

## Iran's Deceptive Financial Practices

*Remarks by Under Secretary for Terrorism and Financial Intelligence Sigal Mandelker followed by a panel discussion featuring Mark Dubowitz, Richard Goldberg, Carlton Greene and Elizabeth Rosenberg*

DUBOWITZ: OK, folks, we're going to get started. Please take your seats. I think there's -- actually, there's a few over there, if anybody needs seats. OK, great.

So hi, there. My name is Mark Dubowitz. I'm the chief executive here at FDD. Just want to welcome you to the foundation. We're the home of the Washington Capitals, so hope -- I hope there's some hockey fans in the audience. Any -- any Las Vegas fans here? Ah, yes.

OK. Well, FDD's going to be recommending that the Treasury Department actually add you to the SDN list. So.

MANDELKER: Actually for the record, I'm a Penguins fan.

DUBOWITZ: Penguins fan. Oh. Ooh. Ooh. Well, Sigal, it's good to have you here despite -- despite that. Despite that.

Anyway, we're really looking forward to today's conversation on -- on Iran's deceptive financial practices and -- and really looking forward to hearing from Undersecretary Sigal Mandelker, despite the fact that she's a Penguins fan. We're also going to have a moderated panel after her remarks.

I just want to thank those of you who are joining us. There're also going to be people tuning in over live stream. We're going to be live tweeting this at our Twitter handle, @FDD.

So FDD is a nonpartisan policy institute. We work on national security, foreign policy. But for many years, for probably about 15 years we've been working on the -- the Iranian regime and its -- and its global threat network.

And a lot of this work has been done through FDD's Center on Sanctions and Illicit Finance. So we're very pleased to be hosting this conversation on a topic that's dear to our heart.

And we're also very proud of the longstanding relationship that we've had over three administrations with the Office of Terrorism and Financial Intelligence. So it is -- it's a terrific office, an amazing team and we're really pleased to have the team here today.

Please silence your cell phones, and let's get to today's topic.

So certainly since President Trump decided to withdraw the United States from the Iran nuclear deal, Treasury Department has been very busy. I think there's not a -- a day or certainly not a week that goes by where I don't get a Treasury alert my inbox.

And since the date of that withdrawal, I believe there's been seven rounds of sanctions related to the Iranian regime's support for terrorist organizations and violent militias, including designations on Hezbollah and something that we also are pleased to see, which is designations on the regime's systematic abuse of -- of human rights inside Iran.

Last month Treasury took a very important step in sanctioning the head of Iran's central bank, who conspired the IRGC Quds Force to facilitate funding terrorist groups including Hezbollah.

And in back to back press releases, Treasury explicitly condemned the role of Iran's central bank in the regime's illicit finance, and reminded the global financial community of the regime's abuse of the Iranian financial system.

Treasury's also been working very closely with our allies in the gulf to combat Iranian illicit finance. Working with the UAE, Treasury shot down a network procuring millions of dollars for the IRGC Quds Force. And Treasury worked alongside our partners in the Terrorist Financing Targeting Center to disrupt Hezbollah's global financial network.

As nationwide protests continue in Iran every day, the U.S. sanctions against the notorious Evin prison, as well as sanctions against the head of the Islamic Republic of Iran's broadcasting, who used his network to broadcast forced confessions of Iranians -- innocent Iranians, this sent an important message of solidarity, and recognition of the Iranian people's demand for human rights and a responsible government.

So to speak about these actions and the way forward, I'm very pleased to -- to introduce Undersecretary Sigal Mandelker, who serves as Undersecretary of Terrorism. She is, in her vital role, she's charged with developing and implementing U.S. government strategies to combat terror financing and money laundering, as well as other programs to fight financial crime.

She's responsible for leveraging the department's unique regulatory and enforcement functions to safeguard the global financial system from illicit use, and combat terrorist financiers, weapons of mass destruction, proliferators, money launderers, drug kingpins and other national security threats.

She's had a long and distinguished career in national security and in the U.S. government. She served in senior law enforcement and national security positions in Departments of Justice and Homeland Security. And we've really had the privilege of working very closely with -- with Sigal and her tremendous staff, as well as a number of other people within the U.S. government who've taken these very important actions.

So, Sigal, we're very grateful for your service to our country and we're very pleased to introduce you to FDD today.

MANDELKER: Thank you for inviting me to speak here today, Mark. It's truly a pleasure to be here at the Foundation for the Defense of Democracies. We always greatly appreciate your insights and your ideas.

When President Trump announced his decision last month to cease the United States' participation in the JCPOA, at Treasury we took immediate action to implement the president's decision.

This included re-imposing U.S. nuclear-related sanctions on the regime, subject to certain 90 day and 180 day wind-down periods. These sanctions, we have no doubt, will further cut the Iranian regime off from abusing the global financial system.

But I'm not going to use my remarks today to talk about the technicalities of snapback. Instead, I'm going to focus in on the surreptitious means Iran uses to finance itself and its long list of malignant activities.

As the Under Secretary for Terrorism and Financial Intelligence, I spend my days and nights tracking and targeting terrorist financing, proliferation financing, and a myriad of other illicit activities, including the methods our adversaries use to attempt to conceal their behavior.

We regularly warn governments and companies all over the world about the need to harden their networks from illicit actors, whether it is through the strong actions that we take in bilateral and multilateral government engagements, through the Financial Action Task Force, or FATF or with the private sector.

What is the paradigmatic example of a regime that uses deception and subterfuge to fund illicit activity?

It is a regime that uses shell and front companies to conceal its tracks. It uses forged documents to hide its participants and deceive legitimate private and public actors. It misleads companies, financial institutions and countries using seemingly legitimate businesses. It finds what it perceives to be weak links, and exploits those links in the hopes that its activities will go undetected. It uses officials with influence and credentials to facilitate its illicit transactions.

And all of this in support of nefarious activity, whether it's funding terrorists, supporting WMD proliferation, or exploiting its own people through corruption and human rights abuses.

What country fits this prototype? Iran. The Iranian government has demonstrated, time and time again, including throughout the JCPOA, that it is a regime bent on supporting terrorism and promoting ruthless actors, destabilizing the regime and abusing the human rights of its own people.

And to fund these illicit activities, Iran exploits the global financial system as well as country after country around the world. In Syria, for example, Iran and its Islamic Revolutionary Guard Corps have funded Assad's murderous campaign against his own people.

Iran provides upwards of \$700 million a year to Hezbollah, which continues to threaten our close ally, Israel, including using rockets supplied by Iran to target Israeli neighborhoods.

Iran has also used deception to obtain hard currency for the IRGC Quds Force, and front companies to conceal its procurement of parts for airlines ferrying Iranian terrorists to the battlefield in Syria.

These efforts, often directed by senior-level Iranian officials, constitute a deliberate pattern to deceive and exploit legitimate businesses, financial institutions and governments.

When I was a prosecutor at the Department of Justice, I learned the importance of methodically looking at all the evidence in a case, and drawing conclusions based on those facts.

Today, I'm going to piece those facts together for you. The picture it presents is not a pretty one. But it is incredibly important to be clear-eyed about the true nature of the Iranian regime in order to be extraordinarily vigilant to its deceptive practices. I'm going to walk you through the details of Iran's systematic efforts to deceive our partners, allies, companies and others around the world in pursuit of its illicit aims.

Let's start by talking about Iran's abuse of the international financial system. We continue to see Iran use deceptive tactics, including front and shell companies to exploit markets in numerous countries to fund its nefarious activities. Iran's deceitful tactics include forging documents, obfuscating data, and hiding illicit activities under official cover of government entities, among many others.

The objective is to ensure that no legitimate company or government knows that they are being used to achieve Iran's illicit aims. What is all the more remarkable about this activity is, that we are seeing Central Bank of Iran complicity in Quds Force financing.

In any legitimate country, if a central bank or its governor was complicit in financing terror, that central bank governor would be fired from his or her job and prosecuted for providing material support for terrorism. Indeed, any country that wants to legitimately join the global community of commerce would insist on it, and those seeking to do business with that country would demand it.

We have seen the Central Bank of Iran's complicity in supporting the financing of terrorism in two important recent large-scale schemes. First, using six front companies, and with the help of the Central Bank of Iran, an extensive currency exchange network in Iran and the UAE exploited the UAE's currency exchange market, to procure and transfer millions in U.S. dollar-denominated bulk cash.

