

IRANIAN LEADERSHIP ASSET TRANSPARENCY ACT

SEPTEMBER 13, 2016.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. HENSARLING, from the Committee on Financial Services,
submitted the following

R E P O R T

together with

MINORITY VIEWS

[To accompany H.R. 5461]

[Including cost estimate of the Congressional Budget Office]

The Committee on Financial Services, to whom was referred the bill (H.R. 5461) to require the Secretary of the Treasury to submit a report to the appropriate congressional committees on the estimated total assets under direct or indirect control by certain senior Iranian leaders and other figures, and for other purposes, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

PURPOSE AND SUMMARY

Introduced June 13, 2016, by Rep. Bruce Poliquin for himself and Rep. French Hill, H.R. 5461, the “Iranian Leadership Asset Transparency Act,” would require the Treasury Secretary to develop and post online a list estimating the “funds and assets” held by senior Iranian political and military leaders, along with a description of how they acquired the assets and how those assets are employed. The report would be posted on the Treasury Department’s website in English but also translated into the three main languages used inside Iran, and would be available in any of those forms in a way that is easy to download and share.

BACKGROUND AND NEED FOR LEGISLATION

Iran is characterized by high levels of official and institutional corruption, and substantial involvement by Iran’s security forces, particularly the Islamic Revolutionary Guard Corps (IRGC), in the economy. Many members of Iran’s senior political and military leadership have acquired significant personal and institutional

wealth by using their positions to secure control of major portions of the Iranian national economy.

Sanctions relief provided through the Joint Comprehensive Plan of Action (JCPOA) has resulted in the removal of many Iranian entities that are tied to government corruption from the list of entities sanctioned by the United States.

However, the Transparency International index of perceived public corruption ranks Iran 130th out of 168 countries surveyed, and the State Department in 2014 identified Iran as a country of “primary concern” for money laundering. Separately, the State Department has identified it as a country that has “repeatedly provided support for acts of international terrorism,” and in its June 2015 “country report” noted the country “continues to sponsor terrorist groups around the world, principally through its Islamic Revolutionary Guard Corps-Qods Force.”

The Iranian government’s tolerance of corruption in business limits opportunities for foreign and domestic investment, particularly given the significant involvement of the IRGC in many sectors of the economy. The “bonyads” (foundations) controlled by top political and military leaders control an estimated one-third of the total economy, including large portions of the telecommunications, construction, airport and seaport sectors, giving the IRGC and its leaders vast funds to support terrorism at a time when the average Iranian citizen earns about \$15,000 a year.

The Iranian Leadership Asset Transparency Act requires Treasury to list the known assets of senior Iranian officials in a form that is easily understandable and accessible to those in the financial or business sector who might be concerned about inadvertently doing business with an Iranian entity. Any reports prepared under the Act would be available in a form accessible to the average Iranian so that they might better understand the nature of their own economy.

HEARING

The Committee on Financial Services’ Task Force to Investigate Terrorism Financing held a hearing examining matters relating to H.R. 5461 on July 22, 2015.

COMMITTEE CONSIDERATION

The Committee on Financial Services met in open session on June 15, 2016, and ordered H.R. 5461 to be reported favorably to the House without amendment by a recorded vote of 39 yeas to 20 nays (recorded vote no. FC–112), a quorum being present.

COMMITTEE VOTES

Clause 3(b) of rule XIII of the Rules of the House of Representatives requires the Committee to list the record votes on the motion to report legislation and amendments thereto. The sole recorded vote was on a motion by Chairman Hensarling to report the bill favorably to the House without amendment. The motion was agreed to by a recorded vote of 39 yeas to 20 nays (Record vote no. FC–112), a quorum being present.

