given the restrictions on entry into and out of Gaza, as opposed to Hezbollah, which has a much larger presence in Lebanon.

Ms. GARCIA. So, these suitcases of cash, what currency are they using, and what role is cryptocurrency playing?

Mr. THOMAS. The report that I was referring to was from, I believe it was 2009, when Hezbollah representatives talked about not being able to leave with Tehran because they had so much cash. I don't remember if they specified the currency.

With respect to crypto, there have been reports—and I would defer to the testimony that some of your colleagues heard yesterday from Mr. Zarazinski—that tens of millions of dollars in crypto funds have been interdicted by Israeli and U.S. authorities, and those funds were belonging to or on their way to Hamas.

What I would say in context is, first, as I understand it, with Hamas financing, a much larger portion of that is coming from the funds that Hamas generates by virtue of its de facto control of the Gaza Strip and, second, that it received \$100 million or more from Iran. So, the crypto is, I imagine, a little bit less than those other sources of funding, but any provision of financial resources to Hamas would be a major concern to U.S. policymakers and likely sanctionable under U.S. law.

Ms. GARCIA. Did Iran actually receive any of the \$6 billion transferred in exchange for the release of the prisoners?

Mr. THOMAS. U.S. officials said on October 8th, I believe for the first time, that none of the funds had been drawn down, and that appears to still be the case. U.S. officials maintain that—

Ms. GARCIA. So, none has been disbursed?

Mr. THOMAS. Yes, ma'am.

Ms. GARCIA. Okay. I just want to make sure that we get that on the record again. The U.S. Treasury Department recently sanctioned individuals and businesses in South America which are accused of financing Hezbollah.

Mr. Thomas, can you speak to the dangers that groups like Hezbollah and Hamas pose beyond the Middle East?

Mr. THOMAS. Hezbollah, in particular, does have networks in South America largely drawing on expat populations from which they are able to secure funding and support. And this is an issue of long-standing concern going back, I would say, well over a decade. Congress has looked at this issue. And as you say, the Administration has sanctioned numerous officials for their participation in this trade as well.

Ms. GARCIA. Thank you.

And, Mr. Chairman, if the witness would provide any other detail on that, my last question, it really would be great. I think he was——

Chairman HUIZENGA. The gentlewoman will submit written questions to the Chair, which we will then pass along.

Ms. GARCIA. Thank you, Mr. Chairman. I yield back.

Chairman HUIZENGA. If would like an expansion, you may put that down in writing, and we will pass that along to our witnesses.

Ms. GARCIA. Thank you.

Chairman HUIZENGA. With that, the gentlelady from Missouri, Mrs. Wagner, who is also the Chair of our Capital Markets Subcommittee, is recognized for 5 minutes.

Mrs. WAGNER. Thank you, Mr. Chairman.

On this very past anniversary of 9/11, the Biden Administration announced this reckless and extremely dangerous deal with Iran, a state sponsor of terror. President Biden's decision to release \$6 billion in Iranian funds is nothing short of a windfall of cash and economic relief for Tehran to use for its military and to fund terrorist proxies like, as we have discussed, Hezbollah, Hamas, and the Houthis. This was a shameful payout to a regime that is responsible for countless deaths, including Americans.

Less than a month later, Hamas, an Iran-funded terrorist group, launched the deadliest attack on the Jewish people since the Holocaust. Let's be clear about Iran's role in the Middle East. It is the world's worst state sponsor of terror, and it is bent on attacking U.S. and Israeli interests with every resource it can muster.

This money should never have been released in the first place. And now, the U.S. must claw it back to ensure that it cannot be used in further efforts by Iran or Hamas to target Israel.

Mr. Noronha, the Biden Administration has mentioned a, "quiet understanding," with Qatar regarding the \$6 billion in Iranian funds exchanged in the hostage deal. What does a, "quiet understanding," look like in practice?

Mr. NORONHA. It means nothing at all, because a quiet understanding has no legal basis. It does not legally prevent Qatar from distributing those funds to Iran in the future. And more importantly, in my mind, it does not prevent or discourage Iran from taking, say, Qatari or American hostages and saying, okay, now you really have to turn that spigot back on. We have made this practice now of saying you can get cash for hostages. And now that that practice has been exemplified to the Iranian regime, they will use and abuse that as long as it is a possibility.

Mrs. WAGNER. Thank you.

Mr. Goldberg, the Biden Administration said that the \$6 billion in accounts in Qatar could only be used for humanitarian purposes. Can you explain why that is impossible to ensure, given the fact that we all know that money is fungible?

Mr. GOLDBERG. Thank you for the question, ma'am. They also said this about the \$10 billion going to Oman; the same language was used by Mr. Miller at the State Department. That is why we should take a close look at what has been spent there too.

Obviously, money is fungible. Even if they say, this is all for non-sanctioned goods, which, by the way, is wider than what we traditionally think of as humanitarian, because there are all kinds of debts that can be paid off in that respect as budget support. We also know and have documented, as Mr. Noronha went through yesterday, so many times in history when Iran has filed paperwork that is fraudulent, with front companies and false transactions that have gone to money laundering, that have gone to the IRGC, and have gone to Assad in Syria or to Halkbank in Türkiye. Remember that massive scandal still being prosecuted today? It was all based on humanitarian transactions, billions of dollars of a scheme that Iran had cooked up and nobody caught it.

Mrs. WAGNER. Let me press on. Mr. Noronha, approximately how much money does Iran provide to Hamas each year? And would the terrorist attacks that Hamas perpetrated on October 7th have been possible without that Iranian support, including financial support?

Mr. NORONHA. They have historically provided \$100 million. During maximum pressure, they had to institute an austerity plan; they had to lay off a bunch of fighters. They were really struggling on budgets. Since 2021, that funding has increased to as much as \$350 million. And my view is that their strategic surprise would not have been possible without the funding.

Mrs. WAGNER. So, the sanctions were working when we forced them into their austerity plan so they could not, in fact, fund these terrorist proxies to the extent that they are currently doing so.

One other question, because it just rubs me the wrong way, Mr. Goldberg. Why does the foreign minister of Iran have a visa to be in New York City right now? I was reading about it earlier today. It is absolutely unbelievable to me that this man who was working on plotting with Hamas on an attack against Israel has been given a visa and is currently—this foreign minister is in New York City. Sir?

Mr. GOLDBERG. It's completely shameful, ma'am. There are Americans being held hostage, there are Americans dead, and Iran is complicit. This man should not be in our country.

Mrs. WAGNER. With that, Mr. Chairman, I yield back.

Chairman HUIZENGA. The gentlelady yields back.

The gentlelady from Georgia, Ms. Williams, is recognized for 5 minutes.

Ms. WILLIAMS OF GEORGIA. Thank you, Chairman Huizenga, and Ranking Member Green.

I agree with you, Chairman Huizenga, I wish this could be a roundtable discussion, more of a dialogue so that we could have a much more robust discussion and conversation, because I am going to tell you now, I have many questions that I am going to need an-

swered for the record that I will be submitting because we are not going to get through all of this today.

I thank all of our witnesses for joining us today. I am heartbroken by the continued loss, not just on October 7th, but continuing today, the loss of innocent Israeli, Palestinian, and American lives in Gaza and in Israel. In no way, shape, or form is terrorism ever acceptable. Congress and our President have a responsibility to respond swiftly and humanely when our allies need us.

But at the time of an unprecedented attack on one of our most critical allies, Israel, Congress was frozen and unable to take any action to aid Israel, and provide global leadership. Only yesterday, a full 2½ weeks after the attack occurred, did the House vote to condemn Hamas' vicious terror attack and affirm our support for Israel.

I have been getting texts, calls, and emails from rabbis and other members of the Jewish community in my district in Atlanta urging Congress to take action since October 7th. But again, under Republican leadership, it took 2½ weeks for this body to officially condemn this heinous terrorist attack.

Extreme MAGA Republicans pose a real threat to our national security when things happen like kicking out their own Speaker, and a 22-day lapse without a Speaker, and then replacing our Speaker with the chief legal architect of attempting to overturn the 2020 Presidential election results.

I am from Georgia, so it hits a little differently for me. In Congress, I always center on the most-marginalized people. And it pains me as a mama and a leader in this country, and as the co-Chair of the bipartisan Congressional Caucus on Black-Jewish Relations, that Congress was paralyzed and couldn't properly respond while innocent civilians and babies—babies, y'all—were being killed.

It is our responsibility to ensure that our foreign policy not only stands up for marginalized people, but holds accountable those facilitating the financing of terrorism.

Mr. Thomas, if necessary, how can the U.S. structure additional sanctions on Iran to maximize the impact on political leaders and minimize the impact on everyday Iranians?

MR. THOMAS. This is a debate central to Iran sanctions, but it is much broader than Iran. Congress has long wrestled and successive Administrations have wrestled with the dilemma of how to hold regimes that the United States finds objectionable accountable, while not bringing harm to the populations over which those regimes rule.

I think the way that Congress has tried to do that in the Iran space is by creating specific humanitarian exemptions for sanctions. Those aren't always perfect, and there are reports of diversion. I think at this point, Congress—basically, the situation in which the Biden Administration is operating is a sanctions architecture created by Congress, and that refers both to the waivers that the Administration has used and going back to previous Administrations, as well as the authorities that they have used.

So, if Congress decides that the indirect or ancillary benefits to the Iranian regime of those waivers are greater than the benefits



that the Iranian people receive, then Congress could perhaps take a look at revising those authorities.

Ms. WILLIAMS OF GEORGIA. Thank you, Mr. Thomas.

I am also concerned about the continued push that I hear from some of my colleagues on the other side of the aisle to pull back from the United States' role in protecting democracy and facilitating global cooperation, especially after witnessing the importance of the U.S.-Israeli partnership firsthand just last month as I visited Israel on a Congressional Black Caucus delegation trip. It is clear to me that we need to engage with the rest of the world, not hide from it.

Mr. Thomas, how did the Trump Administration's withdrawal from the Joint Comprehensive Plan of Action (JCPOA) and the Paris Climate Agreement impact our ability to work with European allies and conduct diplomacy in the Middle East?

Mr. THOMAS. The Trump Administration's decision in 2018 to cease U.S. participation in the JCPOA was welcomed by some U.S. partners and was strongly criticized by others. In the region, a number of U.S. partners welcomed the decision. But as you say, in Europe, many European allies saw the JCPOA as a critical international diplomatic achievement and sought to preserve the benefits. Ultimately, that was not possible. And while the JCPOA is still technically in effect, obviously we have seen Iran surpass its requirements under the JCPOA, and the U.S. has moved beyond even where it was in 2018 in terms of sanctions.

In terms of the kind of broader impact, where the Biden Administration appears to be now is really engaging with partners, including—

Ms. WILLIAMS OF GEORGIA. Mr. Thomas, unfortunately I am out of time—

Mr. THOMAS. Sorry.

Ms. WILLIAMS OF GEORGIA. —which I knew would happen. And I have many more questions to submit for the record.

Thank you, Mr. Chairman.

Chairman HUIZENGA. The gentleman from Tennessee, Mr. Rose, is recognized for 5 minutes.

Mr. ROSE. Thank you, Chairman Huizenga, for holding this incredibly important hearing. And thank you to our witnesses for being here. I know you have had a busy week.

I would like to start off by saying how incredibly disappointed I have been in the Biden Administration's lax Iran policies. Iran is a long-time state sponsor of terror and a major supporter of Hamas. The unspeakable terrorist attacks that occurred in Israel by Hamas have left all of us sick over the barbarity of these atrocities committed against Israelis, Americans, and numerous other nationalities.

It is crystal clear that Hamas, and Hamas' benefactor, Iran, have zero regard for the sanctity of human life. It greatly concerns me that the Biden Administration has recently allowed billions of dollars in Iranian funds to be transferred around the globe in an opaque and completely nontransparent manner. It is absolutely essential that Congress fully understand how these money transfers were allowed, and the current status of the these Iranian funds.

And, Mr. Chairman, I might note, we don't need necessarily more sanctions; we need the ones we already have to be enforced by this Administration.

Mr. Thomas, are you aware of any database or set of information available from Treasury that allows the public to understand where Iran's money is in the world?

Mr. THOMAS. I am not.

Mr. ROSE. Mr. Noronha, do you think it would be in the public interest for Treasury to publish data that would help to allow the public to understand where Iran's money is in the world?

Mr. NORONHA. Absolutely. And I think it would help Congress do its oversight job and not just rely on the Executive Branch to do what Congress tells it to do.

Mr. ROSE. In September, the Administration established a new humanitarian channel in Qatar to administer \$6 billion in Iranian assets from South Korea. Treasury describes this channel as a way to, "further facilitate the flow of humanitarian assistance to the people of Iran."

Mr. Thomas, is it unusual for Treasury to create a humanitarian channel? And why would Treasury need to create a humanitarian channel?

Mr. THOMAS. I think probably the closest analog to the humanitarian channel in Qatar was the Swiss Humanitarian Trade Arrangement which was set up by the Trump Administration in February of 2020. That was based on October 2019 understandings between the Departments of State and Treasury to basically create mechanisms to facilitate humanitarian trade into Iran.

In terms of why it is necessary, I believe the intent is to give extra cover to private organizations, private businesses that want to participate in this trade but otherwise might be deterred for fear of U.S. sanctions. It is basically telling people who want to participate in this, "You will not be exposed to U.S. sanctions if you participate in humanitarian transactions involving Iran."

That doesn't mean that those businesses are going to participate in it. You can open the door, but you can't force anybody to walk through it. And my understanding of the Swiss Humanitarian Trade Arrangement is that only a few transactions were processed through it.

Mr. ROSE. Is there a stark difference between a humanitarian channel and other escrow accounts that are available to Iran for humanitarian trade purposes?

Mr. THOMAS. It is difficult to say with respect to the humanitarian channel in Qatar. As you said, that was announced by the Treasury Department in mid-September, and as of early October, it appears that the circumstances surrounding those funds have changed. Although, the Administration has not made an official statement on the status of those funds.

Based on the arrangements that governed the Swiss humanitarian channel, I would imagine that basically, it involves increased due diligence requirements on the financial institutions involved in processing those transactions.

Mr. ROSE. In your opinion, is there enough information publicly available on the humanitarian channels to understand how effective they have been in the past or how effective this one might be

in getting the appropriate assistance to Iranian citizens themselves?

Mr. THOMAS. I think we already see Congress starting to take this up as an oversight mechanism. I will point you to H.R. 5826, which was marked up in the House Foreign Affairs Committee last week. That legislation would require biannual—every 6 months—reports from the Administration specifically on the \$6 billion in Qatar. But I don't think there is any reason why Congress couldn't broaden that reporting requirement to try to have more visibility, as Mr. Noronha said, into where those funds are and what is the status.

Mr. ROSE. Thank you.

I see my time is about to expire, Mr. Chairman, so I yield back.

Chairman HUIZENGA. The gentleman yields back.

With that, the ranking member of the subcommittee, the gentleman from Texas, Mr. Green, is recognized for 5 minutes.

Mr. GREEN. Thank you, Mr. Chairman.

While I greatly appreciate the commentary of Mr. Goldberg, my questions were not directed to Mr. Goldberg. And there is a reason I didn't direct my questions to Mr. Goldberg. Mr. Goldberg is not a Member of Congress. Mr. Goldberg doesn't have a vote. Mr. Goldberg has an opinion, and I respect his opinion. But my questions were directed to the Members of Congress who have the opportunity to vote.

Now, to you, Mr. Thomas. You indicated that the architecture for the transaction that took place, the \$6 billion, was created by Congress. Is that correct?

Mr. THOMAS. Yes, sir. I am referring specifically to Section 1245 of the Fiscal Year 2012 NDAA, as well as additional restrictions added by the Iran Freedom and Counter-Proliferation Act in the 2013 NDAA.

Mr. GREEN. And for verification purposes, you are with what entity, please?

Mr. THOMAS. I am a Specialist in Middle Eastern affairs at the Congressional Research Service.

Mr. GREEN. And that is an entity associated with what organization or what body, please?

Mr. THOMAS. We are part of the Library of Congress. We provide nonpartisan authoritative information and analysis to all 535 Members of Congress and their staff, and all committees, and we work equally on behalf of all Members of Congress.

Mr. GREEN. The transaction that took place, the \$6 billion in question, did that transaction take place in contravention of the law?

Mr. THOMAS. The Administration issued waivers on September 11th pursuant to Section 1245 of the NDAA to facilitate the transfer of those funds from South Korea to Qatar.

Mr. GREEN. And if those funds never get to Iran, can they be fungible as they relate to spending in Iran?

Mr. THOMAS. I would say that the terms governing the use of those funds are the same as the restrictions that govern the use of Iranian funds that are held anywhere in the world; namely, that they can only be used for nonsanctioned, bilateral, humanitarian trade. And that is the system that Congress set up, that these

funds had to stay in the jurisdiction where they originated and not ever touch Iran.

Mr. GREEN. And the same Congress that produced this architecture that you called to my attention is the Congress that can change this architecture, is that a fair statement?