It did this for the Quds Force, which has been designated, both by the United States and the E.U., to fund the Quds Force's malign activities and regional proxy groups, by concealing the purpose for which the U.S. dollars were acquired.

In order to conceal Iran's involvement in those illicit activities from UAE authorities, the network forged documents and purposefully disguised its conduct behind seemingly legitimate businesses, hiding its illicit activities through front and shell companies.

At least one of these companies, the Rashed Exchange, advertised its currency exchange and international money transfer business all over the world; on its website and social media in an effort to portray its activities as legitimate, while in reality, its management was using this cover to facilitate this illicit transfer. Iran's central bank, again, played a critical role in enabling this network's massive cash transfer, all while Iran was in the midst of a currency crisis.

And so while the Iranian rial continues to freefall, the Quds Force was desperate to acquire foreign currency to fund its regional proxies. And the Central Bank of Iran helped make that happen.

What did we do when we detected this deceptive activity? We took action with our partners in the UAE, to designate this network and shut it down. We conveyed our continued determination to disrupt all terror-related networks.

The UAE also sent a very strong message that these exchanges, and the Quds Force, are not welcome there, designating individuals and entities involved in this network, and cutting their access to the UAE's financial system.

To other governments and banks around the world, we say, "You must be alert to these deceptive practices so that you, too, are not taken advantage of. Don't be fooled when you're dealing with the Central Bank of Iran."

But the UAE is not the only country that Iran and its Central Bank have exploited. We have also seen Iran's Central Bank governor, other Central Bank of Iran officials, and the Quds Force team up to take advantage of Iraq's banking sector in order to surreptitiously move funds on behalf of the Quds Force and Hezbollah.

As part of this scheme, Valiollah Seif, Iran's Central Bank Governor, along with the Assistant Director of the Central Bank's International Department, conspired with the Quds Force to conceal the movement of millions of dollars in multiple currencies through the international financial system, including Iraqi banks.

Seif used his influence and credentials as the head of Iran's Central Bank to conceal the true nature of transactions that were destined for the Quds Force and its proxy Hezbollah.

The Chairman and Chief Executive of Al Bilad Islamic Bank, an Iraqi bank, acted as an intermediary to enable and conceal the Quds Force's exploitation of Iraq's banking sector to send funds to Hezbollah. This is the same Chairman and Chief Executive who ran for a parliamentary seat in Iraq's elections last month, with a promise to be the quote "voice of every Iraqi citizen," and used quote "patriotism, justice, human rights and law enforcement for Iraq" as part of his campaign.

Yet at the same time, he enabled Iran to further its malign activities in the region at the expense of the integrity of Iraq's financial system. What does this tell us? The Central Bank of Iran's senior officials are directly implicated again, in efforts to use other countries to send illicit funds to the Quds Force and Hezbollah.

When we saw this, we took action, again designating Seif and his conspirators. We also took action against a Hezbollah linked official, who acted as a critical conduit for financial disbursements from the Quds Force to Hezbollah.

Banks, companies and countries again are on notice. That senior officials in Iran are engaged in deceptive activity that strikes at the core of the international financial system should come as no surprise. This past fall, we uncovered a Quds Force network that counterfeited currency and flouted the laws of our allies in Europe.

That network used a series of companies to obfuscate end user data, facilitate deceptive transactions, and circumvent European export restrictions. They used German-based front companies to deceive European suppliers, and surreptitiously procure advanced printing machinery, security printing machinery, and raw materials, such as watermark paper and specialty inks, on behalf of the Quds Force.

The Quds Force in turn used these items to print counterfeit Yemeni bank notes, potentially worth hundreds of millions of dollars, to support Iran's destabilizing activities; yet another (inaudible) effort to gain access to currency. This time, it was fake notes, and Europe and Yemen were the victims.

When we consider risks to the international financial system, what action is more problematic than sending massive amounts of fake bank notes into the system? It should be beyond refute that counterfeiting strikes at the heart of the international financial system.

When we uncovered this deceptive activity, we again acted. We took disruptive action to designate the network and those involved.

We have also seen how Iranian officials have provided military support for proxies that attack our allies. For instance, Iran continues to supply the Houthis in Yemen with ballistic missiles that they launch at civilian population centers in Saudi Arabia.

Just a few months ago, the U.N. panel of experts concluded that missiles and other military equipment, employed by the Houthis against Saudi Arabia, were Iranian origin. These Iranian officials have also disrupted humanitarian aid efforts in Yemen, and threatened freedom of navigation in key regional waterways.

When we saw this, we again acted to impede Iran from sending its personnel, weapons and funds in support of its proxies in Yemen. We designated five Iranian officials associated with the Quds Force and Iran's ballistic missile program. And we have acted numerous times to disrupt Iran's continuing development of ballistic missiles, which could be used, as we all know, to deliver nuclear warheads.

This program should have been, and must be part of any deal with Iran. Our partners should demand it. Iran must end its proliferation of ballistic missiles and halt further launching or development of nuclear capable missile systems.

And as those considering doing continued business with Iran need to understand, this is not only a regime that foments regional violence through terrorism, its weapons programs and other destabilizing activity. It is a regime that thinks nothing about exploiting its own people through brutal human rights abuses against women, political opponents and others.

For example, Ansar-e Hezbollah, a regime supported organization, harasses and attacks the Iranian people, and has been linked to acid attacks against women in the city of Isfahan. Multiple women who are not dressed in accordance with the regime's standards had acid thrown at them, severely injuring them and creating a climate of fear.

When people are imprisoned, Iran often subjects them to brutal tactics inflicted by prison authorities, including sexual and physical assaults and electric shock. Iran's Ministry of Intelligence and Security, and the IRGC maintain permanent wards in Evin prison, where they hold political prisoners.

And so while senior regime officials will regularly downplay the torture and abuse that occurs in this and other prisons, the abuse of prisoners, including political prisoners, continues.

When we uncovered these disgusting human rights abuses, we again took action just last week, designating numerous human rights abusers in the Evin prison itself. These actions build on our earlier efforts to target Iran's human rights abuses.

In recent months, Iranian citizens have taken to the streets, loudly shouting that they have enough of the regime's corruption and financial support for foreign proxies. Many have done so at grave risk to their own lives, as the regime has thrown protesters in jail, violently censored its people who seek to freely protest, and much worse.

And so to hold those responsible, in January, we designated the head of Iran's judiciary, who facilitated torture and cruel and inhuman treatment of prisoners, along with the Rajai Shahr prison, where dissidents were imprisoned, mistreated, mutilated and in certain cases, even murdered.

To further suppress the free speech of its people, the Iranian regime diverts resources that should belong to its people, instead, to fund a massive and expensive censorship apparatus.

This apparatus allows Iran to monitor and track its citizens, and curtail any peaceful gatherings and protests. The Iranian regime has demonstrated, time and again, contempt for fundamental freedoms such as expression, assembly and association. By restricting access to satellite services, blocking access to social media sites and apps, and imposing other Internet restrictions, the regime seeks to impede the Iranian people from freely communicating with the outside world, and with each other.

Again, when we saw this blatant repression, we acted, designating the groups and individuals responsible, and we also made clear to the private sector through our guidance that we are

committed to fostering -- fostering and supporting the free flow of information to the Iranian people, and that we will authorize certain transactions that support those efforts.

Iran's malign behavior, of course, is no recent development. Even as the ink on the JCPOA was drying, Iran with using cyber-enabled attacks against companies and countries across the world to support terrorism, and enrich itself.

For example, the U.S. government uncovered a scheme whereby the Mabna Institute and its hackers stole intellectual property, research and data at the behest of the IRGC. These hackers conducted online reconnaissance of university professors, and according to the Justice Department, used this knowledge to target over 100,000 accounts of professors with spear phishing attacks designed to introduce -- to induce their targets to take actions that would compromise their academic account credentials. These stolen login credentials were used to directly access online university library systems, and unlawfully extract data which was then used for the benefit of the IRGC, and sold within Iran through at least two websites.

The scale of this cyber-assault is stunning. The IRGC-directed Mabna Institute exploited not one, not two, but 22 countries, including our European partners, such as Germany, Italy, the United Kingdom, as well as our Asian partners, such as Japan and South Korea, among many others.

The Mabna Institute conducted massive, coordinated cyber intrusions into the computer systems of over 300 universities worldwide, including 144 institutions right here in the United States. When we uncovered this scheme, we again took action with our Department of Justice colleagues. We designated the Mabna Institute and its hackers, and the Department of Justice indicted them.

