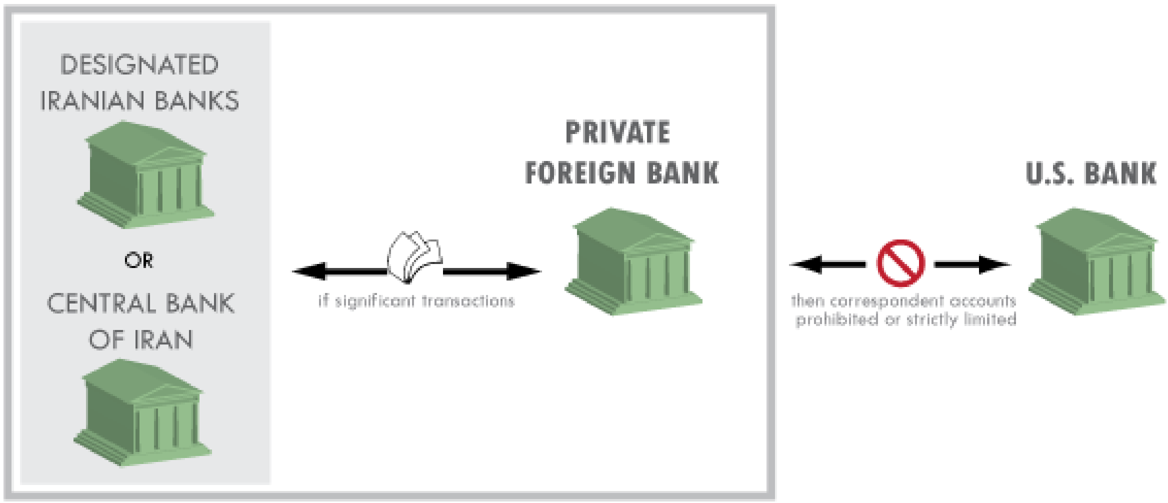
Fact Sheet: Section 1245 of the National Defense Authorization Act for Fiscal Year 2012

Summary

On December 31, 2011, President Obama signed into law the National Defense Authorization Act for Fiscal Year 2012. Under Section 1245 of the Act, foreign financial institutions that knowingly facilitate significant financial transactions with the Central Bank of Iran ("CBI") or with Iranian financial institutions designated by Treasury risk being cut off from direct access to the U.S. financial system. The provisions of the Comprehensive Iran Sanctions, Accountability, and Divestment Act of 2010 ("CISADA") remain in effect. (See Appendix for more information.)

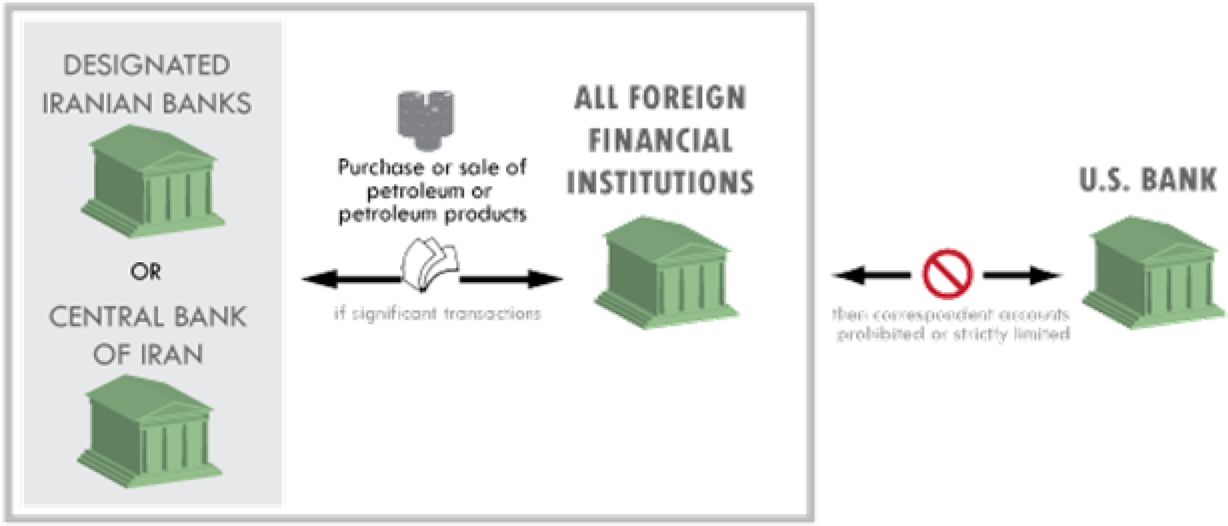
Non-Petroleum Banking Sanctions

The Act mandates that the President sanction private foreign financial institutions that are found to knowingly conduct or facilitate significant non-petroleum transactions (except transactions for the sale of food, medicine, or medical devices to Iran) with the CBI or with a U.S.-designated Iranian financial institution. This provision takes effect 60 days after the enactment of the Act. **Non-petroleum banking sanctions do not apply to foreign central banks or state-owned or controlled foreign financial institutions, although these financial institutions remain subject to section 104 of CISADA**, which provides authority for sanctions on foreign financial institutions that are found to have knowingly engaged in facilitating significant transactions for specific Iranian-linked individuals and entities.



Petroleum-Related Banking Sanctions

The Act also mandates that the President impose banking sanctions on all foreign financial institutions, including foreign central banks or foreign state-owned or controlled banks, that are found to knowingly conduct or facilitate significant financial transactions for the purchase of Iranian petroleum or petroleum products with either the CBI or any U.S.-designated Iranian financial institution. Foreign central and foreign state-owned or controlled banks are also subject to these sanctions if the transactions are for the sale of petroleum or petroleum products to Iran. This provision does not apply to transactions for the purchase of petroleum and petroleum products from Iran for 180 days after enactment, or longer depending on the President’s determination on the availability of price and alternative supplies as described further below.



Application of Sanctions with Respect to Petroleum-Related Purchases: The sanctions do not apply to transactions for the purchase of petroleum products from Iran for at least 180 days and then not until the President determines that the price and supply of petroleum and petroleum products produced in countries other than Iran is sufficient to permit purchasers of petroleum and petroleum products from Iran to reduce significantly in volume their purchases from Iran. The President must make such a determination 90 days after the enactment of the Act and for every 180 days thereafter. If the President does not determine that there is a sufficient supply, sanctions will not apply with respect to transactions by both private and state-owned or –controlled financial institutions for the purchase of petroleum or petroleum products from Iran.

Application to Countries Reducing the Volume of their Oil Purchases from Iran: If the President makes a determination and reports to Congress that a country has significantly reduced its volume of crude oil purchases from Iran, the banking sanctions provided by the Act will not apply to any foreign financial institution over which that country has primary jurisdiction. *In other words, if the President determines that a country has significantly reduced its volume of crude oil purchases from Iran, any foreign financial institution based in that country that facilitates either petroleum-related or non-petroleum-related transactions with the CBI will not be subject to the banking sanctions under this Act.* This exception applies for a 180-day period that can be renewed if the country continues to significantly reduce its volume of crude oil purchases from Iran in each subsequent 180-day period.

Waiver Provision: If the President determines that a waiver is in the national security interest of the United States and submits a report to Congress that provides a justification for the waiver and describes any concrete cooperation the President has received or expects to receive as a result of the waiver, the President may waive the application of the banking sanctions for a period of not more than 120 days. The President may renew a waiver for subsequent 120-day periods.

<u>Appendix: CISADA</u>