Mr. THOMAS. Exactly.

Mr. GREEN. They have a vote.

Mr. THOMAS. Yes, sir.

Mr. GREEN. You don't have a vote, do you, Mr. Thomas? You work for an entity associated with Congress, but you don't have a vote, do you?

Mr. THOMAS. I do not, sir. I am not a Member of Congress.

Mr. GREEN. Okay. I think it is pretty fair to say that we, the Members of Congress, may have some responsibilities, but what you have is an opinion, as is the case with the other witnesses.

Moving on to something else, Hamas is a terrorist organization. What they did was a crime against humanity and should never happen again. But I have lived long enough now and have enough courage to say that we ought not to allow innocent people, regardless of their place of origin, to be killed.

I care about babies in Israel, but I also care about babies in Palestine. Those babies have lives, too. We ought to be concerned about all babies. And we ought to be concerned about, not just winning a war, but winning the peace. You can win a war and lose the peace. How you execute a war has a lot to do with the peace you will have.

And I will tell you that while I did not cosign the resolution, there is a reason: I believe that we should have had language in there about a two-state solution to this problem. Because if we do not, if Congress doesn't go on record, we give the impression that we may be abandoning the two-state solution.

I have not abandoned it. I voted to fund these agreements that we have had with Israel, each and every one of them. But I did it because I thought we would have a two-state solution. And without a two-state solution, I don't see a path to peace.

I thank you for the time, Mr. Chairman. I yield back.

Chairman HUIZENGA. The gentleman's time has expired.

And I will note that, yes, we all do have a vote up here, and we are responsible for those votes and explaining those votes to our constituents. We also have staff that we rely on as well, and I have appreciated those opinions from former staff who have helped us as Members.

Mr. GREEN. And in response to your comment, Mr. Chairman, which you allowed yourself time for; I just ask for equal time. I respect the comments of staff, too. I have no problem with staff. It is just that—

Chairman HUIZENGA. Excellent.

Mr. GREEN. —we have the votes.

Chairman HUIZENGA. There we go.

The gentleman from Pennsylvania, Mr. Meuser, is recognized for 5 minutes.

Mr. MEUSER. Thank you, Mr. Chairman, for this very important hearing.

And certainly, thank you to our witnesses. I appreciate your information very, very much. It is pretty serious stuff.

Mr. Goldberg, the Biden Administration had secretly made available to Iran, since May, \$50 billion for nothing more than a promise that Iran would not provoke an immediate nuclear crisis by producing weapons-grade uranium. This package did include the \$6 billion transferred to Qatar.

I met with the International Atomic Energy Agency (IAEA) last year, and they were very clear that Iran was in all kinds of violations, and they were making a trip there within about a week to express to them that they are in complete violation of any sort of a—the so-called deal that was being made, the Iran nuke deal.

What are your thoughts there? Why would the Administration continue to work with some sort of deal?

By the way, a colleague in the hearing yesterday, if you remember, stated that that would go down in history as one of the greatest flaws ever, that the previous Administration had gotten out of that.

I don't know what kind of agreement there is when one side just blatantly doesn't follow it, doesn't allow surprise inspections. You give them a month's notice to show up, and then, they can tell when the uranium was moved and how much was actually extracted from the area. Yet, this Biden Administration continues to try to work with this Iranian terrorist state.

Why do you think that is?

Mr. GOLDBERG. Congressman Meuser, as a staff member to people who voted many years ago when I wrote both of those sanctions laws we are talking about, and they passed 100–0 and 94–0 in the Senate, and by unanimous consent here in the House—and I thank everybody who voted on it at the time and the staff who worked on it.

Mr. MEUSER. Yes.

Mr. GOLDBERG. I would say that, at that time, we had a bipartisan consensus that more money for the Islamic Republic of Iran was bad and that we should continue to pressure, contain, and roll back that regime across all of its malign activities.

Mr. MEUSER. Right.

Mr. GOLDBERG. That changed during the JCPOA. We have gone into camps. It is ideological. It is political.

Mr. MEUSER. Right.

Mr. GOLDBERG. And we advised—

Mr. MEUSER. It is amazing the level of Iranian sympathizing that is taking place. I agree with you.

And you wrote, I think, that we now see the results of policies and appeasement that enrich the world's leading state sponsor of terror, and then we just go on.

And I want to talk to Mr. Noronha and Mr. Thomas as well. There is no debating that things such as the increase of exports—1.5 million barrels per day, the highest monthly rate since 2018—there is no getting around those facts.

And the level of funding that is coming into Iran, the sponsor of terror, that is clear and known to Democrats and Republicans, that is happening. And yet, at the same time, they are selling it to China at discounts, and we know this.

And it is also stated there is no way for Iran to boost its exports to this extent without the White House ordering the nonenforcement of U.S. sanctions and providing clear signals to Beijing that U.S. sanctions will not be enforced.

What is going on here?

Mr. Noronha?

Mr. NORONHA. \$150 million a day in Iranian oil revenue is currently what is happening. And that does not go to the Iranian central budget; that goes to the IRGC's budget. They have a special deal; they get the Iranian oil revenue.

Respectfully, sir, that is exactly what is happening. It is a funneling for terror financing across the Middle East that reaches to Washington, D.C., because there are assassination attempts ongoing here in this Capitol.

Mr. MEUSER. Right.

Mr. Thomas, allowing the missile embargo on Iran to expire; granted, the national legitimacy to Iran's transfer of armed drones to Russia, who were sending billions and billions of American taxpayer dollars to the Ukraine, and yet we are allowing this to help fund Russian drones and ballistic missiles. What do you think about that?

Mr. THOMAS. The sunset you are referring to that happened this week did draw condemnation from a number of Members of Congress. It also drew attention in Europe, which has been the focus of a number of Members who have sought to have European partners of the United States join U.S. efforts to continue those restrictions.

Mr. MEUSER. I think it is insane.

I want to ask you a question. Do we have any documentation or any reason to believe, or are there any facts or connections to the idea that there may be a transfer of funds from Iran to any member of the Biden family? Does anybody have any information on that?

Chairman HUIZENGA. The gentleman's time has expired.

Mr. MEUSER. If you do, please let me know for the record.

I yield back.

Chairman HUIZENGA. The gentleman can pose that question in writing if he so chooses.

With that, the gentleman from Wisconsin, Mr. Steil, is recognized for 5 minutes.

Mr. STEIL. Chairman Huizenga, thank you for holding today's hearing, and thank you for waiving me on to the subcommittee.

It is such an important topic that we are discussing, and incredibly timely following the attack by terrorists from Hamas against defenseless Israeli citizens. And when we see Iran as the world's largest state sponsor of terrorism, and we look at the Biden Administration's policy allowing Iran to have access to funds, I think it is imperative that we in Congress examine that and move this Administration in a new and different direction.

I think the direction that this Administration has been going—providing access to funds to Iran, looking the other way as it relates to oil sanctions in particular, where billions of dollars are able to move into Iranian-controlled coffers—is incredibly dangerous.

And I want to dig in a little bit, if I can. I want to start with you, Mr. Noronha. Walk us through a little bit of how these funds are flowing, because I think it is really imperative for the American people to understand.

We had the Biden Administration come forward and say that the Iranians don't have access to these funds in Qatar. Yet, clearly, they issued the waiver and then a license to transfer those funds to Qatar.

Last year, in the NDAA, I successfully got an amendment passed and signed into law that will force this Administration to disclose those types of licenses. Waivers previously were enforced under the 2012 NDAA. Now, we have access to the licenses, so we can actually see with transparency how this Administration is giving deference and giving access to Iran. We now know it went to Qatar.

Do we actually have any proof that what the Administration is saying as it relates to these funds—that the Iranians don't have access, that they haven't done that—what is the proof of this?

Mr. NORONHA. There has been no documentation sent over to Congress. They did not affirmatively provide the package, the written agreement, to Congress.

I think one point that is relevant here is that the laws we have been describing here from 2012 allowed bilateral trade in South Korea won to Iran; they didn't allow for euros and dollars. That is a permissive waiver in the granting of a concession to Iran to allow that money—

Mr. STEIL. I think that is really important. That is the actual waiver. And then, they provide the license to transfer that over to Qatar such that they can be dealing in a much more liquid currency form. Is that right?

Mr. NORONHA. That is correct. If they wanted to buy food and medicine from South Korea, they could have, but they chose not to. Again, the emphasis is not on helping the Iranian people.

Mr. STEIL. So, someone should suspect, why would they not want to buy some food or some medical supplies, and load it onto a boat in South Korea that would then go over to Iran. And maybe then, they could at least argue that they are trying to help people, that they are not going to pilfer these things off the top.

What if, all of a sudden, they want access to euros?

Mr. NORONHA. Because euros are what Hezbollah and Hamas want, at the end of the day, and it is much easier to do this if it is in those currencies.

Mr. STEIL. So, the Administration was hoping everyone would look the other way on the transfer of these funds to Qatar, and most likely, most of the international community would have but for the attack by terrorists from Hamas in Israel, where the world's attention turned to this region once again. And the Administration was exposed for their poor decision to allow the transfer of these funds from custody in South Korea to Qatar. Is that accurate?

Mr. NORONHA. I believe that is, sir.

Mr. STEIL. Let's dive in one step further. I think you made an important point about the Administration looking the other way as it relates to oil sales, which from a dollar standpoint or from a value standpoint—dollar, euro, whatever currency they are operating in—is probably a more relevant discussion point.

And this Administration has looked the other way while Iran has been able to transfer oil to China as well as Syria. Is that accurate?

Mr. NORONHA. They have been notified many times of all the tankers that are evading their sanctions. They know all of this, and they haven't done it.

Mr. STEIL. And why is the Administration looking the other way?

Mr. NORONHA. Because they want to advance their nuclear deal with Iran, which is a broader political objective.

Mr. STEIL. And who gets the funds?

Mr. NORONHA. Iran, at the end of the day——

Mr. STEIL. Does it go to the central bank account? Does it go to a food organization? Does it at least go to some warm and fuzzy operation in Iran so that they can at least pretend they are doing the right thing with it?

Mr. NORONHA. It is a complicated international financial network. It is not easy for them to move things under sanctions. Sanctions make it harder, which is the point. But it is sort of like a sieve; it slowly drips in and comes back into Iran.

Mr. STEIL. And in particular, when Iran has access to new funds, it is like a gift card that gives Iran the ability to purchase other things. And as we know, Iran is the leading state sponsor of terrorism around the globe. And ultimately, I am wildly concerned that these funds are falling into the hands of operations like Hezbollah and Hamas.

Mr. Chairman, thank you for holding this hearing. I yield back.

Chairman HUIZENGA. The gentleman's time has expired.

The gentleman from Tennessee, Mr. Ogles, is recognized for 5 minutes.

Mr. OGLES. Thank you, Mr. Chairman. And thank you all for being here today.

I want to touch on something that Mr. Meuser said, and that you kind of mentioned in passing, Mr. Noronha, which is the idea that Iran has somehow been involved in attempted assassinations on U.S. soil. Can you please expand on that?

Mr. NORONHA. Iran is currently trying to assassinate my former boss, Brian Hook, who has testified before Congress multiple times. They are trying to assassinate Mike Pompeo, and John Bolton, but also Democrats. They are trying to assassinate current officials of the Biden Administration: General Mark Milley, who served both Presidents; and Masih Alinejad, who testified before Congress yesterday.

They are trying to do it, and they have made active attempts. And I will leave that to your imagination. They have been described in some Department of Justice filings as showing up on people's doorsteps with guns, and getting within 100 feet of targets.

A lot of our public servants have to live with 24-hour security details, and they have been living with them for 3 years, if not longer. That is not how Americans should have to live. This is not a Republican/Democrat thing; this is a disgrace to our public servants who have served this country, in both Administrations, and shouldn't be treated this way.

Mr. OGLES. So, to emphasize, both Republicans and Democrats live under constant fear. It is documented, and we know it because of assassination attempts or plans against their lives. Is that fair?



Mr. NORONHA. It is, sir.

Mr. OGLES. Is it reasonable to assume that giving Iran or Qatar any mechanism by which money would flow into Iran would somehow aid and abet the missions to kill Americans on U.S. soil?

Mr. NORONHA. These operations are expensive. They need the money to do it. They have bounties of up to a million dollars on the heads of each of these Americans. That money is absolutely subsidizing these assassination threats. They would probably still try to do them, but it makes their job much easier.

Mr. OGLES. Would it be in the best interest of our homeland and the aforementioned individuals whose lives are under a fatwa or assassination orders that these monies be pulled back and blocked in perpetuity?

Mr. NORONHA. I believe it could save their lives—at least some of their lives, if we do so.

Mr. OGLES. Mr. Goldberg, do you have any comments?

Mr. GOLDBERG. No, sir. The leading state sponsor of terrorism with active plots to kill Americans should not have access to a nickel, if we can stop it.

Mr. OGLES. Would you like to say that again a little louder?

On that, Mr. Steil mentioned Qatar. What active role has Qatar played in essentially aiding Iran to get around sanctions, which then allows moneys to flow to these active terrorist organizations, state sponsors of terrorism, the literal active, ongoing assassination attempts against former and current public officials?

Mr. Noronha?

Mr. NORONHA. My understanding is that, separate of the \$6 billion which we are debating, Qatar is not typically an economic partner of Iran. They are not typically the sanctions-busting jurisdiction involved here.

Mr. OGLES. Mr. Goldberg?

Mr. GOLDBERG. Listen, in general, we should have a principle that there is no access to cash, there are no relationships, there is no safe harbor. You should not be in the capital of Qatar, Doha, and have a summit between the Iranian foreign minister and the head of Hamas, and then, by the way, allow that same Iranian foreign minister, who was also in Beirut earlier this summer before the attacks, to come to New York on a visa.

Mr. OGLES. Mr. Goldberg, when we look at the \$6-billion Iran deal, there was a prisoner swap, obviously the funds. In my opinion, it is appeasement. But can you give us a broader scope of that deal and, again, the risk associated with it as—again, we have a minute, so I am going to give you the floor—but the unintended consequences of this, again, appeasement of state terror?

Mr. GOLDBERG. I think it is a very important time to zoom out and think about this at a strategic level. Right now, we have all talked about the brink of regional war. Why would we be on the brink of regional war? Because Iran is not deterred. Why has Iran not deterred? Because as much as the President says, I am going to send another carrier strike group—don't do it, don't do it, Iran—they also, at the same time, see a posture of saying, how much money can we make available to you so that we don't have to confront you if you continue to escalate your nuclear program?

As long as we have \$10 billion-plus in a waiver that is continuing to build up money available to the regime in Oman, \$6 billion moved from South Korea, all the oil that is flowing—it is not possible to allow that much oil to go without having built-up sanctions targets that you are sitting on, that you are not imposing sanctions on and not talking to Beijing about first.

All of that—\$50 billion or more, the \$80 billion since 2021—needs to stop; otherwise, they will continue to push and push until this escalates further.

Mr. OGLES. Mr. Goldberg, really quickly, is the world a more dangerous place because of this \$6 billion?

Chairman HUIZENGA. The gentleman's time has expired.

Mr. GOLDBERG. Yes, sir.

Mr. OGLES. Thank you.

Mr. Chairman, I yield back. Thank you.

Chairman HUIZENGA. Okay.

I would like to thank all of our witnesses for their testimony today and, frankly, for their current and past service to our country, and to the various legislative and executive organizations that have helped this government.

And at some point, we are going to need to explore doing this in a podcast format. I believe this is something—between two hearings yesterday, and a hearing today, and there is a hearing happening in the U.S. Senate right now as well, this is certainly at the forefront of many of the conversations that are happening in Congress writ large and, I think, around the world.

The Chair notes that some Members may have additional questions for this panel, which they may wish to submit in writing. Without objection, the hearing record will remain open for 5 legislative days for Members to submit written questions to these witnesses and to place their responses in the record. Also, without objection, Members will have 5 legislative days to submit extraneous materials to the Chair for inclusion in the record.

With that, this hearing is adjourned.

[Whereupon, at 10:34 a.m., the hearing was adjourned.]

# **A P P E N D I X**

October 26, 2023

CONGRESSIONAL TESTIMONY: FOUNDATION FOR DEFENSE OF DEMOCRACIES

House Financial Services Committee  
*Subcommittee on Oversight and Investigations*

# Moving the Money

## Understanding the Iranian Regime's Access to Money Around the World and How They Use It to Support Terrorism

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Washington, DC  
October 26, 2023



[www.fdd.org](http://www.fdd.org)

Chairman Huizenga, Ranking Member Green, and distinguished members of this subcommittee, thank you for the opportunity to address you today on this important issue.

We gather here today less than three weeks after the most horrific massacre of Jews since the Holocaust. The crimes against humanity committed by Hamas will take a lifetime to fully process. And we still don't even know the half of it.

Hamas is responsible for the murders of dozens of Americans and has long been designated as a terrorist organization in the United States, the United Kingdom, and the European Union.