This is yet another example of Iran's deceptive practices and its willingness to flout our laws and the laws of our allies and partners around the world.

Also, during the period of the JCPOA, Iran used deceptive schemes to illicitly procure aircraft parts from across the world to fuel terrorism, atrocities and regional instability.

As FDD knows and has exposed very well, Iranian commercial airlines play a critical role in ferrying Quds Force operatives, weapons, equipment and funds to international locations in furtherance of Iranian state-sponsored terror operations.

Since the onset of the Syrian Civil War, Mahan Air and other designated Iranian commercial airlines, such as Caspian Air, Mirage Air and Pouya Air, have routinely flown fighters and materiel to Syria to prop up the Assad regime.

Let's be clear. As our allies have asked for more evidence regarding what Mahan Air has been up to, we have asked, "What more evidence do you need than the fact that they are repeatedly flying fighters and materiel in and out of Syria?" People do not go on vacation to Syria.

The world must open its eyes to Iran's military support to Assad. This support has contributed to mass atrocities in the country and the displacement of millions across the region. We have all



seen the horrifying pictures of the women and children in Syria lying on the ground, suffering the devastating attacks -- effects of chemical weapons.

One of the proper responses to this kind of Iranian support is to stop allowing airlines who fly Iranian fighters (ph) into Syria to continue to fly into your country and to designate those airlines, because they are being used to support what we all agree is a horrific crisis.

I invite all of you here today to go to Mahan's website and see the extensive list of designations (ph) where they fly throughout the world. In the airline industry, we again find this same pattern and practice; front companies being used to engage in surreptitious activity.

We recently uncovered an illicit network, concealed this time by Turkish front companies, that surreptitiously procured U.S. jets and parts for Mahan's aircraft. This network purchased airline aviation parts from foreign vendors and then forwarded those parts, including export-controlled U.S. goods, to Mahan air.

This is not the first time Treasury has detected deception involving Mahan Air's global procurement operations. The deceptive practices these airlines employ to illegally obtain services and U.S. goods is yet another example of the duplicitous ways in which the Iranian regime operates. And we once again took action to counter this deceitful conduct, designating the illicit network that facilitated these actions.

Again, those in the civil aviation industry around the world must be vigilant. They should implement appropriate controls to ensure compliance with their legal requirements. Likewise, countries and companies around the world should take note of the risks associated with granting landing rights and providing aviation services to the airlines used by Iran to exploit terrorism throughout the region, including the risks of our secondary sanctions.

Time and time again, Iran has been given the opportunity to renounce its malign activities. For over a decade, the FATF has highlighted the terrorist financing risk emanating from Iran and the threat that it poses to the international financial system. Yet Iran has failed repeatedly to fulfill its international obligations to clean up its financial system, crack down on illicit activity and cease all financing of terrorism.

In the days following the JCPOA, Iran had ample time to take the actions it would need to take to establish itself as a country worthy of investment. The onus of responsibility was on Iran to take the actions necessary to legitimize itself. And yet, once again, it has failed.

In February, the FATF concluded that Iran had failed to address the majority of its anti-money laundering, combating the financing of terrorism action plan requirements. For the first time ever in a public statement, the FATF provided a comprehensive list of Iran's major deficiencies, while reiterating the terrorist financing risk and the threat this poses to the international financial system.

For those who believe that Iran is moving toward implementation of its FATF obligations, take note of what their own national security spokesman recently said. On March 26th of this year,

the spokesman for the Majlis National Security and Foreign Affairs Committee said that, if Iran fully implemented its FATF obligations, it, quote, "will be faced with a kind of self-imposed sanction."

How has Iran failed to fulfill its international obligations? Despite, again, being put on a timeline for action and getting help from other countries, it has failed, one, to adequately criminalize terrorist financing, including by explicitly exempting favored groups they argue are, quote, "attempting to end foreign occupation," which, according to their own press reporting, is just another way for them to continuing (PH) financing terrorist groups like Hezbollah and Hamas.

It has failed to establish the authority to freeze terrorist assets in line with the U.N. Security Council resolutions, let alone do so.

It has failed to establish an adequate and enforceable customer due diligence regime. It has failed to ensure that financial institutions verify that wire transfers contain complete information.

It has failed to make a good faith effort to ratify and implement the International Terrorist Financing Convention. It has failed to establish the full independence of their financial intelligence unit.

It's failed to demonstrate how authorities are identifying and sanctioning unlicensed money value transfer service providers. It's failed to establish a broad range of penalties for violations of money laundering laws.

And it's failed to establish the legal authority and procedures to provide for confiscation of property of corresponding value for money laundering and terrorist financing offense.

As the FAD (ph) have said in its February statement, it is also not just about passing legislation, which they have thus far failed to do, it's about implementing that legislation.

All of this, of course, is that much more problematic, given the pattern and practice of deceptive conduct I have just described for you. How can you continue to deal with Iran if it has utterly failed to institute and implement such critical reforms?

In our engagements, both here in the United States and abroad, we have made clear that companies doing business in Iran face substantial risks. And those risks are even greater as we reimpose nuclear-related sanctions. We will hold those doing prohibitive business in Iran to account.

These are just a few examples of Iran's pattern of deception. Iran is on a mission to deceive the international community in furtherance of its destructive goals.

Enough is enough. Everyone must open their eyes to the true nature of the Iranian regime. To our allies and partners around the world, we ask that you add your voices to ours in condemning Iran's deceptive, exploitive and destructive policies. We must work together to pressure Iran to make tangible, demonstrated and sustained shifts in its policy.

I know we share the same goals in countering the regime's support for terrorism, missile proliferation and brutality against its own people, in addition to keeping it from developing nuclear weapons.

In fact, our Gulf partners recently joined us in countering Iran's support of Hezbollah through a powerful designation of Hezbollah's leadership. And as already mentioned, the UAE helped us target Iran's use of exchange networks to fund the Quds Force.

Having described example after example of the deceptive ways Iran has exploited the international financial system and flouted the laws of countries around the world, I cannot emphasize enough the importance of maintaining a high level of alert to Iran's deceptive practices.

The Iranian regime will deceive your companies, undermine the integrity of your financial systems, put your institutions at risk of our powerful sanctions and why? All to fund terrorism, human rights abuses, terrorist groups like Hezbollah, Hamas and the Houthis.

You must harden your financial networks, require your companies to do extra due diligence to keep them from being caught in Iran's deceptive web, and make clear the very significant risks of doing business with companies and persons there.

You must be proactive in these efforts as Iran continues to search for new ways to take advantage of your companies and your countries.

To those in the private sector, I urge you to also take additional steps to ensure Iran and its proxies are not exploiting your companies to support their nefarious activities. You may think your clients and counter parties are legitimate, but they may be in fact part of the Iranian regime's deceptive schemes to fund terrorism and human rights abuses.

You have to do more to make sure your compliance programs are air tight.

As Iran use every - uses every tool at its disposal to fund the Quds Force, support the Assad regime, assist Hezbollah, Hamas and others, develop its ballistic missiles programs, provide weapons to the Houthis in Yemen, violently oppress protestors and violate human rights, at Treasury we, too, are using all of the tools at our disposal.

We are countering the regime's destabilizing activities, blocking their financing of terror, impeding Iran's proliferation of missiles and other advanced weapons systems that threaten peace and stability, and ensuring that Iran has no path to a nuclear weapon.

As part of the president's strategy, we will apply unprecedented financial pressure on the Iranian regime. Our powerful economic authorities will give the regime a clear choice, change its unacceptable support for terrorism, destabilizing activities and human rights abuses, or face economic calamity.

As Secretary of State Pompeo made clear two weeks ago, the leaders in Tehran will have no doubt about our seriousness. The impact of our sanctions will only grow more painful if the regime does not change course. And as we bring our massive economic pressure to bear on the regime, we will continue to shine a light on Iran's destructive activities, and target Iran's efforts to deceive the international community, undermine the international financial system, and violate the laws of our allies and partners. Thank you.

(APPLAUSE)

DUBOWITZ: ... Mandelker. So we're going to - we're going to shift to the panel discussion of two minutes.

