

113TH CONGRESS  
2D SESSION

# H. R. 5431

To impose sanctions on foreign financial institutions that engage in certain transactions with the Islamic State of Iraq and Syria, and for other purposes.

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## IN THE HOUSE OF REPRESENTATIVES

SEPTEMBER 10, 2014

Mr. FITZPATRICK introduced the following bill; which was referred to the Committee on Foreign Affairs, and in addition to the Committees on Oversight and Government Reform and Financial Services, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

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## A BILL

To impose sanctions on foreign financial institutions that engage in certain transactions with the Islamic State of Iraq and Syria, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Isolating ISIS Act”.

1 **SEC. 2. SANCTIONS WITH RESPECT TO FOREIGN FINANCIAL**  
2 **INSTITUTIONS THAT ENGAGE IN CERTAIN**  
3 **TRANSACTIONS.**

4 (a) PROHIBITIONS AND CONDITIONS WITH RESPECT  
5 TO CERTAIN ACCOUNTS HELD BY FOREIGN FINANCIAL  
6 INSTITUTIONS.—

7 (1) IN GENERAL.—Not later than 120 days  
8 after the date of the enactment of this Act, the Sec-  
9 retary of the Treasury, in consultation with the Sec-  
10 retary of State and the heads of other applicable  
11 Federal departments and agencies, shall prohibit, or  
12 impose strict conditions on, the opening or maintain-  
13 ing in the United States of a correspondent account  
14 or a payable-through account by a foreign financial  
15 institution that the Secretary of the Treasury deter-  
16 mines, on or after the date of the enactment of this  
17 Act, engages in an activity described in paragraph  
18 (2).

19 (2) ACTIVITIES DESCRIBED.—A foreign finan-  
20 cial institution engages in an activity described in  
21 this paragraph if the foreign financial institution—

22 (A) knowingly facilitates a transaction or  
23 transactions for the Islamic State of Iraq and  
24 Syria;

25 (B) knowingly facilitates a transaction or  
26 transactions of a person designated for acting

1 on behalf of or at the direction of, or owned or  
2 controlled by, the Islamic State of Iraq and  
3 Syria;

4 (C) knowingly engages in money laun-  
5 dering to carry out an activity described in sub-  
6 paragraph (A) or (B);

7 (D) knowingly facilitates a transaction or  
8 transactions or provides financial services to  
9 carry out an activity described in subparagraph  
10 (A), (B), or (C), including—

11 (i) facilitating a transaction or trans-  
12 actions; or

13 (ii) providing financial services that  
14 involve a transaction of any goods; or

15 (E)(i) knowingly facilitates, or participates  
16 or assists in, an activity described in subpara-  
17 graph (A), (B), (C), or (D), including by acting  
18 on behalf of, at the direction of, or as an inter-  
19 mediary for, or otherwise assisting, another per-  
20 son with respect to the activity described in any  
21 such subparagraph;

22 (ii) knowingly attempts or conspires to fa-  
23 cilitate or participate in an activity described in  
24 subparagraph (A), (B), (C), or (D); or

(iii) is owned or controlled by a foreign financial institution that the Secretary finds knowingly engages in an activity described in subparagraph (A), (B), (C), or (D).

(3) PENALTIES.—The penalties provided for in subsections (b) and (c) of section 206 of the International Emergency Economic Powers Act (50 U.S.C. 1705) shall apply to a person that violates, attempts to violate, conspires to violate, or causes a violation of the prohibition or strict conditions referred to in paragraph (1) of this subsection to the same extent that such penalties apply to a person that commits an unlawful act described in subsection (a) of such section 206.

(4) REGULATIONS.—The Secretary of the Treasury shall prescribe and implement regulations to carry out this subsection.

(b) WAIVER.—

(1) IN GENERAL.—The Secretary of the Treasury, in consultation with the Secretary of State and the heads of other applicable Federal departments and agencies, may waive, on a case-by-case basis, the application of a prohibition or condition imposed with respect to a foreign financial institution pursuant to subsection (a) for a period of not more than

1 180 days, and may renew that waiver for additional  
2 periods of not more than 180 days, on and after the  
3 date that the Secretary of the Treasury, in consulta-  
4 tion with the Secretary of State—

5 (A) determines that such a waiver is in the  
6 national security interests of the United States;  
7 and

8 (B) submits to the appropriate congres-  
9 sional committees a report describing the rea-  
10 sons for the determination.

11 (2) FORM.—The report required by subpara-  
12 graph (1) shall be submitted in unclassified form,  
13 but may contain a classified annex.

14 (c) PROVISIONS RELATING TO FOREIGN FINANCIAL  
15 INSTITUTIONS.—

16 (1) REPORT.—Not later than 45 days after the  
17 date of the enactment of this Act and every 180  
18 days thereafter, the Secretary of the Treasury shall  
19 submit to the appropriate congressional committees  
20 a report that—

21 (A) identifies each foreign central bank  
22 that the Secretary determines engages in one or  
23 more activities described in subsection  
24 (a)(2)(D); and

1 (B) provides a detailed description of each  
2 such activity.