But we know Hamas is but one terror tentacle of a much larger octopus — with its head in Tehran.

Iran bears direct responsibility for Hamas' massacre. Iran provides at least \$100 million per year to Hamas to carry out its terror operations against Israel.<sup>1</sup> It coordinates Hamas' activities with Hezbollah and Islamic Jihad from a war room in Beirut.<sup>2</sup> Iranian, Hezbollah, and Hamas sources have told major newspapers that the Islamic Revolutionary Guard Corps (IRGC) was involved in planning the massacre.<sup>3</sup> During a briefing this week, Israel Defense Forces General Mickey Edelstein told reporters, "We have evidence of Iranian involvement. . . . I cannot elaborate too much, but there are trained cells within Gaza."<sup>4</sup>

Not one full month before the October 7 massacre, I sat before the House Oversight and Accountability Subcommittee on National Security, the Border, and Foreign Affairs to describe a massive \$50 billion sanctions relief package that the Biden administration had secretly made available to Iran since May — all in exchange for nothing more than a promise that Iran would not provoke an immediate nuclear crisis by producing weapons-grade uranium.<sup>5</sup> This package included the \$6 billion transferred to Qatar ostensibly tied to the release of U.S. hostages — but it provided Iran with so much more.

<sup>1</sup> "10 Things to Know about Hamas," *Foundation for Defense of Democracies*, October 16, 2023. (<https://www.fdd.org/analysis/2023/10/16/10-things-to-know-about-hamas>); U.S. Department of the Treasury, Press Release, "Treasury Targets Covert Hamas Investment Network and Finance Official," May 24, 2022. (<https://home.treasury.gov/news/press-releases/jv0798>)

<sup>2</sup> Jonathan Schanzer, "Iran-Hezbollah Intelligence Center May Help Hamas Target Israel," *Foreign Policy*, September 13, 2023. (<https://foreignpolicy.com/2022/09/13/iran-hezbollah-hamas-israel-beirut-lebanon-intelligence-sharing-center>)

<sup>3</sup> Farnaz Fassihi and Ronen Bergman, "Hamas Attack on Israel Brings New Scrutiny of Group's Ties to Iran," *The New York Times*, October 13, 2023. (<https://www.nytimes.com/2023/10/13/world/middleeast/hamas-iran-israel-attack.html>); Summer Said, Benoit Faucon, and Stephen Kalin, "Iran Helped Plot Attack on Israel Over Several Weeks," *The Wall Street Journal*, October 8, 2023. (<https://www.wsj.com/world/middle-east/iran-israel-hamas-strike-planning-bbe07b25>)

<sup>4</sup> Deborah Haynes, "Israel says it has evidence of Iranian 'involvement' in Hamas attack - but 'cannot elaborate,'" *Sky News* (UK), October 23, 2023. (<https://news.sky.com/story/amp/israel-says-it-has-evidence-of-iranian-involvement-in-hamas-attack-but-cannot-elaborate-12991025>)

<sup>5</sup> Richard Goldberg, "A Dangerous Strategy: Examining the Biden Administration's Failures on Iran," *Testimony before the House Oversight and Accountability Subcommittee on National Security, the Border and Foreign Affairs*, September 13, 2023. (<https://oversight.house.gov/wp-content/uploads/2023/09/09-13-23-Goldberg-Testimony.pdf>)

As I warned at the time: “The tens of billions of dollars in sanctions relief that Iran will receive will underwrite all these malign activities. While the administration claims the funds are restricted to humanitarian uses, money is fungible. What the regime will save by paying its debts with this new infusion of cash will free up money to pay for weapons, terrorism, an advancing nuclear program, and human rights crackdowns.”

We now see the results of a policy that seeks to appease and enrich the world’s leading state sponsor of terrorism.

Ladies and gentlemen, fellow Americans, the era of U.S. appeasement of Iran must come to an end.

We are at a moment where long-held assumptions should be reevaluated. Policies toward Hamas and countries that enable Hamas like Qatar and Turkey are rightfully being reconsidered. So too should Congress, on a bipartisan basis, help the Biden administration steer its Iran policy in a new direction.

In May 2023, the White House secretly dispatched National Security Council Middle East and North Africa Coordinator Brett McGurk to send messages to Tehran through the sultan of Oman — presumably asking the Omanis to serve as a backchannel in brokering a nuclear deal with Iran.<sup>6</sup> This is what McGurk’s boss — National Security Advisor Jake Sullivan — had done in 2013 to offer what would become the Joint Plan of Action and eventually the Joint Comprehensive Plan of Action (JCPOA). On May 26, 2023, Oman was the site of a controversial prisoner exchange in which Belgium traded an Iranian diplomat convicted of attempting to bomb a rally in Paris (that prominent Americans were scheduled to attend) for a Belgian aid worker taken hostage by Iran.<sup>7</sup> Three days later, on May 29, 2023, the sultan of Oman was sitting in Tehran speaking with Ayatollah Ali Khamenei, presumably brokering the deal McGurk had put in play.<sup>8</sup> News of McGurk’s initial visit to Oman earlier in the month would emerge in *Axios* the next day.

On that same day, May 30, 2023, the Governor of the Central Bank of Iran (CBI) — an institution subject to U.S. terrorism sanctions for its role in financing the IRGC, Hezbollah, and other terrorist organizations — unexpectedly departed for Washington, ostensibly for meetings at the International Monetary Fund (IMF).<sup>9</sup> Later that week, speaking from Washington, he would tell Iranian press that “Iran has quick access to \$6.7 billion worth of its available financial resources” at the IMF. I would note for the committee that while subsequent press reports confirmed the new U.S.-Iran nuclear deal includes Iran accessing its IMF special drawing rights (SDRs), we have no further information on the details of how SDRs might be swapped for fiat

<sup>6</sup> Barak Ravid, “Biden adviser discussed possible outreach to Iran on nuclear program with Oman: sources,” *Axios*, May 30, 2023. (<https://www.axios.com/2023/05/30/iran-nuclear-program-oman-outreach-deal-mcgurk>)

<sup>7</sup> Jon Gambrell and Raf Casert, “Belgium, Iran conduct prisoner swap in Oman, freeing aid worker and diplomat convicted in bomb plot,” *Associated Press*, May 26, 2023. (<https://apnews.com/article/iran-belgium-prisoner-swap-oman-caa4a1a0ad05711df8f484d83657a44a>)

<sup>8</sup> “Why Is Oman’s Sultan In Iran And Will It See The Revival Of JCPOA?” *Iran International*, May 29, 2023. (<https://www.iranintl.com/en/202305299397>)

<sup>9</sup> “CBI governor leaves Tehran for Washington to meet IMF officials,” *Tehran Times* (Iran), May 20, 2023. (<https://www.tehrantimes.com/news/485287/CBI-governor-leaves-Tehran-for-Washington-to-meet-IMF-officials>)

currency, nor do we know whether any U.S. officials met with the CBI governor while he was in Washington. Congress should learn what happened and how Iran may be accessing its SDRs — now or in the future.

Confirmation of a new agreement reached between the United States and Iran over its nuclear program was first reported publicly on June 7, 2023, in *Haaretz*.<sup>10</sup> According to that report, Iran would “stop the process of enriching uranium to high levels” in exchange for sanctions relief. The report characterized the release of \$20 billion for Iran’s use — from Iraq, South Korea, and the IMF — as “the first stage” in this “understanding.” The report also referenced the prior month’s Belgian-Iranian prisoner exchange — a man convicted of attempting to bomb a conference for an innocent aid worker — as a confidence building measure offered to Iran to show the West’s sincerity. The extent to which the U.S. government communicated with Belgian authorities — either directly or through the European Union — is not known publicly.

Three days later, on June 10, 2023, Reuters reported that the United States had allowed Iran to use \$2.76 billion of its funds being held in escrow in Iraq to pay off debts in other parts of the world.<sup>11</sup> On July 3, 2023, *Iran International* quoted the head of the Iran-Iraq Chamber of Commerce as claiming that \$10 billion of Iraqi “debts to Iran” had been made available for buying “non-sanctioned” goods.<sup>12</sup>

On July 14, 2023, *The Wall Street Journal* reported that Iraq and Iran had agreed to trade oil for gas as another way for Tehran to gain economic relief — a swap that should be prohibited under U.S. sanctions absent a national security waiver since trade in oil remains a sanctionable activity.<sup>13</sup>

On July 18, 2023, Reuters reported that the Biden administration had issued a new national security waiver facilitating Iraqi payments for Iranian electricity.<sup>14</sup> This waiver, however, was something new. Rather than keeping money in escrow in Baghdad, Iraq would now be allowed to transfer its payments to third party countries for Iran’s further use. Under questioning on July 24, 2023, the State Department spokesperson revealed that Iran’s funds previously held in Iraq, totaling an estimated \$10 billion, would be transferred to a bank in Oman, where Iran could draw

<sup>10</sup> Amos Harel, “Major Progress Made in Nuclear Talks Between U.S. and Iran in Preparation for a New Agreement,” *Haaretz* (Israel), June 7, 2023. (<https://www.haaretz.com/israel-news/2023-06-07/ty-article/premium/major-progress-made-in-nuclear-talks-between-u-s-and-iran/00000188-94bd-df21-a1b8-b7bd413d0000>)

<sup>11</sup> “Iraq to pay \$2.76 billion in gas and electricity debt to Iran,” *Reuters*, June 10, 2023.

(<https://www.reuters.com/world/middle-east/iraq-pay-276-bln-gas-electricity-debt-iran-2023-06-10>)

<sup>12</sup> “Iran Official Claims Iraq Has Released All Of Its \$10 Billion Debt,” *Iran International*, July 3, 2023. (<https://www.iranintl.com/en/202307037277>)

<sup>13</sup> David S. Cloud and Ghassan Adnan, “Iraq Tests U.S. Sanctions With Oil-for-Gas Deal With Iran,” *The Wall Street Journal*, July 14, 2023. (<https://www.wsj.com/articles/iraq-tests-u-s-sanctions-with-oil-for-gas-deal-with-iran-c318b917>)

<sup>14</sup> Arshad Mohammed, “Exclusive: US issues new 120-day waiver letting Iraq pay Iran for electricity,” *Reuters*, July 18, 2023. (<https://www.reuters.com/business/energy/us-issues-new-waiver-allowing-iraq-pay-iran-electricity-2023-07-18>)

down funds to subsidize its budget.<sup>15</sup> The involvement of any other countries and their banks is not publicly known.

That waiver should be revoked, and a new waiver should be issued, adhering to previous U.S. policy requiring Iraq to deposit funds paid for Iranian electricity into an escrow account in Baghdad. All funds held by Iran in Oman should be immediately restricted without exception. Not a penny should move out of Oman or Iraq for Iran's benefit. We should also demand a full accounting of every penny moved out of Iraq since the July waiver.

While billions of dollars were being made available to Iran via Baghdad and Muscat, another central pillar of the new U.S. policy was coming into public view. On June 16, 2023, a Reuters headline screamed: "Iran's oil exports hit 5-year highs as US holds nuclear talks," while the report said Iran's crude exports exceeded 1.5 million barrels per day in May — the highest monthly rate since 2018.<sup>16</sup> On July 6, 2023, *The Wall Street Journal* reported that Iranian oil exports had reached yet another five-year high at 1.6 million barrels per day — more than double the level from one year prior.<sup>17</sup> By August 21, 2023, Bloomberg reported that one popular tanker tracking firm estimated Iran's oil exports surpassed 2.2 million barrels per day during the first 20 days of August.<sup>18</sup> A September 4, 2023, report from Bloomberg pegged Iranian crude exports at somewhere between 1.4 million and 1.9 million barrels per day — with China being the primary export market.<sup>19</sup> These figures are in stark contrast to where Iranian oil exports stood at the height of the Trump administration's maximum pressure campaign, when oil exports had plummeted to a few hundred thousand barrels per day.<sup>20</sup>

On the record, the State Department would have you believe that the Biden administration is fully enforcing U.S. oil sanctions. As someone who drafted these sanctions in the U.S. Senate and helped coordinate their enforcement in the National Security Council — there is no way for Iran to boost its exports to this extent without the White House ordering the non-enforcement of U.S. sanctions and providing clear signals to Beijing that U.S. sanctions will not be enforced. Indeed, on August 25, 2023, Bloomberg reported that "US officials privately acknowledge they've gradually relaxed some enforcement of sanctions on Iranian oil sales." While Congress provided the president a national security waiver authority in law, he has not exercised that

<sup>15</sup> Matthew Miller, "Department Press Briefing," *U.S. State Department*, July 24, 2023.

(<https://www.state.gov/briefings/department-press-briefing-july-24-2023/#post-463770-iran-oman>)

<sup>16</sup> Alex Lawler, "Iran's oil exports hit 5-year highs as US holds nuclear talks," *Reuters*, June 16, 2023.

(<https://www.reuters.com/markets/commodities/irans-oil-exports-output-hit-five-year-highs-us-holds-nuclear-talks-2023-06-16>)

<sup>17</sup> Benoit Faucon, "Iran Floods Global Markets With Cheap Oil as Saudi Arabia Cuts Output," *The Wall Street Journal*, July 6, 2023. (<https://www.wsj.com/articles/iran-floods-global-markets-with-cheap-oil-as-saudi-arabia-cuts-output-e78aeac>)

<sup>18</sup> Alaric Nightingale, "Iran's Booming Oil Flows Surge Above 2 Million Barrels a Day," *Bloomberg*, August 21, 2023. (<https://www.bloomberg.com/news/articles/2023-08-21/iran-s-booming-oil-flows-surge-above-2-million-barrels-a-day?ref=3OIZCXOE>)

<sup>19</sup> Sharon Cho, Serene Cheong, and Anthony Di Paola, "Iran's Booming Oil Exports Are Poised to Slow for Rest of Year," *Bloomberg*, September 4, 2023. (<https://www.bloomberg.com/news/articles/2023-09-04/iran-s-booming-oil-exports-are-poised-to-slow-for-rest-of-year/embedded-checkout=true>)

<sup>20</sup> Alex Lawler, "As Trump's sanctions bite, Iran's oil exports slide further in June," *Reuters*, June 24, 2019. (<https://www.reuters.com/article/us-oil-iran-exports-idUSKCN1TP1F0>)



authority. Congress has a responsibility to ensure sanctions are not merely on the books but also enforced.<sup>21</sup>

Putting a value estimate on this oil sanctions relief is a moving target, given the changing price of oil, the discount China is likely receiving, and the inherent costs associated with illicit transfers, albeit with tacit U.S. permission. My FDD colleague, economist Saeed Ghasseminejad, estimated it to be between \$26.3 billion and \$29.5 billion.<sup>22</sup> We don't know if the administration has greenlighted any financial payments between China and Iran. But we are seeing evidence of major barter deals in which Beijing pays for this oil in the form of multi-billion-dollar infrastructure projects — like a \$2.7 billion redevelopment of Tehran's international airport announced in late August.<sup>23</sup>

Unlike other permissive sanctions laws, the statutes governing Iranian oil exports are not subject to the executive's discretion in the absence of a national security waiver. These laws use the word "shall" instead of "may" when mandating the imposition of sanctions.

I am confident that the Treasury Department has a long list of potential sanctions targets to pursue to crack down on this oil trade — but the White House has directed a policy of non-enforcement. Congress can put pressure on the administration to enforce sanctions through investigations, oversight, and new reporting and determination requirements. And Congress can also hold the administration accountable for what this scheme is really all about — avoiding submitting its nuclear agreement to Congress, as is statutorily required under the Iran Nuclear Agreement Review Act.

That brings us to the money most people talk about — the \$6 billion moved from South Korea to Iranian banks accounts in Qatar last month, ostensibly as part of a hostage ransom payment to Tehran.<sup>24</sup> While the administration claims it has frozen that money — for now — Qatar and Iran claim otherwise.<sup>25</sup> Congress should quickly pass legislation to ensure all funds held in Qatar remain inaccessible to Iran — and extend that restriction to all other Special Purpose Accounts where other Iranian assets may be held in escrow, including the \$10 billion held in Oman.