I certainly hope that from hearing that - those remarks, you don't doubt the resolve of financial secretary Mandelker, or her team at TFI or - or this administration, and obviously a clear message to the private sector, the companies and financial institutions around the world about Iran's maligned, destructive behavior and their deceptive financial practices.

So we have a panel that - that everybody should please come on board, and we're going to be discussing all of these issues in the next few minutes. Thank you so much.

I'm very pleased to have some great experts here; former Treasury officials, and former Hill staffers, people who have been working on this issue for many, many years.

To my right at the end is Rich Goldberg. Rich is a Senior Advisor here at FDD, and he was a leading Senate architect of many of the toughest congressional sanctions against Iran, including the central bank sanctions and SWIFT and sector based sanctions. He is a former foreign policy advisor to Senator Mark Kirk, and he was a Chief of Staff to Governor Bruce Rauner of Illinois.

Next to him is a friend, Liz Rosenberg. She's a Senior Fellow and Director of the Energy, Economics and Security Program at CNAS. And she served previously as the Senior Advisor to the Undersecretary of Terrorism and Financial Intelligence at the U.S. Department of Treasury.

And then to my immediate right is Carlton Greene. He's now a partner at Crowell & Moring's Washington D.C. office. He's a member of the firm's international trade and white collar and regulatory enforcement groups. And he was Chief Council at FinCEN, and the Assistant Director for Transnational Threats within the U.S. Department of the Treasury.

So three experts who have been on the front lines, working the Iran sanctions issue, and combating Iran's deceptive practices and illicit finance; so, three experts who can respond to Under Secretary Mandelker's comments with deep insight and knowledge of what's going on.

Rich, let's start with you. So you've been working on this issue for probably about 15 years, obviously have - have been very involved in these - these sanctions. Based on Under Secretary Mandelker's comments, I - I heard resolve. I heard a commitment to enforcement. I heard a commitment to escalating the economic and financial pressure.

With respect to escalation, can you offer her a few ideas about what you'd like to see in terms of the - the financial squeeze on the Iranian regime?

GOLDBERG: Yeah thank you. And I have to say that was really a resounding indictment of the regime, from a financial, terrorism, finance perspective. I think that it really crystallizes for the international community, for the international financial system, that we are not just having a debate over a nuclear agreement.

We are having a conversation about a very dangerous, very deceptive regime across a range of illicit activities. And when you talk about the implementation of U.S. sanctions coming back post-JCPOA; that has to be first and foremost in your mind.

And I think that we were -- we're too early, but if you - if you take the undersecretary's speech and you extrapolate from that what you would see going forward from U.S. Treasury Department, I think you would see a number of things.

Number one, obviously back in late 2011, before the Central Bank's sanctions from Congress, there was a Patriot Act 311 finding on the Iranian financial system. I think we would see a final rule on that at some point, based on that indictment we just heard. It basically sounded like a copy and paste into a final rule.

I think you would also see major pressure exerted to remove all Iranian designated financial institutions from the SWIFT messaging service. I think that's something that's obviously going to have to happen.

If SWIFT continues to allow transactions that are of a nature that the Under Secretary just alluded to, knowing that a lot of these transactions are deceptive in nature that would be contributing to really a contamination of the global financial system of Iranian terrorism and illicit activities.

That -- that's bad news for the board of SWIFT, which are obviously people who work for major financial institutions that could be held accountable.

That's bad news for the government of Belgium, which obviously has legal jurisdiction over SWIFT, its national bank doing daily oversight, obviously exposing that national bank, perhaps, and to the E.U. Council, that would probably need to take some action here.

I think that we -- you know, the list could go on in other -- other areas. But I think that's -- that's the initial step.

DUBOWITZ: OK, great.

So, Liz, let me ask you to pick up on Richard's comment about SWIFT, because, obviously, that's a very important sanction that you were involved with when you were at Treasury, and, obviously, kind of one off, for the most part, from the global financial system.

What do you make of Richard's comments? Do you see the Central Bank of Iran remaining on SWIFT, given Undersecretary Mandelker's comments about how the CBI and the head of the CBI have been engaged in IRGC-QF illicit networks?

Does CBI stay on SWIFT? What about other U.S.-designated Iranian financial institutions? What is the European response? What's SWIFT's response? Where do we go from there?

ROSENBERG: OK. Thank you. Got it here.

First, let me say thank you for the opportunity to participate with you all in this conversation on a really important topic. You gave me a number of things there. I'm going to do my best.

So I think I would -- I would let SWIFT's executives and counsel speak for themselves about what they plan to do, with respect to the assumed reimposition of, or the anticipated reimposition, of U.S. sanctions with respect to Iran.

Actually, let me pause for a second before I talk about SWIFT, and just say, the powerful sanctions that we think of with respect to SWIFT from the 2012 period, the real muscle of those came from the E.U. ultimately.

And, actually, in U.S. law, in the end there was a bit more discretion in how U.S. imposition of sanctions could go, in part because the E.U. had just done it at that point by issuing, at the central level, the requirement for payment messaging services in the -- in the E.U., to cease providing such services to any designated Iranian bank on the E.U. list which, at that time almost exactly paralleled the U.S. list.

So that was the real muscle of it. And there is something to be clarified and made explicit about exactly how the U.S. Treasury plans to reimpose sanctions on financial messaging services. It's written into the first guidance, you know, financial messaging services, that they put out when the president made clear that the United States was withdrawing from the JCPOA.

But exactly what that means in -- in practice, from a legal standpoint, is something that we will have to wait to hear from them on.

But let us assume, on the basis of this resounding forceful -- you used the word "indictment," right, of the Iranian financial activity in the global financial system, that the U.S. Treasury Department will take a particularly tough look at financial messaging services.

If the -- if that list of about two dozen Iranian banks that came off the U.S. sanctions list gets put back on, then anyone in the position to provide those entities with material support -- and that would include a company providing financial payment messaging services -- will be in the position of needing to decide whether they want to provide material support to a designated entity on the U.S. sanctions list or not.

And for -- so again, SWIFT officials can speak for themselves, but most large European financial institutions and otherwise are not particularly interested in the legal risk, and political and reputational risk attendant to -- and that's putting it delicately, right, to say they're not interested. They are actively trying to stay far away from the legal risk, that kind of risk of violating U.S. sanctions by providing material support.

So what that may mean is that the -- those Iranian entities that want to continue to do international business will look for other ways to do that. And those were some of the things we heard the undersecretary talk about: kind of evasatory tactics, the use of front companies, reliance on bulk cash -- all things that cost the Iranian regime more hassle, expense and more money to do. But if they succeed in evasion, they will continue to occur.

I -- can I just make one last,...

DUBOWITZ: Please, yeah.

ROSENBERG: ... final point? Maybe I'll just plant this flag, and we can come back to it as a group.

The European officials have -- and other leading thinkers in Europe, have made no secret of their frustration with the U.S. approach to withdrawal from the JCPOA and reimposition of sanctions. And one of the reasons why we've heard from Juncker, among -- amongst others about plans for the E.U. to develop insulative measures for European companies, or pushback on U.S. sanctions reimpositions is -- is as a -- an expression of that frustration.

And one of the things that they've discussed is trying to create legal pathways for Iran to continue, nevertheless, to use European financial services and -- and other avenues in order to continue to do business, notwithstanding these U.S. sanctions.

So I'll just plant that flag, and we can come back to it if -- if you all see fit.

DUBOWITZ: We'll definitely come back to that.

ROSENBERG: Yeah.

DUBOWITZ: Thank you. Thank you, Liz.

So Carlton, let me -- let me ask you. You -- you spent a number of years at FinCEN. And I'm wondering if you could, first of all, describe what FinCEN does, and then talk a little bit about FinCEN authorities in the context of Iran sanctions, and the way forward from -- from Treasury.

Certainly, feel free to mention the SWIFT issue. If you want to beyond SWIFT, and just talk about FinCEN's authorities, talk about the 311, talk about some of the other things that we -- we might expect from FinCEN, or -- or we should expect from FinCEN...

GREENE: Sure.

DUBOWITZ: ... going forward.

GREENE: Yeah, well, thank you, and -- and likewise, and thanks again for the opportunity to speak to -- speak to you and to this group.

I would just mention a couple of things. I mean, I think that, as Liz pointed out, the current sanctions regime, even with the JCPOA in place, had -- has been so, you know, exceptionally effective at discouraging most business with Iran, even by E.U. countries and companies.