Record vote no. FC-112

Representative	Yea	Nay	Present	Representative	Yea	Nay	Present
Mr. Hensarling	X			Ms. Waters (CA)		X	
Mr. King (NY)	X			Mrs. Maloney (NY)		X	
Mr. Royce	X			Ms. Velázquez		X	
Mr. Lucas	X			Mr. Sherman	X		
Mr. Garrett	X			Mr. Meeks		X	
Mr. Neugebauer	X			Mr. Capuano		X	
Mr. McHenry	X			Mr. Hinojosa		X	
Mr. Pearce	X			Mr. Clay		X	
Mr. Posey	X			Mr. Lynch	X		
Mr. Fitzpatrick	X			Mr. David Scott (GA)	X		
Mr. Westmoreland	X			Mr. Al Green (TX)		X	
Mr. Luetkemeyer	X			Mr. Cleaver		X	
Mr. Huizenga (MI)	X			Ms. Moore		X	
Mr. Duffy	X			Mr. Ellison		X	
Mr. Hurt (VA)	X			Mr. Perlmutter		X	
Mr. Stivers	X			Mr. Himes		X	
Mr. Fincher				Mr. Carney		X	
Mr. Stutzman	X			Ms. Sewell (AL)		X	
Mr. Mulvaney	X			Mr. Foster		X	
Mr. Hultgren	X			Mr. Kildee		X	
Mr. Ross	X			Mr. Murphy (FL)		X	
Mr. Pittenger	X			Mr. Delaney	X		
Mrs. Wagner	X			Ms. Sinema	X		
Mr. Barr	X			Mrs. Beatty		X	
Mr. Rothfus	X			Mr. Heck (WA)		X	
Mr. Messer	X			Mr. Vargas	X		
Mr. Schweikert	X						
Mr. Guinta	X						
Mr. Tipton	X						
Mr. Williams	X						
Mr. Poliquin	X						
Mrs. Love	X						
Mr. Hill	X						
Mr. Emmer	X						

COMMITTEE OVERSIGHT FINDINGS

Pursuant to clause 3(c)(1) of rule XIII of the Rules of the House of Representatives, the findings and recommendations of the Committee based on oversight activities under clause 2(b)(1) of rule X of the Rules of the House of Representatives, are incorporated in the descriptive portions of this report.

PERFORMANCE GOALS AND OBJECTIVES

Pursuant to clause 3(c)(4) of rule XIII of the Rules of the House of Representatives, the Committee states that H.R. 5461 will enhance transparency and disclosure for international financial transactions by requiring the Treasury Department to develop and post online a list estimating the funds and assets held by senior Iranian political and military leaders, along with a description of how they acquired the assets and how those assets are employed.

NEW BUDGET AUTHORITY, ENTITLEMENT AUTHORITY, AND TAX EXPENDITURES

In compliance with clause 3(c)(2) of rule XIII of the Rules of the House of Representatives, the Committee adopts as its own the estimate of new budget authority, entitlement authority, or tax expenditures or revenues contained in the cost estimate prepared by the Director of the Congressional Budget Office pursuant to section 402 of the Congressional Budget Act of 1974.

COMMITTEE COST ESTIMATE

The Committee adopts as its own the cost estimate prepared by the Director of the Congressional Budget Office pursuant to section 402 of the Congressional Budget Act of 1974.

CONGRESSIONAL BUDGET OFFICE ESTIMATES

Pursuant to clause 3(c)(3) of rule XIII of the Rules of the House of Representatives, the following is the cost estimate provided by the Congressional Budget Office pursuant to section 402 of the Congressional Budget Act of 1974:

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, DC, July 5, 2016.

Hon. JEB HENSARLING,
*Chairman, Committee on Financial Services,
House of Representatives, Washington, DC.*

DEAR MR. CHAIRMAN: The Congressional Budget Office has prepared the enclosed cost estimate for H.R. 5461, the Iranian Leadership Asset Transparency Act.

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contact is Matthew Pickford.

Sincerely,

KEITH HALL, *Director.*

Enclosure.

H.R. 5461—Iranian Leadership Asset Transparency Act

H.R. 5461 would require the Department of the Treasury to provide reports in 2017 and 2018 to the Congress on the financial assets held by specified Iranian political and military leaders. The reports would describe how the assets were acquired and any unclassified portions of those reports would be posted on the Treasury's website in multiple languages.

CBO could not find comprehensive and detailed information regarding the financial assets of Iranian leaders. If such information is collected (by the Office of Foreign Asset Control, the Office of Intelligence and Analysis in the Department of Treasury, or any other federal agency), CBO expects it would be classified. Some less comprehensive information may be available in the public domain. Based on the costs of similar reports, CBO estimates that compiling the reports from information currently available would cost less than \$500,000 in each of 2017 and 2018; such spending would be subject to the availability of appropriated funds.

Enacting the legislation would not affect direct spending or revenues; therefore, pay-as-you-go procedures do not apply. CBO estimates that enacting H.R. 5461 would not increase net direct spending or on-budget deficits in any of the four consecutive 10-year periods beginning in 2027.

H.R. 5461 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act and would not affect the budgets of state, local, or tribal governments.

The CBO staff contact for this estimate is Matthew Pickford. The estimate was approved by H. Samuel Papenfuss, Deputy Assistant Director for Budget Analysis.

FEDERAL MANDATES STATEMENT

The Committee adopts as its own the estimate of Federal mandates prepared by the Director of the Congressional Budget Office pursuant to section 423 of the Unfunded Mandates Reform Act.