The administration can also impact Iran's economy in other ways — not just financial sanctions. Last week, while the president visited Israel, he and our European allies allowed the United Nations (UN) missile embargo on Iran to expire. The market in Iran sees this for what it is —

<sup>21</sup> Grant Smith, Anthony Di Paola, and Ben Bartenstein, "For Global Oil Markets, a US-Iran Deal Is Already Happening," *Bloomberg*, August 25, 2023. (<https://www.bloomberg.com/news/articles/2023-08-25/for-global-oil-markets-a-us-iran-deal-is-already-happening>)

<sup>22</sup> Saeed Ghasseminejad, "The Monetary Value of Relaxed Oil Sanctions Enforcement by the Biden Administration," *Foundation for Defense of Democracies*, September 28, 2023. (<https://www.fdd.org/analysis/2023/09/28/the-monetary-value-of-relaxed-oil-sanctions-enforcement-by-the-biden-administration>)

<sup>23</sup> "Iran Finalizes Bartering Deal of Oil with China to Develop IKIA," *Tasnim News Agency* (Iran), August 27, 2023. (<https://www.tasnimnews.com/en/news/2023/08/27/2947863/iran-finalizes-bartering-deal-of-oil-with-china-to-develop-ikia>)

<sup>24</sup> Jon Gambrell and Matthew Lee, "Iran transfers 5 Iranian-Americans from prison to house arrest in step toward deal for full release," *Associated Press*, August 10, 2023. (<https://abcnews.go.com/US/wireStory/iran-puts-5-iranian-american-prisoners-house-arrest-102170613>)

<sup>25</sup> "Qatar Says Will Honor Deal Over Iran's Funds," *Iran International*, October 13, 2023. (<https://www.iranintl.com/en/202310132841>)

Richard Goldberg

October 26, 2023

leaving a door open to further nuclear talks and U.S. sanctions relief. Additionally, allowing the missile embargo on Iran to expire grants international legitimacy to Iran's transfer of armed drones to Russia for use against Ukraine and further legitimizes any future transfers of ballistic missiles, too.

There is an easy way to restore that embargo and all other UN restrictions and sanctions on Iran: the snapback. With a simple letter to the Security Council, the United States along with the United Kingdom, France, and Germany can start a 30-day process to "snapback" sanctions — something Russia and China cannot block pursuant to UN Security Council Resolution 2231. Doing so will help our broader national security strategic objectives and create enormous pressure on Iran's economy by removing any doubt that the era of appeasement has come to an end.

We should be pushing our ally, the United Kingdom, to do much more in this arena. Prime Minister Sunak and Foreign Secretary Cleverly have both come forward to condemn Hamas, yet their policies continue to enrich Hamas' chief sponsor in Iran. Sunak and Cleverly continue to block Home Secretary Braverman from proscribing the IRGC as a terrorist organization despite reports of a deep network through Britain.<sup>26</sup> In the face of an IRGC-sponsored massacre of 1,500 Jews and ongoing threats to Jewish communities inside the UK, it's time for Rishi Sunak to do the right thing. And if he can summon the moral fortitude that this moment demands, the European Union will follow.

This committee plays a crucial role in overseeing the enforcement of U.S. sanctions. You can lead the way to a new bipartisan Iran policy that denies resources to the world's leading state sponsor of terrorism: First, by locking down all Iranian funds held around the world; next, by pressing for oil sanctions enforcement; and finally, by expanding our financial pressure on the regime in Tehran while supporting the aspirations of the Iranian people.

We must hold Hamas accountable for the October 7 massacre, but a policy that seeks pressure on Hamas while relieving pressure on Hamas' sponsors is fundamentally flawed. Now is the time to put pressure on the entire octopus: head and tentacles together.

Thank you, and I look forward to your comments and questions.

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<sup>26</sup> Katie Grant, "Suella Braverman 'to redouble efforts' for IRGC ban after group thanked Hamas," *The Jewish Chronicle* (UK), October 10, 2023. (<https://www.thejc.com/news/news/suella-braverman-to-redouble-efforts-for-irgc-ban-after-group-thanked-hamas-1Oydk5RpngsV5cw9JgaDL9>)

**House Committee on Financial Services  
Subcommittee on Oversight and Investigations**

**Hearing: Moving the Money: Understanding the Iranian Regime's Access  
to Money Around the World and How They Use It to Support Terrorism**

**Testimony by Gabriel Noronha  
Fellow, Jewish Institute for National Security of America (JINSA)  
Thursday, October 26, 2023**

*"The reality of jihad is the expenditure of effort and energy, and money is the backbone of war" –  
 Hamas Fundraising Appeal, 2019*

Since 2012, the Islamic Republic of Iran has spent more than \$20 billion to support foreign terror groups in the Middle East and beyond. The regime in Iran uses these terror groups to advance its radical and revolutionary ideology dedicated to the destruction of the State of Israel (the "Little Satan"), the destruction of the United States (the "Great Satan"), and to undermine and overthrow rival Sunni governments in the Middle East. The regime massively increased funding to Hamas in the past year – enabling the terror group to launch the heinous October 7 terror attacks and to sustain its ongoing operations. This attack would not have been possible without funding from the regime in Iran.

Supreme Leader Ali Khamenei's economic and budgetary philosophy is to use all funds the regime can obtain for the support and conduct of its foreign policy of terrorism, leaving the bare minimum to sustain the needs of a functional state and ignoring entirely the material needs of the Iranian people. The United States must not aid this effort.

Instead of enabling the regime to access large sources of funding from abroad, the United States should claw back all funds within its jurisdictions, aggressively disrupt Iran's oil exports, advance economic pressure on other fronts, and force the regime to reckon with budgetary conundrums that will either degrade its domestic stability or its terror capabilities. This economic strategy is a critical part of any proper U.S. government strategy to curtail the regime's threats, but it must also be paired with robust military deterrence, diplomatic pressure, and support for the Iranian people's fight for freedom.

This testimony provides statistics and details on Iran's terror spending and financing, a brief outlook on Iran's economic strength and weaknesses, an analysis of recent large inflows of funds into Iran, an analysis of successes and failures of U.S. sanctions and economic pressure, as well as policy and legislative recommendations for Congress.

**Section 1 - Trends in Iranian Terror Spending:**

From 2012-2018, Iran spent \$16 billion propping up the Assad regime and supporting its other terror partners in Syria, Iraq, Yemen, Lebanon, and Palestinian Territories. While this spending decreased from 2019-2020, it has since increased to record highs.

### **Iranian Support for Hamas:**

The regime in Iran has financially and materially supported Hamas since 1992, when Yasser Arafat said Iran had provided Hamas with \$30 million. In 1995, CIA Director James Woolsey told Congress that Iran had provided Hamas with \$100 million over an unspecified time period.<sup>1</sup>

By 2008, Iran's support to Hamas had soared to as high as \$300 million per year while also training up to 6,500 terrorists in IRGC bases in Iran and providing Hamas with rockets, mortars, and explosively formed penetrators (EFPs).<sup>2</sup>

After a 2012-2017 hiatus over disagreements regarding Syrian dictator Bashar al-Assad's slaughter of Muslims, Hamas rebuilt its ties with Tehran and announced that the Iranian regime was once again its "largest backer financially and militarily".<sup>3</sup> In 2018, the State Department disclosed that Iran was providing Palestinian terror groups, including Hamas, with \$100 million per year.<sup>4</sup>

Despite the regime's frequent claims that it supports the Palestinian people, the Iranian government only provided the Palestinian people \$20,000 in aid via UNWRA from 2008 to 2017, compared to \$3 billion in contributions by the United States and almost \$2 billion from the European Union during the same period.<sup>5</sup>

In 2019, after the United States reimposed sanctions on Iran, the regime's available funds for terrorism declined and Hamas was forced to institute an "austerity plan". However, in the past year as Iran's oil sales have soared, the regime's financial support to Hamas has increased to \$350 million annually.<sup>6</sup> According to recent disclosures by Israeli officials, Hamas now receives over 93 percent of its budget from the Iranian regime.<sup>7</sup>

### **Hamas' Other Fundraising Avenues:**

During the 1990s, independent experts also estimated that between 40-80 percent of Hamas' budget was sourced from private donations in the United States. Starting around 2019, these donations have largely been raised through cryptocurrency.<sup>8</sup> One report cited by the Wall Street Journal suggests that rival terrorist group Palestinian Islamic Jihad raised \$93 million between August 2021 and June 2023 while Hamas raised \$41 million over a similar time period,<sup>9</sup> but another analysis questioned the magnitude of these numbers.<sup>10</sup> As authorities cracked down on trackable crypto donations in the past several months, these fundraising avenues appear to have dried up or migrated to more secure channels, but this is an area ripe for continued congressional oversight.

Other financial support comes indirectly from Qatar, which contributes \$30 million per month in stipends intended for poor Gazan families, for fuel to generate electricity, and to pay salaries for public officials working in the public government run by Hamas. These funds had been transferred from Qatar to Israeli officials who oversaw distribution alongside U.S. and UN officials.<sup>11</sup> Further congressional scrutiny of the U.S. oversight role in tracking and accounting for this aid, as well as a thorough multilateral review of the program – in coordination with Israel and Qatar – is merited to ensure Hamas and other terror organizations do not have access to divert and misappropriate these funds.

Hamas also earns an estimated \$40 million a month in taxes collected from Gaza residents, allegedly earmarked for Hamas' governing budget.<sup>12</sup> One important mechanism to defund Hamas is to ensure it no longer has control over governing functions of the Gaza Strip or is in any position of responsibility

to collect taxes and distribute financial assistance going forward. One lesson learned from the October 7 attack is that there are terrible repercussions for the international community recognizing Hamas – and other terror groups – as legitimate governments. Enriching such groups only fuels their machines of war and terror, and all funds provided will inevitably be used to bite the hand that feeds them.

#### **Iranian Support for Hezbollah:**

Prior to the September 11<sup>th</sup> terrorist attacks, Hezbollah was responsible for more American deaths than any other terror group, including in the 1983 Beirut Barracks Bombing that claimed the lives of 241 U.S. servicemembers, which was funded and directed by the Iranian regime.

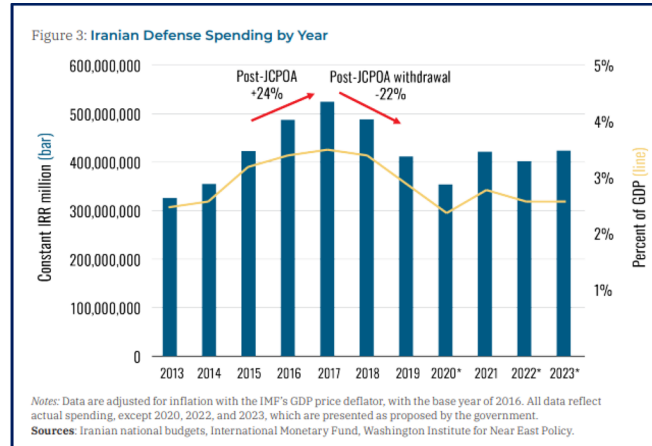
In the 1990s and 2000s, Hezbollah received \$100-200 million per year from the regime in Iran.<sup>13</sup> In 2016, Hezbollah's leader Hassan Nasrallah declared that Hezbollah had secured all of its funding from Iran, and that "as long as Iran has money, we have money." In 2018, the U.S. Treasury disclosed that Hezbollah had been receiving \$700 million per year from the Iranian regime, making up 70 percent of the group's revenue. After the campaign of Maximum Pressure began on Iran in late-2018, the regime was forced to make a dramatic reduction in its financial support, forcing Hezbollah to make draconian cuts to spending, laying off fighters or moving them to reserves without pay, withdrawing troops from Syria, and cancelling most programs on their propaganda channel.<sup>14</sup>

As Iranian funds dried up in 2019, Hezbollah leader Hassan Nasrallah increasingly relied on fundraising appeals from Lebanese citizens, including on radio and TV ads. Additionally, Hezbollah earns large sums through drug smuggling, cigarette smuggling, currency counterfeiting, and arms smuggling – much of which occurs in Latin America.<sup>15</sup> There is scant data for Iran's recent financial support for Hezbollah in the past few years, but Nasrallah continues to regularly thank Tehran for its financial and military support.

#### **Iranian Spending for Military and Terror Programs:**

The government of Iran's public military budget has followed similar trends to its external terror budget: military spending soared during and after JCPOA negotiations suspended sanctions on Iran's oil exports. The reimposition of strict oil sanctions from 2018-2020 saw a 22 percent reduction in Iranian military spending from its 2017 high.<sup>16</sup> In the past few years, Iran's on-the-books spending on military, terror, and internal counter-protester security has rebounded slightly while anecdotal evidence suggests that the real increases are far higher. After nationwide domestic protests in November 2019 and the Fall of 2022, the regime has been extremely reticent to admit its prioritization of such spending over subsidies for food, housing, education, infrastructure. Further, most funding for the IRGC and its terror proxies is off-the-books and comes directly from oil sales which are not reflected in official government budgets.

While Iranian and their proxies' attacks on U.S. forces and interests are typically based on immediate strategic needs, opportunities, and perceptions of American willingness to respond,<sup>17</sup> the terror networks personnel, operations, and the weapons they use rely on steady and predictable financial support from the Iranian regime. Lack of funding forces Iranian-backed terror groups to spend enormous political, diplomatic, and operational capital to find alternative sources of support to sustain and advance their terror plans, while pushing the groups to layoff large numbers of their terrorist fighters and personnel. Alternatively, recent increases in Iranian funding to Hamas provided them the opportunity to take advantage of strategic patience in plotting and executing their October 7 attacks.

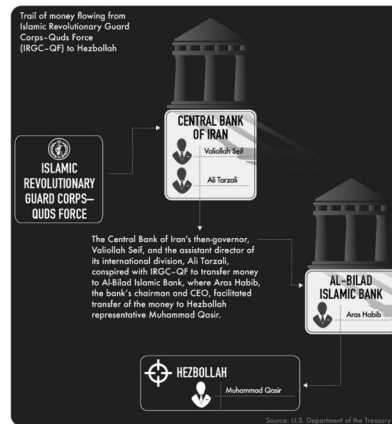


In the Iranian budget beginning March 2022, the regime increased funding for the IRGC's *Shahid Ebrahimi* program to strengthen the "security infrastructure of the country" by 386%. The budget for the Ministry of Intelligence, responsible for hostage-taking, domestic repression, and foreign intelligence operations, increased by 29.8%. This increase provided for a 326% increase to the *Shahid Shateri* program to purchase intelligence safehouses which double as secret torture sites used to extract confessions from Iranian detainees and political prisoners.<sup>1819</sup>

#### Iranian Financial Mechanisms for Funding Terrorism:

The Iranian economic system is designed around the paramount goal of ensuring the regime can divert streams of income to fund terror – to the detriment of all other forms of economic and banking activity in the nation. As former U.S. Treasury Secretary Jack Lew told the Senate Foreign Relations Committee on October 18, 2023, during his confirmation hearing to be U.S. ambassador to Israel, "When you're dealing with Iran, you're not dealing with a rational economic player. You're dealing with an evil, malign government that funds its evil and malign activities first."<sup>20</sup>

Iran's terror financing is often conducted directly through the Central Bank of Iran (CBI), which was sanctioned by the U.S. Treasury in September 2019 for its provision of billions of dollars to the Islamic Revolutionary Guard



Corps (IRGC), its Qods [Jerusalem] Force, and its terror proxies Hezbollah, Hamas, and the Houthis. The CBI has transferred large amounts of foreign currency to the IRGC, including from Iraqi payments, a problem discussed more in Section 4 of this testimony.<sup>21</sup> For this reason and many more, no agreements with Iran should ever include the lifting of sanctions on the CBI and its associated funds, as was originally planned in recent negotiations,<sup>22</sup> until the regime completely overhauls its financial practices and support for terrorism – a step the regime is opposed to at the core of its ideology.

This has been most evident when it comes to the regime's opposition to passing the banking reforms needed to be removed from the Financial Action Task Force (FATF)'s blacklist, on which it was placed in 2020. Today, the only two countries on FATF's blacklist are Iran and North Korea for their persistent efforts to fund terrorism, leaving them isolated from the international banking system. Iranian Supreme Leader Khamenei has struck down repeated attempts by parliamentarians to implement the financial reforms required to remove Iran from FATF's blacklist, including the passage and implementation of the Palermo and Terrorist Financing Conventions.

This has been a conscious effort despite the costs to everyday Iranians and the nation's economic growth. In March 2019, the Iranian Ministry of Foreign Affairs Spokesperson admitted that "not joining FATF will undoubtedly make Iran's international trade more difficult and, in some cases impossible. It will make Iran's partners engaged in legal transactions with Iran face serious and costly problems."<sup>23</sup> Nevertheless, members of Khamenei's inner circle have blocked reforms needed to be removed from the FATF blacklist due to the difficulty that would be involved in funding Hamas and Hezbollah should they do so. One Iranian official admitted this in October 2020, "All these transactions and financial transfers are being carried out in a hidden manner. If we join FATF commitments, we will be held accountable before the FATF executive about where the imports came from and where the exports went, and we would have to provide financial details."<sup>24</sup>

## **Section 2 - Iran's Economic Strengths and Vulnerabilities:**

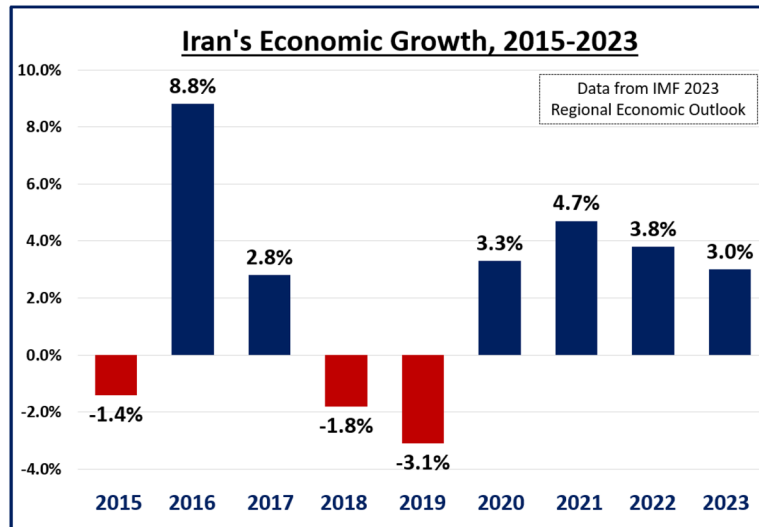
Iran's lack of financial transparency extends to its economic statistics – negative statistics are often hidden or fudged to attempt and bolster the stability of domestic markets, particularly during periods of political instability. However, the broad trajectory is still clear from IMF, U.S., and Iranian data.