And that's because they rely on the U.S., you know, U.S. correspondent banks. Their -- the E.U. banks rely on U.S. banks for their U.S. corresponding accounts and dollar accounts. They in turn, then, don't want to be doing business with entities that are going to scare away their U.S. correspondents. So that relationship already, it -- it provides a -- a pretty effective measure.

But -- but one of the things that I think is an area that -- that really could and should be used, as we start to ramp up again against Iran is -- is the FinCEN side of the House.

So we've become very adept on the sanctions side of the House in using targeted measures against Iran's Central Bank, against its oil, against specific actors that are assisting Iran as middlemen or facilitators, all of the -- the kind of cover companies and front actors that we've heard about.

But there's a whole other set of authorities that I think has -- has not been used to their full potential. And those are on the anti-money laundering side of the House. As Undersecretary Mandelker's pointed out, so much of what Iran is doing is -- is -- so many -- so many of the tactics that they're using are tactics that are common to many criminal enterprises -- you know, ways to conceal the movement of money, to make it look like it's coming from legitimate sources.

And -- and those are things that we already have excellent tools for on the other side of the house, which is the Financial Crimes Enforcement Network. So that is a sister agency to OFAC, and their mission is to help protect the U.S. financial system from money laundering and terrorism finance.

And they do that through an extensive reporting regime with financial institutions filing hundreds -- you know, actually, I think it's a couple hundred thousand reports a year -- that come into a large database -- the BSA (ph) database -- which are then used to create financial intelligence reporting, which goes out to law enforcement all over the country.

And it is also is something that -- that FinCEN works with foreign counterparts. You know, I think 150 countries have their own counterpart agencies to FinCEN -- and they're all called financial intelligence units -- that share information with each other to try and kind of address these threats.



And the 311 authority is really well known on the FinCEN side. It's really well known as a powerful tool for shutting off correspondent banking with the -- with a jurisdiction, or with a foreign financial institution.

What is less well known is the immense -- two things: the immense number of authorities that FinCEN has for gathering information -- that can come in the form of putting out advisories on methodologies that Iran is using to evade sanctions or to engage in malign activities.

Those advisories to financial institutions can be distributed confidentially. They can be blasted out to all 22,000 financial institutions that FinCEN connects to. Or they can be sent to smaller groups, and those, in turn, can drive higher quality reporting of suspicious activities by those financial institutions.

Most financial institutions now, under current anti-money laundering laws, are filing thousands of reports every year on suspicious activities that pass through their institutions that bear indicia of money laundering or other criminal activity.

But the quality of that reporting depends on the information we (ph) get from the government and from other sources. And so there's a real role here that FinCEN could play in putting out good information to those financial institutions about how to identify Iranian malign activity.

That, in turn, is going to drive better suspicious activity reporting, and that reporting, in turn, can be used for targeted action, both abroad, but also domestically.

One of the things that we've seen with North Korea is -- is -- through FinCEN was that there was North Korean activity flowing through the U.S. financial system. You've seen that with the -- the indictments of Dandong Hongxiang that came out recently from the Department of Justice. I think there's been some nonprofit reporting on this from C4ADS, reporting on North Korea.

And I think you would find similar things with Iran, if you started to really mine BSA (ph) data. And so, to me, that gets to the second part of this, which is not only putting out -- driving information collection, but -- but then using that and mining it to target these actors and -- and -- you know, both with outward-facing tools and inward-facing tools.

DUBOWITZ: OK. That's great. I mean, obviously, there's been a lot of discussion about the 311; Rich mentioned sort of issuing a final form, a lot of discussion about enhanced due diligence and enhanced auditing requirements, particularly to guard companies and financial institutions against the kind of deceptive financial practices that Undersecretary Mandelker talked about.

I -- I want to, Rich, go to you now. And let's plant (ph) the flag. So let's -- let's talk around the flag. And I want -- I want you to do something that you are not usually known to be doing, which is to be defending the Europeans.

I get a lot of e-mails every -- from foreign governments, talking about you, complaining about your memos that seem to be circulating around Washington about ways in which we can counter the Europeans as they try to counter the United States in cracking down on the Iranian regime.

But -- so I'm going to put you in the position of -- of trying to actually offer some ideas for the Europeans. What -- what can the Europeans do? What, realistically, can they do? How effective are those countermeasures? And, you know, perhaps say a few words about how the United States can -- can address those countermeasures.

GOLDBERG: So I don't have to defend them. That's not (ph) the...

DUBOWITZ: Well, I think what you need to do is -- is explain their predicament.

GOLDBERG: Right, no, I got it.

DUBOWITZ: But also explain some of the ways in which they can actually undermine the effectiveness of these measures.

GOLDBERG: Yeah. I think we're seeing a lot of resentment in discussions privately, and obviously in open comments, as well, from several areas of Europe. I think that there's a compounded political factor, obviously, of issues ongoing in trade disputes and negotiations, combined with the return of U.S. sanctions sort of simultaneously.

I think that you have to understand that, sort of (ph) politically, inside a lot of European countries, the president here is not very popular, and political leaders are playing to that, as well.

And so you put all of that together, and I think, in a country like Germany, especially, you have a huge amount of political resentment built up that this -- this -- all of this is (ph) just part of an "America first" policy that is just meant to hurt European businesses and help America, that the trade policy, the Iran policy -- all these things is all part of Donald Trump's "America first" policy.

And, quite frankly, you know, what -- what I thought about, listening to the undersecretary, was - - and thinking about that argument, especially from the Germans, is Europe is misunderstanding. This is not an "America first" policy when it comes to Iran. This is a "terrorism last" policy. And that is something that all Europeans should embrace, as well.

As far as what they might do, especially out in Germany, leading the way to try to circumvent sanctions, they've listed out a number of things. They've talked about using the European Investment Bank as a way to provide somewhat sovereign guarantees, sovereign financing when financial institutions back out due to U.S. sanctions.

We just saw a Reuters story on the wire today that said EIB, according to sources, wants nothing to do with that because of their own exposure in the U.S. markets. So that idea is not going to work out too well. And even if they -- even if EIB wanted to move forward, their officials would be subject to sanctions, if not EIB itself.

And I don't think any European official, whether you're the central bank governor of a (ph) European state, whether you work at the Bundesbank in Germany, whether you work at SWIFT -

- nobody wants personal sanctions. You don't want to be on Treasury's SDN list. It's a bad list to be on.

(CROSSTALK)

DUBOWITZ: ... let me stop you there, because, realistically, I mean, is the U.S. Treasury Department going to designate senior banking officials from EIB or the European Central Bank or even SWIFT itself?

I mean, are we -- do you think we are prepared to go that far? And, if not -- if we're not prepared to go that far, are these just merely empty threats?

GOLDBERG: I think the better question is whether we need to be prepared to designate a central bank in Europe. Europe is really -- the Germans in particular -- you know, put aside EIB. That's not going to happen, we know that. Put aside the blocking regulations. They can't -- you can't have a blocking regulation to have a fort (ph) field from -- cut off from the U.S. financial system -- doesn't work.

So the one thing that they're trying to bank on is having their central bank process everybody's transactions all at once. Basically, "If you're somebody who's trying to do business with a regime, you can't get a bank, you can't get insurance, you can't do something, send us all of your different receipts, you know. Send us your receivables. We're going to zap one big payment from the Bundesbank or -- or somebody else's central bank, over to the Central Bank of Iran." And you dare the United States to designate the central bank of Germany, right -- the Bundesbank -- with sanctions.

Would we do that to a central bank in Europe? I don't know. It is much easier to designate an official, as far as impact on the financial system.

And so all I know is, is that if you're serious about a maximum pressure strategy, somebody has to be a target. Somebody has to be an example.

And so if you're a European banking official, if you're on the board of SWIFT, if you're working in Brussels, know where your money is right now and don't plan any vacations to the United States.

DUBOWITZ: OK. So, Liz, wow. I mean, tough words. So let me ask you this. A, is Rich right? I mean, is it realistic that we're going to go after senior European banking officials?

And I guess the question I'd have for you is, is it actually even necessary? I mean, are -- are you now seeing a -- European politicians go in one direction, expressing and defending their sovereign rights and, obviously their anger over what happened with the JCPOA.

But we're actually seeing European companies and banks going the other direction, actually exiting the -- the Iranian market. Do you -- do you agree with that assessment?