3 (2) SPECIAL RULE TO ALLOW FOR TERMINATION OF SANCTIONABLE ACTIVITY.—The Secretary of the Treasury shall not be required to apply  
4 sanctions to a foreign financial institution described  
5 in subsection (a) if the Secretary of the Treasury, in  
6 consultation with the Secretary of State and the  
7 heads of other applicable Federal departments and  
8 agencies, certifies in writing to the appropriate congressional committees that—

12 (A) the foreign financial institution—  
13 (i) is no longer engaging in an activity  
14 described in subsection (a)(2); or  
15 (ii) has taken and is continuing to  
16 take significant verifiable steps toward terminating the activity described in subsection (a)(2); and

19 (B) the Secretary has received reliable assurances from the government with primary jurisdiction over the foreign financial institution  
20 that the foreign financial institution will not engage in any activity described in subsection  
21 (a)(2) in the future.

25 (d) DEFINITIONS.—

1 (1) IN GENERAL.—In this section:

2 (A) ACCOUNT; CORRESPONDENT ACCOUNT;  
3 PAYABLE-THROUGH ACCOUNT.—The terms “ac-  
4 count”, “correspondent account”, and “payable-  
5 through account” have the meanings given  
6 those terms in section 5318A of title 31, United  
7 States Code.

8 (B) FINANCIAL INSTITUTION.—The term  
9 “financial institution” means a financial insti-  
10 tution specified in subparagraph (A), (B), (C),  
11 (D), (E), (F), (G), (H), (I), (J), (K), (M), (N),  
12 (P), (R), (T), (Y), or (Z) of section 5312(a)(2)  
13 of title 31, United States Code.

14 (C) FOREIGN FINANCIAL INSTITUTION.—  
15 The term “foreign financial institution” has the  
16 meaning of such term in section 1010.605 of  
17 title 31, Code of Federal Regulations, and in-  
18 cludes a foreign central bank.

19 (D) MONEY LAUNDERING.—The term  
20 “money laundering” means any of the activities  
21 described in paragraph (1), (2), or (3) of sec-  
22 tion 1956(a) of title 18, United States Code,  
23 with respect to which penalties may be imposed  
24 pursuant to such section.

1           (2) OTHER DEFINITIONS.—The Secretary of  
2           the Treasury may further define the terms used in  
3           this section in the regulations prescribed under this  
4           section.

5 **SEC. 3. IMPOSITION OF SANCTIONS WITH RESPECT TO**  
6 **UNITED STATES PERSONS THAT ENGAGE IN**  
7 **TRANSACTIONS WITH CERTAIN FOREIGN**  
8 **PERSONS.**

9           (a) IN GENERAL.—The President shall impose sanc-  
10          tions in accordance with subsection (c) with respect to  
11          each person on the list required by subsection (b).

12          (b) LIST.—

13               (1) IN GENERAL.—Not later than 90 days after  
14          the date of the enactment of this Act, the President  
15          shall submit to the appropriate congressional com-  
16          mittees a list of United States persons that the  
17          President determines have knowingly engaged in an  
18          activity described in paragraph (2) on or after such  
19          date of enactment.

20               (2) ACTIVITY DESCRIBED.—

21                     (A) IN GENERAL.—A person engages in an  
22          activity described in this paragraph if the per-  
23          son knowingly engages in a transaction or  
24          transactions with a foreign person that trans-  
25          fers or receives, or facilitates the transfer or re-



1 receipt of, any goods or services to or from the  
2 Islamic State of Iraq and Syria.

3 (B) APPLICABILITY TO CONTRACTS AND  
4 OTHER AGREEMENTS.—A person engages in an  
5 activity described in subparagraph (A) without  
6 regard to whether the activity is carried out  
7 pursuant to a contract or other agreement en-  
8 tered into before, on, or after the date of the  
9 enactment of this Act.

10 (3) SPECIAL RULE TO ALLOW FOR TERMI-  
11 NATION OF SANCTIONABLE ACTIVITY.—The Presi-  
12 dent shall not be required to include a person on the  
13 list required by paragraph (1) if the President cer-  
14 tifies in writing to the appropriate congressional  
15 committees that—

16 (A) the person is no longer engaging in, or  
17 has taken significant verifiable steps toward  
18 stopping, the activity described in paragraph  
19 (2) for which the President would otherwise  
20 have included the person on the list; and

21 (B) the President has received reliable as-  
22 surances that the person will not knowingly en-  
23 gage in any activity described in paragraph (2)  
24 in the future.

1           (4) UPDATES OF LIST.—The President shall  
2       submit to the appropriate congressional committees  
3       an updated list under paragraph (1) as new infor-  
4       mation becomes available.

5           (5) FORM OF REPORT; PUBLIC AVAILABILITY.—

6           (A) FORM.—The list required by para-  
7       graph (1) shall be submitted in unclassified  
8       form but may contain a classified annex.

9           (B) PUBLIC AVAILABILITY.—The unclassi-  
10      fied portion of the list required by paragraph  
11      (1) shall be made available to the public and  
12      posted on the websites of the Department of the  
13      Treasury and the Department of State.