Iran's economy has rebounded significantly since 2020 under reduced economic sanctions enforcement. However, endemic corruption, mismanagement, and prioritization of the regime's terror apparatus have left the regime with major long-term economic vulnerabilities.

The Iranian regime is seeking to isolate itself from U.S. and Western sanctions by deepening economic ties with Russia and China. However, the Russian economy is increasingly competing with the Iranian economy as both nations seek to sell their sanctioned oil to unscrupulous customers seeking to leverage political risk to obtain higher price discounts.

Iranian cooperation with China poses a greater threat to the U.S. sanctions regime as Iran sells oil to "sanctions-proof" entities that are either unconnected to the rest of the international financial system or are connected directly to the People's Bank of China, an entity the United States would be hard-pressed to sanction without completely severing the U.S.-Chinese economic relationship and forcing all nations to choose between business with the United States and with China. However, despite much attention paid to Iran-China relationship and the much-vaunted 20-year trade agreement, non-oil trade

is still meager and the announcement of \$400 billion in trade continues to appear to be more of a press release than an evidence-based projection.

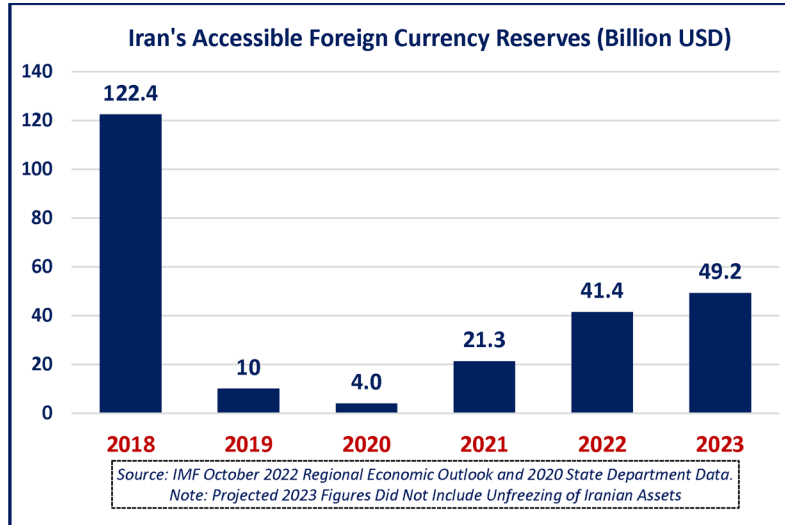


#### Foreign Currency Reserves:

Prior to the reimposition of U.S. sanctions in May 2018, Iran had around \$122 billion in accessible foreign exchange reserves. Sanctions over the next year froze around \$90 billion of these funds, while the regime drew down their other reserves rapidly. In late 2019 and 2020, the Iranian economy was experiencing a severe balance of payments crisis, driven by U.S. sanctions, that impeded its ability to simultaneously purchase equipment and machinery from abroad, to prevent runaway inflation by stabilizing its exchange rate, and to fund its terror proxies with the euros or dollars they desired. This also put a severe transaction cost on all Iranian banking activities as the regime attempted to manage this dilemma.<sup>25</sup>

After the relaxation of U.S. sanctions enforcement in 2021, Iran's foreign exchange reserves started to rebound, and the regime's balance of payments crisis has eased significantly. On October 17, 2023, the Deputy Chief of the Central Bank of Iran said that Iran's foreign currency reserves were growing due to the growth of oil and other exports.<sup>26</sup>

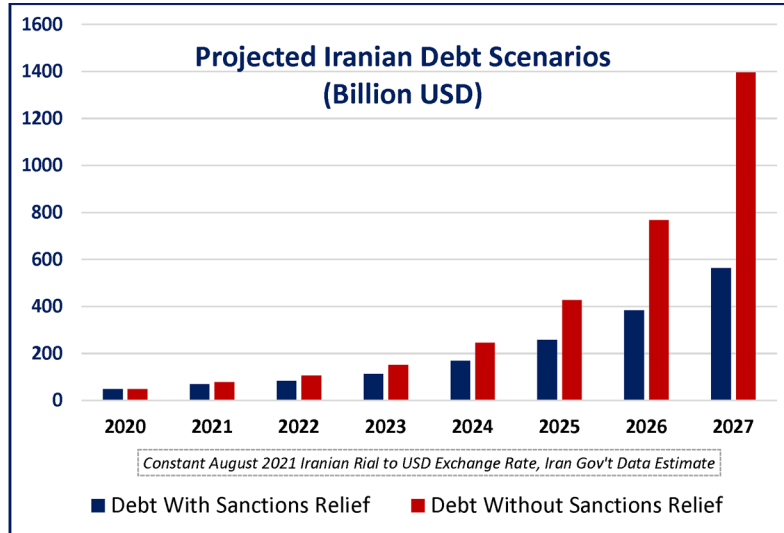




#### **Iran's Domestic Economic Challenges: Debt, Inflation, Unemployment**

While Iran's short-term economic prospects and military spending have rebounded due to an influx of oil and other foreign funds (see Section 3), its long-term economic situation remains fragile due to economic mismanagement, deep corruption, and demographic factors that compound pension shortfalls. Iranian government economists have warned regime leadership that reimposition of severe economic sanctions with strict enforcement could lead to disastrous consequences.

At the end of 2021, Iranian government debt stood at \$68 billion. But a leaked Iranian planning and budget document from August 2021 revealed two scenarios for their debt trajectory: with sanctions relief, debt could increase to \$561 billion by 2027. But without sanctions relief, that debt could soar to \$1.394 trillion by 2027.<sup>27</sup> Other concerns and signs of domestic weakness are persistent inflation that hovers between 42-58 percent and a youth unemployment rate of 26 percent.<sup>28</sup>



**Recommendation:** Congress should require the Executive Branch to regularly and publicly report updated figures of the regime's terror financing in order to promote transparency and to increase pressure from the Iranian public on the regime's misguided budgetary priorities. The regime often goes to great lengths to hide details of its financial support for proxy groups because the Iranian people frequently protest and take great offense at the regime's prioritization of foreign adventurism over providing for their basic needs of the people.

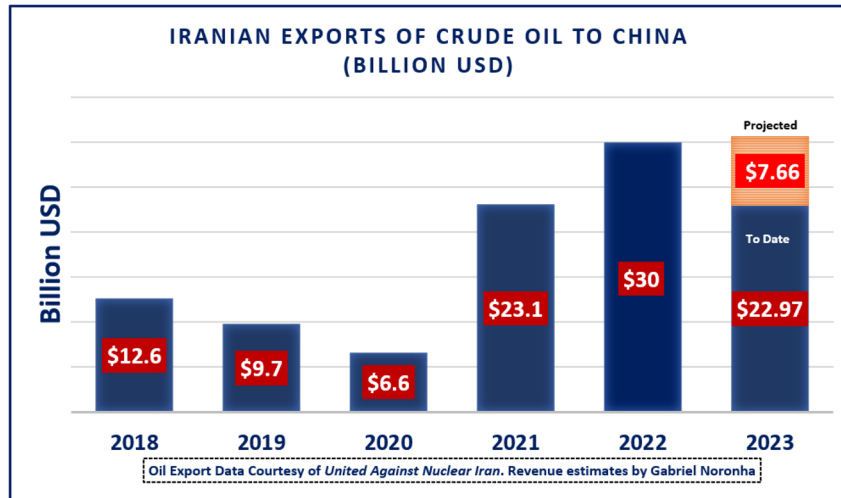
### Section 3 - Recent Inflow of Funds to Iran:

#### **Increases in Iranian Oil Exports:**

In line with Iranian budgeting practices, most Iranian oil revenue goes directly to the accounts of the IRGC and the regime's revolutionary and terror activities. The National Iran Oil Company, National Iran Tanker Company, and Ministry of Petroleum, which are the primary organizations responsible for Iran's oil trade were all sanctioned by the U.S. Treasury for supporting the IRGC's terrorism in October 2020.<sup>29</sup>

From 2016-2018 after U.S. and international sanctions were lifted, Iran typically exported between 2.0-2.5 million barrels per day (bpd) of crude oil. After the U.S. oil sanctions were fully reimposed in May 2019, Iranian oil exports fell as low as 300,000 bpd, though settled closer to 600,000 bpd in 2020 as China increased their imports. This export volume has steadily increased over the past three years, and Iran was exporting between 1.5-1.8 million bpd of crude oil in August 2023.<sup>30</sup> At market prices, this would yield roughly \$150 million per day in oil revenue for the regime. However, due to its sanctioned status, Iran prices its crude exports at a discount of around \$8-10 per barrel.

The difference in Iranian revenue is a function both of export volume and global price. Due in part to increased U.S. oil production that peaked in December 2019, depressed global demand during COVID, and aggressive sanctions enforcement against Chinese importers and Iran's fleet of tankers, Iran's sale of oil in 2020 reached a record low of around \$6.6 billion. In 2022, China bought an estimated \$30 billion and is set to purchase even more in 2023.



**Recommendations:** There are three main public avenues to disrupt Iranian oil sales and lower the regime's revenue. **1)** Congress should force the Executive Branch to enforce existing oil sanctions against shipping companies, tankers, ports, and all individuals and entities engaging in illicit Iranian trade. Congress should strengthen the current sanctions architecture where the Executive Branch has discretion on enforcement to a mandatory system. Waivers of these sanctions in every case should require the affirmative consent from the leadership of relevant Congressional committees – similar to how committee leadership can issue “holds” on various executive branch actions. There should be particular focus on sanctioning Iran's ‘ghost fleet’ of 300+ tankers illicitly carrying Iranian oil which have not been sanctioned; **2)** The United States should apply economic, regulatory, and diplomatic pressure to the People's Republic of China to force them to reduce imports of Iranian oil – including as part of broader bilateral trade and diplomatic negotiations; and **3)** The United States should work to lower the global price of oil by increasing domestic production through deregulation and aggressive permitting for drilling, while working with strategically-aligned OPEC producers like Saudi Arabia to increase their production.

#### September 2023 Hostage Payment

On September 18, 2023, the Iranian regime released five innocent Iranian-American hostages in exchange for the United States pardoning five Iranian and Iranian-American prisoners convicted (through due legal process) of violating U.S. laws in helping the regime evade sanctions, obtain

components for its WMD program, and spread pro-Iranian propaganda.<sup>31</sup> Additionally, the United States completed the transfer of \$6 billion from South Korean banks to two Qatari bank accounts accessible through request by six Iranian banks previously sanctioned in October 2020.<sup>32</sup>

The origin of the \$6 billion funds has been subject to a great deal of obfuscation. Section 1245 of the FY2012 National Defense Authorization Act, approved by large bipartisan margins and signed into law by President Obama, mandated a process for reducing Iran's oil exports by creating mandatory sanctions that applied to foreign countries importing Iranian oil that had not received a "Significant Reduction Exemption (SRE)" waiver from the State Department for their efforts to reduce their imports of Iranian oil.<sup>33</sup>

After President Trump withdrew from the JCPOA in May 2018, a six-month wind-down period was announced to all countries importing Iranian oil. In November 2018, eight countries, including South Korea, were given SRE waivers by the Department of State under this Congressionally-mandated process as they had been working to reduce their purchases of Iranian oil – none of the waivers were renewed six months later. The proceeds of oil purchased during this SRE period were placed into special escrow funds. In South Korea's case, these funds were held in *won* currency at South Korean banks. While the FY2012 NDAA provided for certain bilateral trade of these funds in non-sanctioned goods, the South Korean banks sought even more guarantees, while the Iranian regime sought to have even more flexibility in how they used these funds. The Trump Administration's position was that such flexibility should only have been granted if Iran finalized a comprehensive agreement regarding its wide array of malign behavior or significantly improved its behavior, neither of which occurred.

The funds are reportedly restricted for purchase of humanitarian goods including food and medicine. However, as former Treasury Secretary Jack Lew recently told the Senate Foreign Relations Committee: "I can't say that there's no leakage." This leakage could come in three forms: fungibility from Iran diverting funds previously planned to purchase the same goods to terror accounts, falsified invoices and orders, and from end-use abuse of goods purchased – either by providing the food and medicine to the regime's terror and security apparatus or by re-selling them on the black market.

There is ample evidence that the regime plans to engage in all three of these activities to divert the funding away from its intended purpose. The Central Bank of Iran typically allocates its limited foreign exchange reserves months in advance for planned purchases – now it can rely on the funds in Qatar for these purposes and free up its reserves to pay its terror proxies, including Hamas and Hezbollah, in support of their urgent operational requirements to attack Israel. An Iranian lawmaker also said in September that some of the funds would go to the Central Bank of Iran to "cover money already spent".<sup>34</sup> The regime has a long history of falsifying invoices to pretend it is purchasing humanitarian goods, as was revealed in a 2019 Department of Justice lawsuit against Turkish bank Halkbank.<sup>35</sup> There is also rampant smuggling of medicine out of Iran to be resold on Iraqi and Afghan markets – as one example, 19 trucks full of supposedly scarce medicine were impounded in Iraq in 2019.<sup>36</sup> As the former Health Ministry of Iran, Saeed Namaki, said in 2020: "there is a highly complicated network" in government that facilitates the systemic corruption and theft of medical equipment and goods.<sup>37</sup>

**Recommendations:** Given the regime's responsibility for funding and likely directing Hamas' attack that killed more than 30 Americans and their ongoing kidnapping of around a dozen U.S. citizens, there is absolutely no basis to honor the original hostage agreement. The United States should act

quickly to permanently freeze Iran's access to any of the \$6 billion in funds. It is insufficient to merely 'pause' this distribution; Iran will ultimately find levers to pressure the United States and Qatar to turn the spigot back on – and will believe this is possible unless the disposition and location of those funds changes. Congress should pass legislation formally revoking the waivers submitted by the State Department on September 11, 2023, and work with the Executive Branch on a long-term home for the funds, such as in the U.S. Victims of State Sponsored Terrorism (USVSST) Fund.

#### **Recent Payments from Iraq**

Since 2010, Iran has sold Iraq electricity and natural gas, including to fuel Iraqi power plants in Baghdad and Basra. For the past several years, the United States has provided Iraq a waiver to pay Iran for these goods, but under the assumption that Iraq would start working to decrease its dependence on Iran. This growing independence has failed to materialize in any significant manner, yet the State Department continues to provide the sanctions waivers that provide Iran a lucrative stream of revenue: often a \$500 million payment for each 120-day waiver period. However, on June 10, Iraqi officials reported transferring \$2.76 billion to Iran.<sup>38</sup> On July 18, 2023, the U.S. Department of State submitted to Congress a 120-day waiver of sanctions under the FY 2012 National Defense Authorization Act (NDAA) that was subsequently used by Iraq to transfer \$10 billion – a far larger sum than had previously been transferred – to Omani bank accounts where they could be accessed by Iran for non-sanctioned trade.

On October 12, 2023, the Central Bank of Iran announced that they had gained access to \$10 billion of currency resources held in Iraq. Strangely, they noted that it was negotiating for the "procurement of those financial resources via financing in cooperation with China".<sup>39</sup> This should be extremely concerning to Congress and the Biden Administration that the Iranian regime is potentially working with the Chinese government to circumvent these trade accounts, likely to remove restrictions on the use of the funds.

Further, there have been several reports that this provision of sanctions waivers to Iraq for such generous transfers of funds are in fact related to the Biden Administration's prior efforts to negotiate a nuclear deal with the government of Iran.<sup>40</sup> These efforts – including the reported reaching of an "informal understanding" – that extended to the hostage deal were not submitted for congressional review as required under the 2015 Iran Nuclear Agreement Review Act (INARA) (P.L. 114-17). This violation of the law should concern all members of Congress whose rights to review and vote upon such agreements forms an essential part of the Legislative Branch's prerogatives. INARA was a landmark restoration of Congressional powers in national security against an ever-aggrandizing Executive Branch and should not be cast aside lightly.