And if so, do you think it's necessary that we go that far in our escalatory behavior, or is the deceptive financial practices of the Central Bank of Iran and other Iranian banks going to be sufficient to actually deter most banks, most companies from Iran anyway?

ROSENBERG: That's a great set of questions. I would associate myself with the analysis you were just making. And the -- the second part, here, in saying there does appear to be a bit of a divide between emerging, between -- it's not that it's emerging. It's becoming more reported on in the public domain.

Between European public officials who are expressing frustration, outrage, surprise, anxiety about the future of economic and political and strategic relations between longstanding security and economic partners in the transatlantic space.

And their -- and companies, private companies who may have officials, such as those at Total, who are inclined to make tough statements about their frustration with this policy but, nevertheless, put themselves squarely in the compliance with U.S. sanctions camp. They're not interested in being made an example of, and there are plenty of others.

There are -- there are a couple of dozen companies, at least, that are European companies that have, for a long time, availed themselves of humanitarian exceptions in (ph) the law, where other -- other exceptions in the law, like communications, which would like to stay in this business, in Iran business.

And from the purely humanitarian perspective, I think that is an appropriate place for the United States to be, in allowing this. And I think I just heard the undersecretary say that, you know, "For the Iranian people, we will make exceptions on transactions." Notwithstanding everything else that she did say.

So that's a -- a cohort of European businesses that I expect will stay in, and they're often businesses that have their self-generating profit within Iran. So it's not -- it's -- unlike some of the newer business, or the newer connectivity post-JCPOA, where there's -- it's a more attenuated and -- and difficult financial relationship for the European-based part of the business.

Is it -- will the United States go after European banking officials? That would be an audacious -- provocative doesn't even really begin to get after what that would mean. And can we foresee a reality where the United States wants to take on, in hostile terms, its closest -- some of its closest allies, political and security allies? I don't think I see that, even while we are in this current political moment of true difficulty, apropos of the tariffs, right, between these same constituencies.

And also picking up on your question, I don't think that's necessary. And furthermore, if we credit what the undersecretary said, and I quote her saying we want to work together, we must work together. If we want to work with allies, then surely there -- there is a middle ground between truly alienating these -- these transatlantic counterparts with -- who share many of the same concerns about Iran's support for terrorism, regional destabilization, as she mentioned.

The Quds Force is also designated in the E.U. So if there is any true interest in working together, I don't think you go that far. And just to say finally, a maximum pressure strategy to advance Iran concerns can never be just about sanctions. And the Europeans have been asking the United States government for more partnership in a true holistic strategy to address Syria and destabilization in Syria, southern Syrian threat to Israel, an array of different concerns.

There are certainly people who welcome that approach in this government and that should absolutely be part of transatlantic strategy when it comes to Iran. It cannot just be about financial sanctions.

DUBOWITZ: And of course, when the president talks, as he has a few times, about withdrawing U.S. troops from Syria, creating a strategic vacuum that Iran can fill, helping Iran rebuild its land bridge, more sectarian warfare, more refugees, that certainly doesn't do much to engender confidence in Europe. Let me ask you a question, just to pick up on what Liz said, and then we're going to go to broader Q&A.

So Liz mentioned that we would never go after senior banking officials from close allies. So I'm going to ask you two questions. One is, what about China's banks? I'm sure many Chinese banks are included in the tens of thousands of banks that are covered by FinCEN. And number two, just recently the Department of Justice actually sentenced to -- to jail for three years the deputy CEO of Halkbank of Turkey, which was Turkey's, I believe, second largest state-owned bank, because of a massive sanctions-busting (ph) money laundering scheme involving Iran.

So China, Turkey, banking, FinCEN, pick up on any of the comments that Liz and Richard made.

GREENE: Sure, well maybe -- I think -- and I can also talk a little bit, I guess, about the sanctions too, having spent -- you know, I spent about four or five years at Treasury doing the Iran sanctions targeting. So I helped (ph) picked targets for Iran sanctions. And you know, I think China is an important part of any sanctions strategy. That's true for Iran, that's true for Korea, it's true for so many other areas.

And -- and to me, that -- you hit on what I think is the most important issue. When we talk about the E.U., that's actually not going to be your toughest part; I think your toughest part is going to be the rest of the world, and especially Asia. I think of India with its oil purchases from Iran. I think the use of banks in China and Hong Kong or in Singapore, Malaysia. And so I think yes, I think you will see in this regime a greater -- I think you'll see a greater willingness in this administration to target Chinese banks.

The problem is, is that you quickly run out of -- I mean, your sweet spot for sanctions targeting is going to be a bank that is a complicit actor. They know what they're doing, they're doing bad stuff and they're aware of it. They're big enough to have a real impact both on the network of financing for that -- the regime you're targeting but also as a deterrent to other institutions out there that think "Am I next?"

But they're not so big that you're going to completely blow your trade relations with them. And that's the problem, I think. In China you quickly run into very large banks and four -- I think four or five of the top 10 largest banks in the world are Chinese. And they're -- the Iranian part of those banks, you know, any Iranian business going to those banks is miniscule compared to the massive interconnections that those banks have with the U.S. financial system.

DUBOWITZ: You think all the more reason why large Chinese banks, given the infinitesimal size of the Iranian business compared to their global -- their global book, are going to be very cautious in, again, allowing designated Iranian banks engaging in these illicit financial practices to flow transactions through their system?

GREENE: Maybe, or -- you know, maybe it'll be a little bit -- I mean, they may also make the calculation, how likely is it that the U.S. is going to investigate one of these really large Chinese banks that's so closely intertwined with the U.S. economy? And what would be the repercussions for it from China? They -- they make look to that. It also may be the case that, to the extent that they're doing business that is done through intermediaries, they can increase their use of those intermediaries and adopt a strategy many other countries have used when we've pressed them on this kind of stuff, and say "Well, show me your evidence and I'll -- we'll take action."

And in -- it's never going to be enough to satisfy them. It's a classic gambit. And so I think...

DUBOWITZ: So we may not -- we may not designate the banks. Do you think the Halkbank example of prosecuting a senior banking official from a close NATO ally and sending them to three years in jail, a la the -- at the courtesy of the southern (ph) district...

GREENE: Yeah.

DUBOWITZ: ...Is a -- is to be generous? Or do you think that's possibly a precedent for how these cases may be dealt with in the future?

GREENE: I think it's definitely a precedent. I think you'll see more of that. I think Halkbank is an example of one of those banks that fits that kind of perfect range I was talking about. It's large enough to have a real impact but you might -- you can take action against it and not kind of mire yourself in a gigantic conflict.

And again, I think the other thing to keep in mind with something like Halkbank is, you may have a bank that, as a whole, you're not holding responsible for activities, but you've got people dealing with certain parts of the bank, you can kind of cab (ph) that off and that makes it possible to target, you know, limited slices of activity where you can say "We're not attributing this to the bank as a whole, we're not going to designate them, we're not going to take action against them, but this official within the bank is misusing the bank for things that the bank said it doesn't want to be doing."

DUBOWITZ: Right, and he's going to jail.

GREENE: And he's going to jail.

ROSENBERG: Can I add something to this?

GREENE: Please.

ROSENBERG: So, one thing that's beneficial about taking this kind of approach using a law enforcement approach in this way, particularly when it does go to trial, is that more information does come out into the public domain about the nature of evasive activities and what are these deceptive practices, which is useful in a number of respects.

So, for those financial institutions and companies that are of the mind to comply with sanctions, but are not so enormous that they have a whole team of lawyers and compliance officials to know exactly what they're looking for, what are the flags, how do you understand what's a front company, it's very helpful to have a methodology laid out and in the public domain.

And, furthermore, it offers -- embedding this in a -- in a judicialized process gives a true sense of the credibility, the carefulness that's involved; that this is not arbitrary; that this is pursuant to a legal framework, all of which lends credibility and information which counteracts some of the charges of just playing politics that sometimes go along with actions such as sanctions designation, which require a simpler evidentiary basis and not very much information to be put into the public domain.

DUBOWITZ: OK.

GREENE: Can I add one thing to that?

DUBOWITZ: Sure.

GREENE: So I was just going to say, too, that that (ph) also applies to the (ph) things that I think are really important here. One is that it tends to focus on activities within the United States.

And -- and, you know, Halk Bank's an example of that. It flowed through a U.S. financial institution, even though the argument was, "Hey, wait a minute, this is a transaction between two non-U.S. entities." OK, well, you shouldn't have routed it in dollars through the U.S. financial system.

