

House Financial Services Committee
Subcommittee on Oversight and Investigations

Moving the Money

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

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

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

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

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

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

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

¹ "10 Things to Know about Hamas," *Foundation for Defense of Democracies*, October 16, 2023. (<https://www.fdd.org/analysis/2023/10/16/10-things-to-know-about-hamas>); U.S. Department of the Treasury, Press Release, "Treasury Targets Covert Hamas Investment Network and Finance Official," May 24, 2022. (<https://home.treasury.gov/news/press-releases/jy0798>)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

¹² “Iran Official Claims Iraq Has Released All Of Its \$10 Billion Debt,” *Iran International*, July 3, 2023.

(<https://www.iranintl.com/en/202307037277>)

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

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

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

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

While billions of dollars were being made available to Iran via Baghdad and Muscat, another central pillar of the new U.S. policy was coming into public view. On June 16, 2023, a Reuters headline screamed: "Iran's oil exports hit 5-year highs as US holds nuclear talks," while the report said Iran's crude exports exceeded 1.5 million barrels per day in May — the highest monthly rate since 2018.¹⁶ On July 6, 2023, *The Wall Street Journal* reported that Iranian oil exports had reached yet another five-year high at 1.6 million barrels per day — more than double the level from one year prior.¹⁷ By August 21, 2023, Bloomberg reported that one popular tanker tracking firm estimated Iran's oil exports surpassed 2.2 million barrels per day during the first 20 days of August.¹⁸ A September 4, 2023, report from Bloomberg pegged Iranian crude exports at somewhere between 1.4 million and 1.9 million barrels per day — with China being the primary export market.¹⁹ These figures are in stark contrast to where Iranian oil exports stood at the height of the Trump administration's maximum pressure campaign, when oil exports had plummeted to a few hundred thousand barrels per day.²⁰

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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