**Recommendations:** Congress should conduct rigorous oversight on the U.S. Treasury and State Departments' provision of this waiver to Iraq, including **1)** demanding a thorough plan and timeline for ending these energy waivers to Iraq; **2)** requiring answers surrounding the nature of how and under what legal basis the Iraqi funds came to be transferred to the Omani accounts; **3)** a full accounting for whether the Chinese government is assisting the Iranian regime in accessing these funds and what steps the U.S. government is taking in response; and **4)** requiring all responsive government records into whether the Executive Branch knowingly acted to circumvent Congress' right to review an agreement regarding Iran's nuclear program as required under INARA.

#### **Provision and Conversion of IMF Special Drawing Rights:**

The IMF's Special Drawing Rights (SDRs) provide a form of liquidity that can typically be converted into other currencies for use as a foreign currency exchange reserve. In Iran's case, the regime has long sought to be able to convert its SDRs into dollars or euros to advance its financial stability and free up funding to increase support for its terror groups.

As of earlier this year, Iran had 4.8 billion SDRs (worth \$6.7 billion USD) in its IMF accounts, of which 1.4 billion SDR (\$1.8 billion USD) have aggregated in its accounts over the past decade and a further 3.4 billion SDRs (\$4.9 billion USD) was distributed to Iran in the August 2021 IMF global allocation of \$650 billion in SDRs.

In April 2022, Secretary of the Treasury Janet Yellen told lawmakers that Iran would not be allowed to convert its SDRs into dollars, and U.S. banking sanctions had prevented other countries from letting Iran convert its SDRs into other currencies.<sup>41</sup> However, there is now serious doubt whether this prohibition remains in place.

On June 1, 2023, the Governor of the Central Bank of Iran claimed that the Iranian government had access to its SDRs and that they could "be utilized promptly and with minimal bureaucratic procedures to help meet economic needs."<sup>42</sup> It should be cautioned that the Iranian Central Bank Governor has a repeated history of exaggerating claims about its imminent access to foreign funds as a way to try to quell its domestic markets.

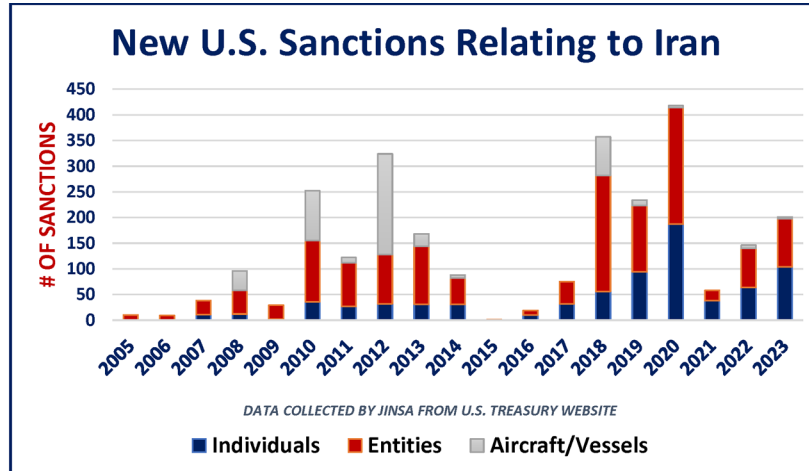
**Recommendations:** Amid reports this summer of an "informal understanding" regarding Iran's nuclear program, Congress should: **1)** seek clarification from the U.S. Treasury and State Department whether the prohibition on Iran's access to its SDRs remain in place, **2)** codify restrictions on any such conversion, and **3)** strengthen legislation to ensure Iran does not receive further distributions of SDRs in any future allocation rounds, as has previously been directed by Congress in 22 U.S.C. 262p-4q.<sup>43</sup>

#### **Section 4 - U.S. and International Sanctions on Iran:**

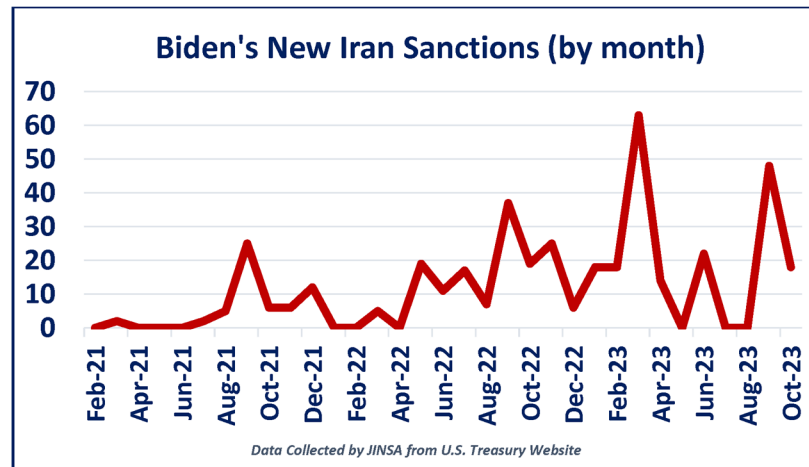
##### **Statistical Review of U.S. Sanctions on Iran**

Sanctions are a policy input, not a policy output, and the quantity of sanctions imposed alone does not determine their quality or impact. However, the frequency of sanctions imposed does provide a useful signal for businesses and private actors looking to determine whether the United States is serious about enforcing and advancing the sanctions it has on the books.

Sanctions on Iran steadily increased – bolstered by several sanctions bills passed by Congress during the 2000s and early 2010s - until JCPOA negotiations commenced in 2014. 790 sanctions were dropped during the adoption of the JCPOA in 2015, of which around 481 were re-imposed when the United States withdrew from the deal in 2018.

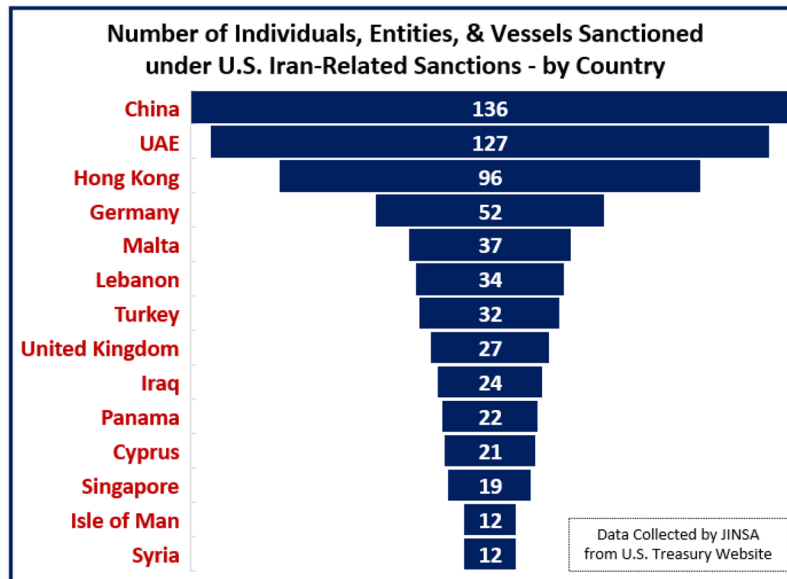


The Biden Administration initially hesitated to enforce or impose new economic sanctions until summer 2022 when it became painfully clear the regime was toying with U.S. negotiators to buy more time to export oil. Since then, there has been solid sanctions enforcement against human rights violators and WMD proliferation – particularly surrounding Iran’s UAV program. However, economic sanctions which undergird these activities and Iran’s terror program continue to be severely lacking, particularly against Iran’s oil exports, its petrochemical and metals industries, and against the massive fleet of tankers and associated companies that ship the regime’s products.



The key facilitators of Iran's sanctions evasion are the People's Republic of China (PRC) and Hong Kong (now largely operating along orders from the PRC) through purchases of Iran's oil and provision of proliferation-sensitive goods and equipment. The PRC has provided an economic lifeline to the regime, something that the United States should constantly remind Iran's regional rivals and enemies who too-often are looking to cozy up with Beijing.

The United Arab Emirates (UAE) is next door to Iran and serves as a clearinghouse for all manner of illicit Iranian goods and services. The Biden Administration has largely ignored sanctions evasion in UAE over the past three years, and all manner of tankers and cargo vessels regularly travel between Iranian and Emirati ports without much scrutiny.



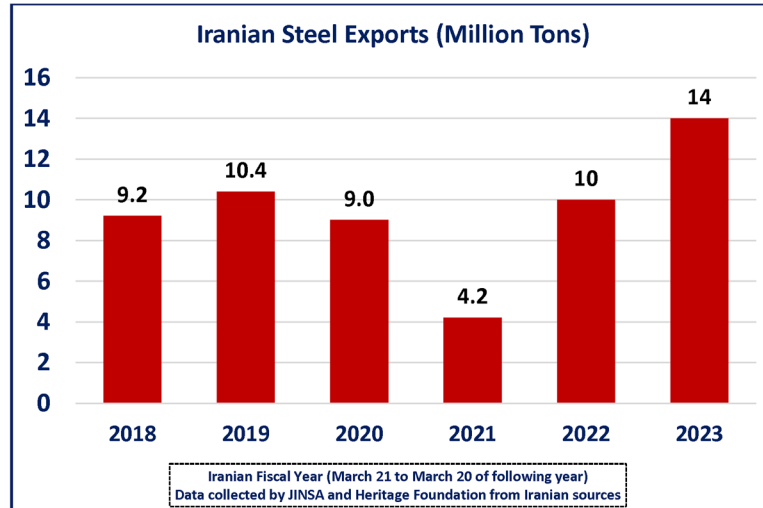
#### Recent Failures to Enforce and Advance Sanctions and Economic Pressure

While oil is the sustaining force of the regime in Iran, other major economic exports include petrochemicals (products derived from petroleum) and metals, including steel, aluminum, copper, and iron.<sup>44</sup> Iran earned approximately \$20 billion from the sale of petrochemical products in 2020, and has received approximately \$53.8 billion in sales since March 2021, an increase that has not been met with enforcement of relevant sanctions by the U.S. Treasury.<sup>45</sup>

The metals industry is not quite as lucrative, but recent growth has been even more alarming. Iran exported 10.36 million tons of steel in Iranian Fiscal Year (FY) 2019,<sup>46</sup> netting around \$3 billion.<sup>47</sup> The Trump administration repeatedly imposed and enforced sanctions on Iran's steel and metals industry in 2020, leading to steel exports dropping to 9 million tons in FY 2020 and only 4.2 million



tons in FY 2021. However, no further sanctions against Iran's metals or manufacturing sector have been issued during the Biden Administration. As a result, Iran imported 10 million tons of steel in FY 2022 and Iranian industry reports predicted their steel industry to export 14 million tons in FY 2023.<sup>48</sup>



**Recommendations:** Congress should mandate the enforcement and expansion of sectoral sanctions against Iran's metals industry and petrochemical industry, as well as require assessments from the Treasury Department on ways to limit revenues from Iran's construction, machinery, technology, and automotive sectors – including through new sanctions and more robust enforcement.

#### **Conclusion:**

The regime in Iran is driven by its ideology above all else and will continue its conduct and support for terror as long as it can find funds with which to do so. The regime's terror and attacks against Israeli and American citizens will continue until it faces painful costs that degrade its ability to fund and conduct terror. The United States and Congress must not tolerate the status quo that has enriched and empowered the regime – strong and proactive economic pressure must be restored immediately.

*Gabriel Noronha is a Fellow with the Jewish Institute for National Security of America (JINSA). He previously served as the Special Advisor for Iran at the Department of State under Secretary Pompeo, and also served as the Special Assistant for the Senate Armed Services Committee under Chairmen John McCain and Jim Inhofe. Gabriel is also the Executive Director of Polaris National Security.*

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- <sup>31</sup> <https://twitter.com/GLNoronha/status/1701350471854674281>
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**TESTIMONY**

Statement of

**Clayton Thomas**  
Specialist in Middle Eastern Affairs

Before

Committee on Financial Services  
Subcommittee on Oversight and Investigations  
U.S. House of Representatives

Hearing on

“Moving the Money: Understanding the Iranian Regime’s Access to Money Around  
the World and How They Use It to Support Terrorism”

October 26, 2023

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Chairman Huizenga, Ranking Member Green, and Members of the Subcommittee:

Thank you for inviting the Congressional Research Service to testify today. My statement provides an overview of Iran's funds abroad, starting with a brief description of the U.S. sanctions authorities that affect the use of those Iranian funds, then outlining the Biden Administration's decision earlier this year to waive restrictions to facilitate the transfer of \$6 billion of those Iranian funds from South Korea to Qatar to pay for humanitarian goods for Iran. I will also discuss similar arrangements related to Iraq, options for Congress, and the possible implications of those options.

### ***Background: U.S. Sanctions and Iranian Assets Abroad***

The U.S. government has for decades sought to limit the Iranian government's financial resources via sanctions in an effort to deprive the government of the ability to fund its programs to develop weapons of mass destruction and related delivery systems; nuclear activities; and support of terrorist groups. These efforts have included sanctions directly on Iranian government assets and Iran-associated entities, as well as secondary sanctions to deter third parties from engaging in transactions with or for the benefit of the government of Iran. In the 1996 Iran Sanctions Act (P.L. 104-172), the first imposition of secondary sanctions related to Iran, Congress declared

that it is the policy of the United States to deny Iran the ability to support acts of international terrorism and to fund the development and acquisition of weapons of mass destruction and the means to deliver them by limiting the development of Iran's ability to explore for, extract, refine, or transport by pipeline petroleum resources of Iran.<sup>1</sup>

The question of Iran's access to funds abroad has received particular attention since 2011 when Congress passed legislation to sanction foreign financial institutions that engage in transactions with the Central Bank of Iran (CBI) or other designated Iranian financial institutions, with an exception for the financial institutions of countries determined to be significantly reducing their imports of Iranian petroleum (the significant reduction exception, or SRE).<sup>2</sup> One supporter of the measure described it as "one of the few remaining actions, short of an embargo of Iranian shipping and military intervention, to slow or end the Iranian nuclear program."<sup>3</sup> The State Department issued the first SRE determination in March 2012.<sup>4</sup>

The next year, Congress expanded the restriction by requiring excepted foreign buyers to deposit payments for petroleum imports in financial institutions located in the purchasing country, rather than remitting such funds to Iran, to avoid sanctions.<sup>5</sup> That legislation effectively blocked Iranian funds abroad, since third country financial institutions proved unwilling to transact with Iranian counterparts and funds accrued in accounts outside of Iran. The status and use of those funds abroad have become the subject of considerable speculation. Many observers describe these assets as blocked by the United States. Their availability to Iran is restricted by foreign financial institutions seeking to comply with the U.S. Iran sanctions program and avoid becoming potential targets for U.S. secondary sanctions.

In accordance with statute, the U.S. government has permitted the use of blocked funds for humanitarian trade.<sup>6</sup> According to U.S. Department of the Treasury guidance issued in 2013, in order for depository

<sup>1</sup> 110 Stat. 1541, 50 U.S.C. §1701 note.

<sup>2</sup> 125 Stat. 1298, 22 U.S.C. §8513a.

<sup>3</sup> Senator McConnell, Congressional Record – Senate, November 17, 2011, S7639.

<sup>4</sup> The countries in the first SRE determination were Belgium, Czech Republic, France, Germany, Greece, Italy, Japan, Netherlands, Poland, Spain, and the United Kingdom. See U.S. Department of State, "Statement on significant reductions of Iranian crude oil purchases," March 20, 2012. Subsequent determinations were made for India, Malaysia, South Korea, South Africa, Sri Lanka, Turkey, and Taiwan on June 11, 2012, and for China and Singapore on June 28, 2012.

<sup>5</sup> 126 Stat. 162, 22 U.S.C. §8801 note.

<sup>6</sup> 22 U.S.C. §§8513a(d)(2); 8806(c); 7205.

institutions to avoid sanctions, the restricted funds they hold must only (1) be used to directly pay for Iranian purchases of goods and services from the third country or (2) be deposited in “special purpose accounts,” “set up with conditions and safeguards that require the account be used only for bilateral trade in goods or services between Iran and the country with primary jurisdiction over the [foreign financial institution], and for sales made under the Humanitarian Exception.”<sup>7</sup> Those conditions align with and reiterate stated provisions in U.S. law that exempt humanitarian trade (namely, agricultural commodities, medicine, and medical devices) from U.S. sanctions programs.<sup>8</sup> Treasury further specifies that in order to avoid U.S. sanctions the recipient of any funds from Iranian oil sales has to be an individual or entity of the country where the funds are deposited.<sup>9</sup>

During the period of U.S. participation in the Joint Comprehensive Plan of Action (JCPOA), the Obama Administration waived or lifted most U.S. secondary sanctions on Iran, including on petroleum exports. Iran’s use of funds abroad remained problematic due to the reluctance of European banks to engage with Iran and the continued U.S. prohibition on Iran’s use of U.S. dollars.<sup>10</sup> Iran also needed to keep funds abroad to support imports of foreign goods. Former CBI Governor Valiollah Seif reportedly said in early 2017, “If the question is whether or not we own the oil revenues, then the answer is definitely yes. But do we need to bring it inside the country? The answer will certainly be in the negative.”<sup>11</sup>

In 2018, President Trump announced that the United States would cease participating in the JCPOA and would reinstate “the highest level of economic sanction” on Iran.<sup>12</sup> By November 2018, the United States had “fully re-imposed” pre-JCPOA sanctions on Iran, including on petroleum trade.<sup>13</sup> The Trump Administration issued a final 6-month SRE determination in November 2018 so that eight countries, including South Korea, could continue importing Iranian petroleum without risk of U.S. sanctions; the State Department announced in April 2019 that the United States would not issue further SREs.<sup>14</sup>

The Biden Administration has kept in place all sanctions imposed by the Trump Administration (i.e., sanctions reimposed to cease participating in the JCPOA as well as new sanctions issued subsequent to the U.S. JCPOA withdrawal) and has designated hundreds of additional Iranian and non-Iranian entities for sanctions for involvement in Iran-related activities.