But I think, also, you see examples like, again, Dandong Hongxiang in the -- in the North Korea complex (ph), where they got information about intermediary Chinese companies that were fronting for (ph) the North Korean regime to route transactions through the U.S. financial system.

And I think, stuff like that, it plays really well, because here you're exposing their methodology. You're -- you're showing that what they're doing is not normal company activity. These are abnormal methods. These are criminal methods. You know? These are what you associate with criminal enterprises.

You get that out there. It's clearly within the -- the -- it's appropriate for the U.S. to be taking action against people doing business through its economy that are circumventing U.S. sanctions. You know, you're using the legal process, as Liz said.

And the other thing that's true, as well, is that, again, I think a lot of those targets are ones that you can get from mining BSA data. And I think that that -- as we start to do that, I think you would (ph) find a lot of potential targets related to Iran's activities, where they're flowing through the U.S. financial system.

And it could enable kind of a dual strategy of a careful approach abroad, for all the reasons that we've been talking about, with the E.U. and others, but -- but a ramped-up, aggressive approach at home that we haven't seen, you know, heretofore (ph).

DUBOWITZ: OK, great. I -- I want to go to questions.

So, my -- my takeaway from this conversation: Iranian regime is a criminal regime; criminal regimes engage in criminal behavior. You've heard from the undersecretary and from these experts the range of -- of criminality.

You've also heard that this is not just about sanctions, which I think is also a very useful takeaway -- is that the United States has a variety of tools to actually address this malign and destructive behavior. And it may be sanctions, it may be designations, it may be FinCEN actions, it may be DOJ actions.

Probably be the (ph) -- the conclusion is, if you're a banking executive or an executive of a large company around the world with any kind of U.S. exposure, you may face the full array of these options. And so my takeaway is, despite predictions to the contrary, these -- most companies and banks are going to be deterred from -- from going back into Iran.

So, with that, if you have additional questions or comments -- especially want to hear from people who disagree with that proposition. And we'll have a microphone, we'll be going around. So -- (OFF-MIKE) careful (ph).

QUESTION: Hi. Rachel Anaz (ph) with Congressional Quarterly. Thanks for this panel and the discussion.

My question is about the -- the likely long-term ramifications of -- of pullout from JCPOA. We're seeing in Europe, particularly in France, policymakers talking about how -- the need to (ph) reduce reliance on the dollar. And we know that Russia and China are at work on this.

What -- what -- technologically, what is feasible? Where -- what could happen in the years ahead? I'm not talking about this year, but, like, down the line. What -- what potential genie has been let out of the bottle?

DUBOWITZ: OK. So, certainly (ph) -- Liz, do you want to grab that?



ROSENBERG: I -- yeah. It's -- the issue of the preeminence of the dollar in the -- in the global financial system is a really good one and it's important for us all to look at. And the major indicator for its preeminence or it being undermined will have nothing to do with sanctions. And so that doesn't mean that there isn't a benefit for a time in the future when the dollar may not be as strong and therefore people who are not inclined to use it in order to avoid U.S. sanctions jurisdiction will therefore have a benefit.

But I think we should be looking at some of these classic evasionary tactics, and if they are as feasible as they continue to be, those are the primary ways where we'll see Iran evade sanctions as they have been before, and where we should focus our attention and where enforcement people were. So still, like bulk cash, still a major problem; front companies and lack of appropriate beneficial ownership information, still a major problem; blending Iranian crude with Omani crude, still a major problem.

And so to have to go to getting out of U.S. dollar currency or using the -- the Yuan-dominated oil contract, like you don't even have to go that far for us to have a serious evasion problem on our hands.

DUBOWITZ: OK, great. Question here in the front. By the way, I'm totally nearsighted so I probably see three rows back. So if you could -- Erin, if you could help further back, that would be great.

QUESTION: Should I -- OK. Hi, thanks for doing this. Joyce Karam with the National. We've been reporting designations for a long time now, U.S. designations of individuals, of companies. We've seen lot of sanctions on Iran in 2010 and then they were reversed, some of them, on the nuclear front by the Obama administration. But not much changed in Iran. Even under sanctions, Iran was actually expanding its regional influence, its support for IRGC, Hezbollah, Quds Force.

So what is different this time, if anything? And also, you know, when -- I mean, it's -- you know, I wish she was still here, the U.S. official. She mentioned Iraqi banks and, you know, we've seen Lebanese banks also previously involved. What cards does the U.S. have, what influence do they have on these banks to change any -- anything? I mean, I don't want to sound too skeptic of this but what really changed?

ROSENBERG: (OFF-MIC)

GREENE: So, I would just say, it seems like there's kind of two pieces to your question -- or at least two pieces. One is, are the sanctions on Iran even effective? I mean, did they accomplish anything? And then the other goes to kind of Iraqi banks and other banks. On your first question, I think what I would say is that the sanctions turned out to be quite effective in getting Iran to come to the table and deal on its nuclear activities.

They -- those discussions didn't -- they weren't comprehensive, they didn't address other activities by Iran that are of concern to the U.S. and its allies, like terrorism or ballistic missiles or things like that. But I think -- I think it's -- I think you could say the sanctions definitely did

have an impact on Iran with respect to its nuclear activities. And so the question is, what kind of impact are they going to have this time around?

And will it just be their nuclear activities or can the sanctions be used to get Iran to address some of the other problems that are out there? And I think we're coming into uncharted waters. I mean, I think that a lot of E.U. companies have stayed out of Iran and other parties that need access to the U.S. financial system. On the other hand, I think some of the most severe sanctions that really -- that really provided the greatest impact on Iran are ones that it's going to be tricky to replicate in the new regime. Things like the oil related sanctions under the National Defense Reauthorization Act, the NDAA, or the central bank sanctions.

Those are ones where I think it's going to be tricky to kind of reimplement those without having the E.U. and other partners fully on-side for that effort. Your second question about particular banks, like Iraqi banks and all the rest, it really gets down to whether those banks need access to the U.S. financial system. That's the lever that we're using here. And -- you know, it's a very small number of banks that don't need access to the U.S. dollar. And I think that's where the power of this sanction comes from and I think that power will still be there.

DUBOWITZ: Do you want to follow up on that?

GOLDBERG: Yeah. I would just say a couple things. Number one, we don't know what the ultimate impact would have been of our sanctions, circa 2013, had the joint plan of action, the interim agreement, not been entered into with sanctions relief. We -- we know that there was a liquidity crisis underway at the time, we know there was a balance of payments crisis emerging. And it's because of some of the sanctions you just mentioned, we were locking up all the oil payments and ESCROW accounts, we had disconnected Iranian banks and the central bank from the SWIFT system.

If anybody was still trying to get some kind of business done with some of the evasion of getting tankers of oil this way or that way for some black-market money, all the insurance was gone, people were talking about sovereign insurance. It was very difficult for the regime at that point to get cash. And flash forward now and we're going to be trying to replicate the same sort of pressure, only we're starting from an already stronger position in some ways.

Even under the JCPOA, even under sanctions relief, the regime had so mishandled its economy that they're already in a liquidity crisis. Now we're asking all the financial institutions around the world that collect the oil payments to reinstitute the ESCROW accounts. We're asking SWIFT to disconnect the Iranian banks again. The insurance sanctions, all the other sanctions and the sectoral sanctions from the Iran Freedom Counterproliferation Act will also be coming online.

That's why, while I agree that the idea of -- we have much bigger problems long-term on sanctions evasion coming out of Asia, coming out of Iran's backyard, right? The undersecretary talked about teaming up with UAE. That's great. That's a change of culture in the UAE. We hope to see more of that. What's going to happen in Qatar? What's going to happen in Oman? What's going to happen in Turkey?

In Iraq, we do have leverage on a national level still. Reconstruction, investment that's going on, the Iraqis at the government level, even if the banks don't touch us, still need to crack down on that if they want certain things from the United States. And so we need to make sure that in all of our policy here, we stay very focused on that question of, can it be effective? And it can be effective if we ensure that we do everything possible to cut the regime off of cash.

Ensure that we stay focused on the liquidity crisis. And that's why, to respond to one comment, yes, it sounds very audacious, it sounds very provocative to say that you would go after a central bank official in Germany. I would say what's audacious, what's provocative, is to allow your own central bank to connect to what the undersecretary of treasury just described is one of the worst terror-sponsoring financial systems in the world.