14      (c) APPLICATION OF SANCTIONS.—

15           (1) IN GENERAL.—The President shall impose  
16      sanctions described in paragraph (2) with respect to  
17      a person on the list required by subsection (b).

18           (2) SANCTIONS.—The sanctions described in  
19      this paragraph are the following:

20           (A) No assistance may be provided to the  
21      person under the Foreign Assistance Act of  
22      1961 (22 U.S.C. 2151 et seq.) or the Arms Ex-  
23      port Control Act (22 U.S.C. 2751 et seq.).

24           (B) The United States Government may  
25      not procure, or enter into any contract for the

1 procurement of, any goods or services from the  
2 person.

3 (C) The President may impose additional  
4 sanctions, as appropriate, with respect to the  
5 person in accordance with the International  
6 Emergency Economic Powers Act (50 U.S.C.  
7 1701 et seq.).

8 (d) DEFINITIONS.—In this section:

9 (1) FOREIGN PERSON.—The term “foreign per-  
10 son” means—

11 (A) an individual who is not a United  
12 States person or an alien lawfully admitted for  
13 permanent residence into the United States; or

14 (B) a corporation, partnership, or other  
15 nongovernmental entity which is not a United  
16 States person.

17 (2) PERSON.—

18 (A) IN GENERAL.—The term “person”  
19 means—

20 (i) a natural person;

21 (ii) a corporation, business associa-  
22 tion, partnership, society, trust, financial  
23 institution, insurer, underwriter, guar-  
24 antor, and any other business organization,  
25 any other nongovernmental entity, organi-

1                    zation, or group, and any governmental en-  
 2                    tity operating as a business enterprise; and  
 3                    (iii) any successor to any entity de-  
 4                    scribed in clause (ii).

5                    (B) APPLICATION TO GOVERNMENTAL EN-  
 6                    TITIES.—The term “person” does not include a  
 7                    government or governmental entity that is not  
 8                    operating as a business enterprise.

9                    (3) UNITED STATES PERSON.—The term  
 10                    “United States person” means—

11                    (A) a natural person who is a citizen of the  
 12                    United States or who owes permanent alle-  
 13                    giance to the United States; and

14                    (B) a corporation or other legal entity  
 15                    which is organized under the laws of the United  
 16                    States, any State or territory thereof, or the  
 17                    District of Columbia, if natural persons de-  
 18                    scribed in subparagraph (A) own, directly or in-  
 19                    directly, more than 50 percent of the out-  
 20                    standing capital stock or other beneficial inter-  
 21                    est in such legal entity.

22 **SEC. 4. REGULATORY AUTHORITY.**

23                    (a) IN GENERAL.—Not later than 90 days after the  
 24                    date of the enactment of this Act, the President shall pro-

1 mulgate regulations as necessary for the implementation  
2 of this Act.

3 (b) NOTIFICATION TO CONGRESS.—Not later than 10  
4 days before the promulgation of regulations under sub-  
5 section (a), the President shall notify the appropriate con-  
6 gressional committees of such proposed regulations.

7 **SEC. 5. TERMINATION.**

8 This Act shall cease to be in effect beginning 30 days  
9 after the date on which the President certifies to Congress  
10 that the Islamic State of Iraq and Syria—

11 (1) is no longer designated as a foreign ter-  
12 rorist organization pursuant to section 219 of the  
13 Immigration and Nationality Act (8 U.S.C. 1189);

14 (2) is no longer listed in the Annex to Executive  
15 Order No. 13224 (September 23, 2001; relating to  
16 blocking property and prohibiting transactions with  
17 persons who commit, threaten to commit, or support  
18 terrorism); and

19 (3) poses no significant threat to United States  
20 national security, interests, or allies.

21 **SEC. 6. RULE OF CONSTRUCTION.**

22 Nothing in this Act shall apply to the authorized in-  
23 telligence activities of the United States.

24 **SEC. 7. DEFINITIONS.**

25 In this Act:

1           (1) APPROPRIATE CONGRESSIONAL COMMIT-  
2       TEES.—The term “appropriate congressional com-  
3       mittees” means—

4           (A) the Committee on Foreign Affairs and  
5       the Committee on Financial Services of the  
6       House of Representatives; and

7           (B) the Committee on Foreign Relations  
8       and the Committee on Banking, Housing, and  
9       Urban Affairs of the Senate.

10       (2) ISLAMIC STATE OF IRAQ AND SYRIA.—The  
11      term “Islamic State of Iraq and Syria” includes—

12           (A) any person—

13           (i) the property of or interests in  
14           property of which are blocked pursuant to  
15           the International Emergency Economic  
16           Powers Act (50 U.S.C. 1701 et seq.); and

17           (ii) who is identified on the list of spe-  
18           cially designated nationals and blocked  
19           persons maintained by the Office of For-  
20           eign Asset Control of the Department of  
21           the Treasury as an agent, instrumentality,  
22           or affiliate of the Islamic State of Iraq and  
23           Syria; and

24           (B) the entity designated by the Secretary  
25      of State as a foreign terrorist organization pur-

1           suant to section 219 of the Immigration and  
2           Nationality Act (8 U.S.C. 1189).

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