### *\$6 Billion Transfer of Iranian Funds*

In September 2023, in conjunction with mutual prisoner releases from the United States and Iran, the United States approved the transfer of \$6 billion in Iranian assets, accrued from Iran’s petroleum sales to South Korea, to Qatar. The actions by the governments of Iran and the United States occurred in the context of broader diplomatic engagement to de-escalate tensions.<sup>15</sup>

<sup>7</sup> Iran Sanctions FAQs 259 and 260; all Iran sanctions FAQs available at <https://ofac.treasury.gov/faqs/topic/1551>.

<sup>8</sup> See 22 U.S.C. §7202; IFCA; and FY2012 NDAA.

<sup>9</sup> Iran Sanctions FAQ 263.

<sup>10</sup> Saeed Kamali Dehghan, “Iran still locked out of global financial system, says central bank chief,” *Guardian*, May 20, 2016.

<sup>11</sup> “Iran to ditch US dollar in official reports,” *Financial Tribune*, January 29, 2017.

<sup>12</sup> White House, Remarks by President Trump on the Joint Comprehensive Plan of Action, May 8, 2018.

<sup>13</sup> Department of Treasury, “Re-imposition of sanctions on Iran that had been lifted or waived under the JCPOA,” November 4, 2018.

<sup>14</sup> Determination available at Federal Register Vol. 83, No. 247, December 27, 2018; Department of State, “Decision on imports of Iranian oil,” April 22, 2019. The November 2018 SRE determination was for China, Greece, India, Italy, Japan, South Korea, Taiwan, and Turkey.

<sup>15</sup> See, for example, Karen DeYoung et al., “U.S. and Iran in indirect talks over nuclear program and prisoners,” *Washington Post*, June 20, 2023; Chase Winter et al., “What’s driving Biden’s Iran sanctions policy,” *Energy Intelligence*, September 7, 2023.

Secretary of State Antony Blinken waived secondary sanctions so that financial institutions in Germany, Ireland, Qatar, South Korea, and Switzerland could facilitate the transfer.<sup>16</sup> The transferred funds, now in Qatar, were to be available only for transactions for agricultural commodities, food, medicine, and medical devices with “vetted third-party, non-Iranian vendors,” in line with longstanding provisions in U.S. law (including Iran-related authorities) to exempt humanitarian trade from U.S. sanctions, subject to U.S. oversight.<sup>17</sup>

According to a State Department spokesperson, the transfer was necessary because “a number of banks, despite the assurances we had given ... did not want to participate in transactions related to these accounts.” Secretary Blinken has reiterated that “the money in question – Iranian money, not American taxpayer dollars – is money that was allowed to accrue in a bank account from the sale of Iranian oil.”<sup>18</sup> U.S. officials have not publicly described in detail the oversight mechanisms of the funds. The State Department spokesperson stated that, “We have visibility into how they are used, and we have the ability to police their use.” A Treasury FAQ published September 18, 2023, described the establishment of a “humanitarian channel in Qatar (HC)” and said

In partnership with the Government of Qatar and financial institutions operating the HC [humanitarian channel] — all of which have committed to stringent due diligence measures — the United States will closely monitor the HC and will take appropriate action should Iran attempt to use these funds for purposes other than permitted humanitarian purchases.<sup>19</sup>

The State Department spokesperson also said that during the Trump Administration, Iranian funds abroad “were spent down with no restrictions at all” and that “we can find no record of how these funds were spent down.”<sup>20</sup> CRS has not reviewed oversight mechanisms reportedly in place for the funds or primary sources providing an accounting of how restricted funds may or may not have been used in the past.

According to available accounts, the funds in Qatar would only be available to fund the purchase of humanitarian goods and reportedly would be transferred from the Qatar-held accounts to non-Iranian third parties. Some observers, including some Members of Congress, have stated that the availability of such goods to Iran could free up other Iranian financial resources for malign activities, including Iran’s support for groups like Hamas.<sup>21</sup>

### *Post October 7, 2023, Developments*

The October 7, 2023, Hamas attacks on Israel and resulting conflict have prompted an increase in congressional scrutiny of U.S. policy towards Iran, including the transfer of the \$6 billion. U.S. Treasury Under Secretary for Terrorism and Financial Intelligence Brian Nelson wrote on X (formerly Twitter) on October 7, 2023, “All of the money held in restricted accounts in Doha as part of the arrangement to

<sup>16</sup> The waivers were exercised pursuant to Section 1245(d)(5) of the FY2012 NDAA (22 U.S.C. §8513(d)(5)) and Sections 1244(i) and 1247(f) of the Iran Freedom and Counter-Proliferation Act of 2012 (IFCA) (22 U.S.C. §§8803(i) & 8806(f)). See <https://s.wsj.net/public/resources/documents/IranWaiverLetter.pdf>. According to the State Department, these waivers were necessary to persuade European and South Korean banks to participate in the transactions necessary to move the funds into the supervised account in Qatar for what the Treasury Department is calling the humanitarian channel in Qatar. U.S. State Department, Press Briefing, September 12, 2023. Department of the Treasury, Office of Foreign Assets Control, “Frequently Asked Questions, #1134. What is the humanitarian channel in Qatar?” September 18, 2023.

<sup>17</sup> White House, “Background press call by senior Administration officials on the return of American detainees from Iran,” September 17, 2023.

<sup>18</sup> U.S. Department of State, Secretary Antony J. Blinken with Lester Holt of NBC Nightly News, October 12, 2023.

<sup>19</sup> Treasury FAQ 1134, <https://ofac.treasury.gov/faqs/1134>.

<sup>20</sup> U.S. State Department, Press Briefing, September 12, 2023.

<sup>21</sup> See, for example, House Foreign Affairs Committee, “McCaul statement on release of Americans held hostage in Iran,” September 18, 2023.

secure the release of 5 Americans in September remains in Doha. Not a penny has been spent.”<sup>22</sup> Asked about the funds in question on October 11, Treasury Secretary Janet Yellen reiterated that the funds “have not been touched” and that “I wouldn’t take anything off the table in terms of future possible actions.”<sup>23</sup>

An October 12 press report said that Deputy Treasury Secretary Wally Adeyemo told legislators that, in the wake of Hamas’s assault on Israel, U.S. and Qatari officials had agreed to prevent the use of the funds to finance the purchase of humanitarian goods for export to Iran for an unspecified period of time.<sup>24</sup> Going forward, the United States could impose sanctions on any foreign financial institution or entity involved in a transaction involving the funds, including restricting access to the U.S. financial system.

The Qatari prime minister said, on October 13, that Qatar is “always committed to any agreement” that Qatar has entered into, a likely reference to the Qatari government’s position that it has made commitments to both the United States and Iran in relation to the transfer and potential future use of the funds.<sup>25</sup> If Qatar or the United States act with regard to the funds in ways that the government of Iran perceives as violating the understanding previously reached, Iran could decide to no longer engage Qatar as an intermediary for the United States on issues such as Iran’s nuclear program, U.S. nationals unjustly detained in Iran, negotiations with Hamas or other Iran-backed groups, and/or other regional security matters.

### *Options and Implications for Congress*

As part of its oversight responsibilities, Congress could consider whether or not to seek greater visibility into Iran’s funds abroad, including via legislation to require regular reporting by the Administration to Congress on the funds, their location, amount, terms of deposit, and use. Congress could consider whether or not to mandate congressional review of Administration decisions with respect to the funds.

Some Members of Congress are urging or seeking to compel the Administration to act in a demonstrable, transparent way to ensure the funds in Qatar are not used for transactions that could benefit the Iranian government. On October 9, 2023, 20 Senators wrote to President Biden asking him to rescind the waiver that made the transfer possible and “work with” Qatar to “immediately freeze the accounts.”<sup>26</sup> Since October 7, Members of Congress have introduced at least 18 pieces of legislation related to Iran (see **Appendix**). Many of those bills would rescind the waivers issued to facilitate the transfer and seek to encourage third parties to block or otherwise decline to conduct transactions with the funds. Others would seek to confiscate and repurpose the funds, though the United States’ ability to seize the funds may be limited as the United States does not have jurisdiction over them.

New official action to prevent use of the funds could provoke a response from the Iranian government, which has criticized the reported temporary blocking of the funds. Such action also could have implications for other U.S. interests, including with respect to Qatar, a major non-NATO ally of the United States that hosts major U.S. military facilities.<sup>27</sup> It is unclear what effect rescission of the waivers with respect to past inter-bank transactions might have. Rescinding certain waivers or amending the

<sup>22</sup> X, Under Secretary Brian Nelson (@UnderSecTFI), October 7, 2023, <https://twitter.com/UnderSecTFI/status/1710706779980464482?s=20>.

<sup>23</sup> C-SPAN, “Treasury Secretary holds news conference on priorities for IMF and World Bank,” October 11, 2023.

<sup>24</sup> Jeff Stein and Jacob Bogage, “U.S., Qatar agree to stop Iran from tapping \$6 billion fund after Hamas attack,” *Washington Post*, October 12, 2023.

<sup>25</sup> U.S. Department of State, “Secretary Antony J. Blinken with Qatari Prime Minister and Minister of Foreign Affairs Mohammad bin Abdulrahman Al Thani at a joint press availability,” October 13, 2023.

<sup>26</sup> Text of the letter at <https://www.blackburn.senate.gov/services/files/B5653D28-BA82-4F3B-AC72-BF4443955935>.

<sup>27</sup> Michael Crowley and Alan Rappeport, “U.S. and Qatar deny Iran access to \$6 billion from prisoner deal,” *New York Times*, October 12, 2023.

authorities underlying them could have implications for Iraq, which has relied on U.S. sanctions waivers to import electricity from Iran (see below).

Congress could also revisit longstanding sanctions exceptions for humanitarian trade, weighing them against the broader goal of pressuring the Iranian government and the interest some Members may have in supporting the Iranian people.

### *Iraqi Imports of Iranian Electricity and Natural Gas*

Successive presidential Administrations have waived the potential imposition of U.S. sanctions on Iran-related transactions in instances related to Iraq. Since the reimposition of U.S. sanctions in 2018, the Iraqi government has sought, and received, waivers from the United States to avert the potential imposition of U.S. sanctions related to Iraqi transactions with the Central Bank of Iran for the purpose of importing electricity from Iran.<sup>28</sup> As with the oil-related accounts above, Iraq pays for electricity imports by depositing payment into Central Bank of Iran accounts in Iraq. As with restricted Iranian funds in other countries, these electricity sale proceeds are held in Iraq and potentially available to fund bilateral humanitarian trade.<sup>29</sup> The Trump Administration granted such waivers to “meet the immediate energy needs of the Iraqi people,” per a State Department spokesperson, while pressing Iraq to develop a “diverse energy base,” as Secretary of State Mike Pompeo said in May 2019.<sup>30</sup> The Biden Administration has continued this practice and stated similar objectives for Iraq’s energy sector.<sup>31</sup>

On July 18, 2023, Secretary Blinken reportedly signed another waiver (the 20<sup>th</sup> such waiver, per a State Department spokesperson) so that Iraq could pay for electricity purchased from Iran without threat of U.S. sanctions.<sup>32</sup> The Administration expanded this waiver to allow Iraq to deposit payments during the period of the waiver in third-country financial institutions (previous waivers permitted payment only to restricted accounts in Iraq).<sup>33</sup> An unnamed U.S. official said the United States expanded the waiver to “help the Iraqis with this perennial pressure from the Iranians,” arguing that it “helps the Iraqis, at least somewhat, to have an argument to make [to Iran] that they are not in control of the money” that will now go to third countries.<sup>34</sup> A State Department spokesperson confirmed reports on July 24 that “Oman has indicated a willingness to receive a portion” of the funds, which “can only be used for non-sanctionable activities such as humanitarian assistance,” and that “the transactions need to be approved by the United States Treasury Department in advance.”<sup>35</sup>

Iraq also imports Iranian natural gas, though such transactions do not require a waiver, as transactions with Iran involving natural gas are excepted from U.S. sanctions, under the condition that natural gas-

<sup>28</sup> John Davison and Ahmed Rasheed, “Iraq seeks exemption from U.S. sanctions on Iran, PM says,” Reuters, December 11, 2018.

<sup>29</sup> “The former Kadhim administration ‘received several [US] approvals [for debt payments to Iran] but they were for buying food and medicine and paying Iran’s debt to Turkmenistan,’ an informed Arab source explained, elaborating that transfers were also made to ‘Iran’s bank accounts in other countries so Iran could use the funds for humanitarian purposes.’” “Inside story” Iraqi debt payment to Iran highlights Iran-Saudi-US dynamics,” *Amwaj.media*, June 12, 2023.

<sup>30</sup> U.S. Department of State, “IRGC-QF sanctions and Iraq’s electricity waiver,” March 26, 2020; “Remarks to traveling press,” May 7, 2019.

<sup>31</sup> U.S. Department of State, Iraq - Integrated Country Strategy, May 30, 2023.

<sup>32</sup> U.S. Department of State, Press Briefing, July 19, 2023; Arshad Mohammed, “Exclusive: US issues new 120-day waiver letting Iraq pay Iran for electricity,” Reuters, July 18, 2023.

<sup>33</sup> Ibid.

<sup>34</sup> Ibid.

<sup>35</sup> U.S. Department of State, Press Briefing, July 25, 2023.



related transactions are for bilateral, non-sanctioned trade and that the funds owed to Iran for natural gas similarly are kept in the country that imports the natural gas.<sup>36</sup>

Iraq's Prime Minister estimated in August 2023 that Iraq held approximately \$10 billion in Iranian restricted funds, which he characterized as a debt to Iran.<sup>37</sup> This figure presumably reflects restricted funds that have accrued in Iraq as a result of purchases of electricity and natural gas from Iran in compliance with U.S. sanctions. In June 2023, the Biden Administration reportedly approved Iraq's payment of \$2.7 billion from Iran's restricted funds in Iraq to third countries to which Iranian entities owed money, including to Saudi Arabia and Turkmenistan.<sup>38</sup> A State Department spokesperson confirmed the transaction, saying

Going back a number of years, these funds have been transferred out of the restricted accounts to pay only for humanitarian and other non-sanctionable transactions. So the United States, we continue to approve these – the transactions for the use of these funds on a case-by-case basis. They can only be used for humanitarian purposes such as food, medicine, and other humanitarian needs.<sup>39</sup>

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<sup>36</sup> 22 U.S.C. §8803.

<sup>37</sup> "Settling \$10bn Iran gas debt: Iraq's creative solution amid US sanctions," *Al Arabiya News*, August 2, 2023.

<sup>38</sup> "Iraq to pay \$2.76 billion in gas and electricity debt to Iran," Reuters, June 10, 2023. The payments reportedly included 866 million euros to Turkmenistan to partially settle Iranian debt and 120 million euros to Saudi Arabia to "defray costs" for Iranian hajj pilgrims. Laurence Norman and David Cloud, "U.S. launches quiet diplomatic push with Iran to cool tensions," *Wall Street Journal*, June 14, 2023.

<sup>39</sup> U.S. Department of State, Press Briefing, June 14, 2023.

## Appendix. Selected Iran-Related Legislation Introduced Since October 7, 2023

**H.Res. 776 —Urging the Biden administration to rescind the release of \$6,000,000,000 in frozen Iranian funds and to lawfully enforce the Taylor Force Act.**

Would urge the Biden Administration to immediately block the \$6,000,000 and urge that the Administration carry out the Taylor Force Act “in full.”

**H.R.5921 —To prohibit the Secretary of the Treasury from authorizing certain transactions by a United States financial institution in connection with Iran, to prevent the International Monetary Fund from providing financial assistance to Iran, to codify prohibitions on Export-Import Bank financing for the Government of Iran, and for other purposes.**

Would prohibit the Secretary of the Treasury from authorizing U.S. financial institutions to conduct transactions related to the import to or export from Iran of any goods except agricultural commodities, food, medicine, or medical devices; would direct the Secretary of the Treasury to instruct the U.S. Executive Director at the IMF to oppose financial assistance to Iran; and would prohibit the Export-Import Bank from extending credit to the government of Iran.