And so if somebody were to take that level of audacious activity to connect a central bank in Europe to feed cash and evade U.S. sanctions directly to a regime, to undermine our sanctions regime and undermine pressure, you bet I support audacious action in response.

DUBOWITZ: Yes. Barely, but -- sign of age.

QUESTION: Hi. It's Dan Raviv with i24 News.

Could one or two of you just comment on the following: all that's needed was a political decision? The information was always being collected, even after sanctions were lifted, because of the Iran nuclear deal? The machine that collects the information was still ongoing? You understand?

(CROSSTALK)

QUESTION: By the United States, in other words...

(UNKNOWN): All that was here, all that was here was what?

QUESTION: Well I think that viewers who aren't professionals, you know; people who consume the news and they wonder, gosh this whole conflict was over with the Iran Nuclear Deal. And the Obama Administration lifted sanctions.

I might just want to hear a little bit about the process of still gathering information about Iranian abuses of the banking system, and front companies, et cetera; how that process continued despite the Iran Nuclear Deal.

ROSENBERG: So, though many sanctions were lifted under the Iran Nuclear Deal, and the United States, and elsewhere internationally, not just by the E.U. but a variety of other national jurisdictions which have their own sanctions, not all of those sanctions were lifted. And the United States had many sanctions that remained in place, as does Europe, sanctions that remain in place.

And furthermore the FADA, for example, as well as other international bodies who comment on ease of doing business, transparency of a financial sector, have poured lots of cold water on the notion of doing business with Iran, even during this period of the JCPOA.

So in one sense, it does appear to many people politically that when the JCPOA was signed, Iran was given free reign, because many sanctions were lifted. But the truth is, not all the sanctions were lifted.

And the United States, for example, continued to do designations pursuant to concerns about terrorism, about regional destabilization, about human rights during the time that the JCPOA was negotiated, after it was in force, and as was said by you, I think, Mark, when you were introducing the undersecretary, eight times since the United States pulled out from the JCPOA.

So in fact, there's quite a steady clip about - of information disclosure and tarnishing the image of Iran, when it comes to support for a regional destabilization and support for terrorism. And the engine behind that is continual gathering of information.

It's not just the United States. It's also allies and partners all over the world who share this concern. And recall again, Europe still has these designations that exist on Iran. They continue to be interested in pushing back on its proliferation of ballistic missiles, on its support for terrorism.

So that engine never went away, although certainly did disappear from many headlines in a period of focus on nuclear diplomacy and the era of the JCPOA.

QUESTION: OK.

DUBOWITZ: Let's take one question and then we will answer -- so then one last question and then maybe you can respond to that. Yes?

QUESTION: I'll just ask -- thank you so much. (inaudible). This is a privilege and thank you for including the free press. I want you to try if you could a little more revisit the China question. A couple things have been said that are -- you find (inaudible) in a world that (inaudible), that they don't want to or need to have exposure to U.S. market. But one place where there are a lot of those banks, smaller ones, is actually China. Those are a huge piece of the market.

Another thing that I heard, I think from Carlton is, you know it sounds like we can't do too much on -- on China because we're working (ph) (inaudible) from we have to prove that -- that Chinese shell companies, or shell companies, of shell companies, of shell companies are doing business with Iran that somehow ends up in -- in money that -- that is in Quds Force hands, right?

This is hard to prove, and that I -- I thought also that you said that it -- it might blow the whole trade negotiations? That sounded like something, but could you go into this a little bit more? To me it feels like China being a signatory of the -- the 2015 deal, China being the one country mentioned here today in all of these discussions -- the only that actually has had a growing trade relationship with Iran -- significantly growing, the whole time, really over the last 10 years.

Is Treasury and is OFAC in a position to actually confront this and address it as kind of the giant panda in the room? Thank you.

GREENE: First of all, bonus points for the use of a nice metaphor there; the panda in the room.

So I guess what I'd say on that is yes, to the extent you're talking about smaller Chinese banks that are facilitating activity with Iran that relates to its malign activities, relates to its missile proliferation, any increased activities on the nuclear front, support for terrorism, all that stuff, yes. I think you'll see an uptick in those kinds of targets. I think you'll see more designation -- designations of Chinese banks.

The point I was making is that if some of the activity is flowing through very large Chinese banks, and -- and I'm not saying it is, I'm just saying if that is the case, if the activity shifts and somehow makes its way through those banks, and your thought -- you're going to come up at a point where you get to a decision point where you have to say, are we going to designate one of the four largest banks in the world? And what's that going to do to U.S. trade with China that -- that depends on those banks?

And -- and you know, there are going to be other people who can provide more detail on kind of what those consequences are, but it's just a decision point that people are going to have to make. They're going to have to -- they're going to have to look at all the other activity that flows through those banks, and trying to figure out a calibrated solution that will allow you to target that activity and, you know, accomplish our objective.

But you also have to take in -- take into account what might be the -- the kind of the consequences of taking action against that bank.

On your second point about shell companies; I don't think there's any problem with taking action against -- against intermediary companies. The -- the only point I'm making is that sometimes we're looking to other countries to take action as well. And in some cases when you do that, the response you get is show me your -- show me your information, show me your evidence.

And, you know, that can be a tough thing to do, because sometimes that information is very restricted and it's not easy to share with a -- with -- with another country, especially if they're not a close ally.

And frankly even with the E.U. you get a variant of that problem, which is that they've had with targeted sanctions, which is that the U.S. has not often been in a position to provide them public facing information that they could use in a process for the E.U. designation regime, that would allow them to present it, and have it be challenged in court, and all that kind of stuff.

And so that's made it difficult, you know, for individual designations to get help -- to get assistance even from close allies like the E.U. That's -- that's really kind of the point I'm making.

(OFF-MIKE)

GOLDBERG: My final point is going to be something very bipartisan. And that is something very, very good I can say about the Obama administration, and the previous Undersecretary Cohen is that they did not hesitate to target a Chinese bank that did not have access to the U.S. market when they were doing exactly what we expect could happen again in the future.

This was Bank of Kunlun. And this was like, this know-nothing bank, right, just like some fly by night operation out of Western China. And suddenly it pops up on Treasury's radar. It's doing all these transactions in Iran, what's going on here?

And they used an interesting -- one of the only, in fact I think the only designation under CISADA -- two, right, one of the two was -- was on Kunlun. But the reason why people said oh, it's symbolic, oh they don't have access, it doesn't really matter, you know.

And that might have -- might have been true for the bank itself. But once you have the sanctions imposed on a little bank, right, there's only so many times the Chinese can get away with this trick, because there's a ladder effect on the secondary sanctions where somebody's feeding money into that bank, somebody's doing business inside the country with that bank as well.

And you start isolating these evasion techniques and there's only so much traffic financially that can go through that bank at once. You know, it's not going to be that much.

A lot of the things we need to pay attention on -- on a country like China is what we -- what we really were harping on a lot before JCPOA, is not really just on financial, but it's on proliferation, it's on diversion, it's on our export controls, it's on things that go through cut outs, through these - these pop up companies. And they end up in Iran to help with their actual illicit programs.

DUBOWITZ: I think, maybe just to conclude on -- on this and conclude on the -- on the event, there's an old phrase I think Juan Zarate writes about this in his great book "Treasury's War", that you kill the chickens to scare the monkeys.

It's actually a -- I think it's a Chinese phrase. And you know you would say that over the years TFI and OFAC, in the case on Kunlun or some of these other situations have killed chickens in order to scare monkeys.

In case folks haven't noticed, we have a pretty unconventional president in the White House, who may be prepared to kill chickens as well.

And he also seems to be crossing the stream in conflating trade issues with sanctions issues, with intellectual property issues, with a whole host of issues that typically have been siloed in the way that we've actually done our negotiations with -- with complex countries and complex partners, like China and Turkey and others.

He seems to be very unconventional in being prepared to put everything on the table. I'm not commenting on whether that's a good thing or it's a bad thing. I am suggesting that in my conversations with companies and banks, its creating a huge amount of uncertainty.

I mean they have no idea what -- what's potentially coming, which may actually even deter some of the Chinese companies and banks that we've talked about from taking risks in -- in doing business with Iran.

So with -- with that final note, I'd like to thank everybody from the panel. Thank you for your expertise. Thank you for your service to our country. And thanks to all of you for coming.

(APPLAUSE)

END