ADVISORY COMMITTEE STATEMENT

No advisory committees within the meaning of section 5(b) of the Federal Advisory Committee Act were created by this legislation.

APPLICABILITY TO LEGISLATIVE BRANCH

The Committee finds that the legislation does not relate to the terms and conditions of employment or access to public services or accommodations within the meaning of the section 102(b)(3) of the Congressional Accountability Act.

EARMARK IDENTIFICATION

H.R. 5461 does not contain any congressional earmarks, limited tax benefits, or limited tariff benefits as defined in clause 9 of rule XXI.

DUPLICATION OF FEDERAL PROGRAMS

Pursuant to section 3(g) of H. Res. 5, 114th Cong. (2015), the Committee states that no provision of H.R. 5461 establishes or reauthorizes a program of the Federal Government known to be duplicative of another Federal program, a program that was included

in any report from the Government Accountability Office to Congress pursuant to section 21 of Public Law 111–139, or a program related to a program identified in the most recent Catalog of Federal Domestic Assistance.

DISCLOSURE OF DIRECTED RULEMAKING

Pursuant to section 3(i) of H. Res. 5, 114th Cong. (2015), the Committee states that H.R. 5461 contains no directed rulemaking.

SECTION-BY-SECTION ANALYSIS OF THE LEGISLATION

Section 1. Short title

This Section cites H.R. 5461 as the “Iranian Leadership Asset Transparency Act.”

Section 2. Findings

This section establishes as the findings of Congress that there are high levels of official and institutional corruption rampant in Iran; that there is a concentration of corruption-derived wealth among Iran’s senior political and military leaders; that there is ample documentation of Iran’s history of non-cooperative behavior in the global fight against terror finance and money laundering; and, that there exists the potential that such wealth and behavior might be used in the future to further terrorism.

Section 3. Report required

This section requires the Treasury Secretary to compile and submit to Congress, within 270 days, a report detailing the known assets of the top political and military leaders of Iran, how those assets were acquired, and for what purposes those assets are used. The report shall be updated at least annually for the next two years, and shall be submitted in unclassified form but may contain a classified annex. The section also requires that the unclassified portion of the report be made available to the public via posting on the Treasury Department’s website in English and translated into the three languages most commonly spoken in Iran, all available in easily downloadable formats.

CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

H.R. 5461 does not repeal or amend any section of a statute. Therefore, the Office of Legislative Counsel did not prepare the report contemplated by Clause 3(e)(1)(B) of rule XIII of the House of Representatives.

MINORITY VIEWS

The “Iranian Leadership Asset Transparency Act” would require the Secretary of the Treasury to report to Congress on, and post online, the estimated total assets under direct or indirect control of certain senior Iranian leaders and other figures, along with a description of how these assets were acquired and are employed, regardless of whether said figures are subject to U.S. sanctions.

We share the Administration’s concerns about the critical resources that would be diverted from targeting sanctionable conduct and compliance over existing sanctions in order to produce this report. Moreover, the requirement to report on “any equity stake” natural persons have in certain entities exceeds the commonly used metric of “controlling equity interest” for identifying meaningful ownership interests and, thus, would add substantially to the resource burden associated with the report with possibly little added value.

We also share the Administration’s concern that this bill would likely be a strategic mistake. Iran likely would view this reporting as an attempt to undermine sanctions relief and inconsistent with both the letter and spirit of the Joint Comprehensive Plan of Action (JCPOA). Given the direct and personal targeting of this report, the bill could strengthen the hand of hardline elements in Iran who oppose the JCPOA, which could impact continued support for the JCPOA within Iran.

Finally, the bill does little to meet its stated objective of making “financial institutions” required compliance with remaining sanctions more easily understood.” If anything, the creation of a new list that would not necessarily be tied to any prohibition—to the degree that any of it would be made public—would increase confusion regarding compliance obligations and deter non-U.S. banks and businesses from reengaging in legitimate businesses in Iran. Moreover, the report would do little to publicize the unjust enrichment of Iranian leaders or help industry comply with current sanctions—as Republicans have argued—since much of the most important parts of the report would be classified.

Given that producing the report required in this bill would have a negative impact on Treasury's limited resources; divert energy and resources away from investigations related to sanctions; add confusion to the Office of Foreign Assets Control's regulated public; potentially undermine continued support for the JCPOA within Iran; and the report's lack of usefulness as a compliance tool, we oppose this bill.

MAXINE WATERS.
KEITH ELLISON.
GWEN MOORE.
STEPHEN F. LYNCH.
AL GREEN.
JOYCE BEATTY.
TERRI A. SEWELL.
WM. LACY CLAY.
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