**H.R.5923 —To impose restrictions on correspondent and payable-through accounts in the United States with respect to Chinese financial institutions that conduct transactions involving the purchase of petroleum or petroleum products from Iran.**

Would amend Section 1245 of the FY2012 NDAA to clarify that significant transactions include transactions by Chinese financial institutions involving the purchase of petroleum from Iran

**H.R.5932 —To authorize additional assistance to Israel using assets confiscated from the Iran, and for other purposes.**

Would prohibit Iranian funds blocked by the Treasury from being released before a Presidential certification that Iran is participating in “a bona fide international mechanism” to compensate Israel for “harms resulting from the invasion of Israel by Hamas;” would subject Treasury’s unblocking of Iranian assets to congressional approval; and would authorize the President to confiscate any U.S.-based Iranian assets and deposit them in an account to provide assistance to Israel.

**H.R.5945 —To reinstate certain sanctions imposed with respect to Iran.**

Would reinstate any sanctions imposed pursuant to Sections 1244 and 1247 of IFCA and to Section 1245 of the FY2012 NDAA and waived “pursuant to an agreement” between the United States and Iran.

**H.R.5947 —To provide for the rescission of certain waivers and licenses relating to Iran, and for other purposes.**

Text not available on Congress.gov as of October 25, 2023.

**S.3041 —A bill to reinstate certain sanctions imposed with respect to Iran.**

Would reinstate any sanctions imposed pursuant to Sections 1244 and 1247 of IFCA and to Section 1245 of the FY2012 NDAA and waived “pursuant to an agreement” between the United States and Iran.

**H.R.5961 —To freeze certain Iranian funds involved in the 2023 hostage deal between the United States and Iran, and for other purposes.**

Would direct the President to impose sanctions on foreign financial institutions determined to be engaged in transactions involving the \$6 billion in Iranian funds transferred from South Korea to Qatar.

**S.3049 —Revoke Iranian Funding Act of 2023**

Would rescind the September 11, 2023, waiver and direct the Secretary of the Treasury to rescind all licenses, letters, and guidance related to the \$6 billion transfer; would direct the submission of a report on Iran’s assets blocked by the United States.

**S.3053 —Preempting Misguided Appeasement and Financing of Destabilizing Regimes Act of 2023**

Would prohibit the importation of petroleum and petroleum products (including natural gas) from Venezuela and Iran

**S.3061 —A bill to revoke the waiver determination submitted to Congress on September 11, 2023, with respect to certain sanctions imposed with respect to Iran.**

Would revoke the September 11, 2023, waiver determination.

**S.3064 —U.N. Anti-Terrorism Accountability Act of 2023.**

Would direct the U.S. Permanent Representative to the United Nations to press for Iran’s expulsion from the U.N. General Assembly and prohibit U.S. contributions to the U.N. Relief and Works Agency for Palestine Refugees in the Near East until Iran is expelled from the U.N. General Assembly.

**S.3081 —A bill to authorize additional assistance to Israel using assets confiscated from Iran, and for other purposes.**

Would prohibit Iranian funds blocked by the Treasury from being released before a Presidential certification that Iran is participating in “a bona fide international mechanism” to compensate Israel for “harms resulting from the invasion of Israel by Hamas;” would subject Treasury’s unblocking of Iranian assets to congressional approval; and would authorize the President to confiscate any U.S.-based Iranian assets and deposit them in an account to provide assistance to Israel.

**H.R.5994 —To provide for full enforcement of oil sanctions against Iran, and for other purposes.**

Would direct the President to “make maximal use” of existing sanctions authorities with respect to transactions involving Iranian petroleum; would prohibit the use of waiver authority under Section 1244 of IFCA with respect to accounts holding the proceeds of Iranian exports until certifying that Iran has ceased its support for terrorism, nuclear activities, and support for Russia’s war against Ukraine; would cancel September 11, 2023, sanctions waivers and direct the President to impose sanctions on financial institutions that conduct transactions with the \$6 billion; would terminate waivers issued with respect to funds owed to Iran by Iraq and would direct the President to impose sanctions on financial institutions that conduct transactions with those funds.

**H.R.6000 —To freeze \$6,000,000,000 of Iranian funds held in Qatar, and for other purposes.**

Would rescind the September 11, 2023, waiver and direct the Secretary of the Treasury to rescind all licenses, letters, and guidance related to the \$6 billion transfer; would direct the submission of a report on Iran’s assets blocked by the United States.

**H.R.6010 —To invalidate the use of United States passports to travel to Iran, and for other purposes.**

Text not available on Congress.gov as of October 25, 2023.

**H.R.6015 —To require the President to prevent the abuse of financial sanctions exemptions by Iran, and for other purposes.**

Would direct the President to issue regulations to ensure that excepted humanitarian transactions do not facilitate the purchase of goods involving sanctioned persons or support terrorism or the proliferation of weapons of mass destruction.

**H.R.6017 —To revoke the waiver determination submitted to Congress on September 11, 2023, with respect to certain sanctions imposed with respect to Iran.**

Text not available on Congress.gov as of October 25, 2023.

www.axios.com /2023/10/24/hamas-financing-sanctions-adeyemo

## First look: Top Biden official heads to Europe in push to cut off Hamas funding

: 10/23/2023

Oct 23, 2023 - Politics & Policy

Deputy Treasury Secretary Wally Adeyemo is heading to Europe this week to collaborate with officials in London, Brussels and Berlin on how to degrade and deny Hamas' ability to raise money, according to U.S. officials.

**Why it matters:** The Biden administration is bracing for a protracted conflict between Israel and Hamas — with deep concerns about the war expanding to Israel's northern border — and wants to prevent Hamas from buying arms and ammunition for its terrorist operations.

**Driving the news:** Last week, the Treasury Department issued fresh sanctions on Hamas individuals and entities, including a crypto exchange and operatives who run the group's secret investment portfolio.

- But officials have always been clear that the U.S. will need to coordinate its efforts with allies in Europe and the Middle East — as well as financial institutions.
- Brian Nelson, Treasury's undersecretary for terrorism and financial intelligence, is currently in Saudi Arabia to work with Middle East partners on how to restrict Hamas's fundraising. He's scheduled to be in Qatar on Wednesday.

**What to watch:** Adeyemo — a key player in both the public and private pressure campaign on Hamas's financing — will give a major speech at the Royal United Services Institute in London on Friday morning.

- The goal is to explain the administration's efforts to deny Hamas and Russia's access to illicit funds.
- Last week, Adeyemo told Democrat lawmakers behind closed-doors that the U.S. and Qatar had reached an informal agreement that Iran would not be able to access a \$6 billion account in Qatar.

**The big picture:** The Biden administration is deeply involved in the war in Gaza, sending a three-star Marine general to advise the Israeli military on its coming ground operation, Axios reported Monday.

- U.S. officials are urging Israel's coalition government to delay the ground invasion to get more aid into Gaza and get more hostages out.
- On Monday, Biden said the time wasn't right for a ceasefire. "We should have those hostages released, and then we can talk," he told reporters.
- The State Department warned Monday that it's concerned about the conflict expanding to Israel's northern border with Lebanon.

PATRICK McHENRY, NC  
CHAIRMAN



MAXINE WATERS, CA  
RANKING MEMBER

United States House of Representatives  
One Hundred Eighteenth Congress  
Committee on Financial Services  
2120 Rayburn House Office Building  
Washington, DC 20515

November 7, 2023

Richard Goldberg  
Senior Advisor  
Foundation for Defense of Democracies  
P.O. Box 33249  
Washington, D.C. 20033

Dear Mr. Goldberg:

Thank you for testifying before the Subcommittee on Oversight and Investigations of the House Committee on Financial Services on October 26, 2023, at the hearing titled "Moving the Money: Understanding the Iranian Regime's Access to Money Around the World and How They Use It to Support Terrorism." Per the instructions announced at the conclusion of the hearing, Members submitted additional questions for your response. Please respond to the questions below and submit your response by November 28, 2023.

Should you or your staff have any questions or need additional information, please contact Rachel Collins at (202) 225-7502.

Sincerely,

A handwritten signature in black ink, appearing to read "Patrick McHenry".

Patrick McHenry  
Chairman

---

Rep. Maxine Waters

Richard Goldberg:

1. Which of the following options best describes your self-identified race? (you may choose more than one)
  - a. White or Caucasian
  - b. Black or African American
  - c. Hispanic/Latinx
  - d. Asian
  - e. Middle Eastern/North African
  - f. Choose not to answer
2. Which of the following options best describes your gender identity?
  - a. Woman
  - b. Man
  - c. Non-binary
  - d. Transgender Man
  - e. Transgender Woman
  - f. Choose not to answer
  - g. Prefer to self-describe (please specify)

PATRICK McHENRY, NC  
CHAIRMAN



MAXINE WATERS, CA  
RANKING MEMBER

United States House of Representatives  
One Hundred Eighteenth Congress  
Committee on Financial Services  
2124 Rayburn House Office Building  
Washington, DC 20515

November 7, 2023

Gabriel Noronha  
Fellow  
Jewish Institute for National Security of Americans  
2475 Virginia Ave NW  
Washington, D.C. 20037

Dear Mr. Noronha:

Thank you for testifying before the Subcommittee on Oversight and Investigations of the House Committee on Financial Services on October 26, 2023, at the hearing titled "Moving the Money: Understanding the Iranian Regime's Access to Money Around the World and How They Use It to Support Terrorism." Per the instructions announced at the conclusion of the hearing, Members submitted additional questions for your response. Please respond to the questions below and submit your response by November 28, 2023.

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Patrick McHenry  
Chairman



---

Rep. Maxine Waters

Mr. Gabriel Noronha

1. Which of the following options best describes your self-identified race? (you may choose more than one)
  - a. White or Caucasian
  - b. Black or African American
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  - a. Woman
  - b. Man
  - c. Non-binary
  - d. Transgender Man
  - e. Transgender Woman
  - f. Choose not to answer
  - g. Prefer to self-describe (please specify)



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**MEMORANDUM**

November 28, 2023

**To:** House Committee on Financial Services  
Attention: Rachel Collins

**From:** Clayton Thomas, Specialist in Middle Eastern Affairs, cbthomas@crs.loc.gov, 7-2719

**Subject:** Questions for the Record (QFRs) for October 26, 2023, HFSC/OI hearing on Iran

This memorandum responds to the questions for the record (QFRs) that the Committee submitted for the October 26, 2023, hearing on Iran. CRS has not independently verified the information from the federal agencies and officials referenced in the following responses. Those agencies themselves would be the authoritative source for their respective information. Thank you again for the opportunity to testify, and please contact CRS if you need further assistance.

**QFRs submitted by Rep. Nikema Williams**

**Question:** Mr. Thomas, in reality, where did this \$6 billion come from and where is it now?

**Response:** The \$6 billion represents “payments made by South Korea to Iran for purchases of oil years ago, including during the last administration,” per a Biden Administration official.<sup>1</sup> Secretary Antony Blinken has reiterated that “the money in question – Iranian money, not American taxpayer dollars – is money that was allowed to accrue in a bank account from the sale of Iranian oil.”<sup>2</sup> In September 2023, the Administration issued waivers to “effectuate the transfer” of the funds from “South Korea, through accounts in Europe, ultimately to accounts in Qatar.”<sup>3</sup>

**Question:** Mr. Thomas, why were the funds moved from banks in South Korea to Qatar?

**Response:** According to a State Department spokesperson, the Administration issued waivers to effectuate the transfer of funds from accounts in South Korea, Iranian funds that had been held in accounts in South Korea, through accounts in Europe, ultimately to accounts in Qatar, where they will be available for use for humanitarian transactions with strict Treasury Department oversight, and ultimately they’re to, as we said before, effectuate the release and bring home five American citizens who have been wrongfully imprisoned in Iran.<sup>4</sup>

<sup>1</sup> White House, “Background press call by senior Administration officials on the return of American detainees from Iran,” September 17, 2023.

<sup>2</sup> U.S. Department of State, Secretary Antony J. Blinken with Lester Holt of NBC Nightly News, October 12, 2023.

<sup>3</sup> U.S. Department of State, Department Press Briefing, September 12, 2023.

<sup>4</sup> U.S. Department of State, Department Press Briefing, September 12, 2023.

That spokesperson also stated that the waivers were “necessary” because “a number of banks, despite the assurances we had given ... did not want to participate in transactions related to these accounts.”<sup>5</sup>

**Question:** Mr. Thomas, as a result of the waivers to transfer the funds from South Korea to Qatar did any of the conditions or restrictions governing the use of those funds for “a very limited category of humanitarian transactions” change?

**Response:** In accordance with statute, the U.S. government has permitted the use of blocked funds for humanitarian trade.<sup>6</sup> According to U.S. Department of the Treasury guidance issued in 2013, in order for depository institutions to avoid sanctions, the restricted Iranian funds they hold must only (1) be used to directly pay for Iranian purchases of goods and services from the third country or (2) be deposited in “special purpose accounts,” “set up with conditions and safeguards that require the account be used only for bilateral trade in goods or services between Iran and the country with primary jurisdiction over the [foreign financial institution], and for sales made under the Humanitarian Exception.”<sup>7</sup> Those conditions align with and reiterate stated provisions in U.S. law that exempt humanitarian trade (namely, agricultural commodities, medicine, and medical devices) from U.S. sanctions programs. Treasury further specifies that in order to avoid U.S. sanctions the recipient of any funds from Iranian oil sales has to be an individual or entity of the country where the funds are deposited.<sup>8</sup>

The formerly South Korea-based funds, now in Qatar, were to be available only for transactions for agricultural commodities, food, medicine, and medical devices with “vetted third-party, non-Iranian vendors,” in line with the U.S. legal framework described above and subject to U.S. oversight.<sup>9</sup>

U.S. officials have not publicly described in detail the oversight mechanisms of the Qatar-based funds. A State Department spokesperson stated that, “We have visibility into how they are used, and we have the ability to police their use.”<sup>10</sup> A Treasury FAQ published September 18, 2023, described the establishment of a “humanitarian channel in Qatar (HC)” and said

In partnership with the Government of Qatar and financial institutions operating the HC [humanitarian channel] — all of which have committed to stringent due diligence measures — the United States will closely monitor the HC and will take appropriate action should Iran attempt to use these funds for purposes other than permitted humanitarian purchases.<sup>11</sup>

**Question:** Mr. Thomas, how does the spread of misinformation about the United States’ actions impact its ability to successfully engage with the rest of the world?

**Response:** Misinformation is generally defined as inaccurate information; disinformation, or the dissemination of false information “deliberately intended to mislead,” has been identified as a threat to

<sup>5</sup> Ibid.

<sup>6</sup> See the Trade Sanctions Reform and Export Enhancement Act of 2000 (P.L. 106-387); the National Defense Authorization Act (NDAA) for Fiscal Year (FY) 2012 (P.L. 112-81); and the Iran Freedom and Counter-Proliferation Act of 2013 (Subtitle D of the FY2013 NDAA, P.L. 112-239).

<sup>7</sup> U.S. Department of the Treasury, Iran Sanctions Frequently Asked Questions (FAQs) 259 and 260; all Iran sanctions FAQs available at <https://ofac.treasury.gov/faqs/topic/1551>.

<sup>8</sup> U.S. Department of the Treasury, Iran Sanctions FAQ 263.

<sup>9</sup> White House, “Background press call by senior Administration officials on the return of American detainees from Iran,” September 17, 2023.

<sup>10</sup> U.S. Department of State, Department Press Briefing, September 12, 2023.

<sup>11</sup> Treasury FAQ 1134, <https://ofac.treasury.gov/faqs/1134>.

U.S. interests.<sup>12</sup> More specifically, foreign actors use disinformation to undermine and discredit the United States, destabilize its partners, and generally sow discord. The impacts of misinformation and disinformation are hard to quantify and not always apparent. U.S. efforts to respond to such efforts are led by the State Department's Global Engagement Center. The Center's mission is to "direct, lead, synchronize, integrate, and coordinate U.S. Federal Government efforts to recognize, understand, expose, and counter foreign state and non-state propaganda and disinformation efforts aimed at undermining or influencing the policies, security, or stability of the United States, its allies, and partner nations."<sup>13</sup>

#### QFRs submitted by Rep. Maxine Waters

**Question:** Which of the following options best describes your self-identified race? (you may choose more than one)

- a. White or Caucasian
- b. Black or African American
- c. Hispanic/Latinx
- d. Asian
- e. Middle Eastern/North African
- f. Choose not to answer

**Response:** a. White or Caucasian

**Question:** Which of the following options best describes your gender identity?

- a. Woman
- b. Man
- c. Non-binary
- d. Transgender Man
- e. Transgender Woman
- f. Choose not to answer
- g. Prefer to self-describe (please specify)

**Response:** b. Man

<sup>12</sup> American Psychological Association, "Misinformation and disinformation," updated January 2023.

<sup>13</sup> U.S. Department of State, Global Engagement Center, available at <https://www.state.gov/bureaus-offices/under-secretary-for-public-diplomacy-and-public-affairs/global-engagement-center/>.