

# Washington Unlocks Frozen Iranian Funds

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*There have been several indications in recent weeks that the United States and Iran are trying to reach an interim and unofficial nuclear deal that would provide Iran with significant financial windfall and circumvent U.S. legal requirements for congressional review. The most direct indication that such a deal is in process is the recent U.S. moves to unfreeze billions of dollars in Iranian funds, currently frozen in banks around the world. Meanwhile, Iran's Supreme Leader has expressed new support for a nuclear agreement.*

*The release of any frozen Iranian funds would supercharge the Iranian regime's terror efforts and support for Russia's war against Ukraine. They should only be released in exchange for permanent and irreversible limitation on Iran's nuclear program and an end to Iran's destabilizing foreign actions – including military support for Russia's war machine. Congress must ensure that any agreement – formal or informal – is submitted for review pursuant to the Iran Nuclear Agreement Review Act (INARA).*

## What Happened?

- Mohammad Reza Farzin, the Governor of the Central Bank of Iran, which is under U.S. counterterrorism sanctions, and his deputy for international affairs, Mohsen Karimi, [visited](#) Washington, D.C on May 30, 2023, publicly announcing visits to the headquarters of the International Monetary Fund (IMF).
  - » Farzin claimed during the meeting with IMF officials that the Iranian government had access to \$6.7 billion worth of IMF Special Drawing Rights (SDRs) which could be utilized promptly to help meet Iranian “economic needs.”
  - » The Governor of the Central Bank of Iran also [repeated claims](#) that the release of other frozen Iranian funds would come in the “near future” to the tune of \$24 billion, which includes the SDR allocations and assets frozen in South Korean and Iraqi banks.
- On June 10, Reuters [reported](#) that the United States provided Iraq with a sanctions waiver permitting the government to pay Iran \$2.76 billion related to settling its debt for electricity and natural gas imports from Iran.
- On June 11, Iranian Supreme Leader Ali Khamenei reportedly [said in a speech](#) that a deal with the West was possible as long as the agreement left the country's nuclear infrastructure intact.

- On June 12, a U.S. official [claimed](#) talks were not about an “interim deal” but described talks with Iran as “[making] clear to them what escalatory steps they needed to avoid to prevent a crisis and what de-escalatory steps they could take to create a more positive context.”
  - » Meanwhile, the former head of the Iranian parliament’s Foreign Policy and National Security Committee Heshmatollah Falahatpisheh [said](#) on June 12 that Tehran and Washington are willing to agree to an “unwritten deal.”
  - » Israeli Prime Minister Benjamin Netanyahu [told](#) a Knesset committee that the Iran-U.S. agreement is expected to be a memorandum of understanding rather than a signed document.
- On June 13, [reports surfaced](#) that Iran’s lead nuclear negotiator, Ali Baqeri-Kani, had been again invited to Oslo, where he had previously engaged in “brainstorming” with European counterparts.

## Why Is It Important?

- These unilateral U.S. actions to relieve sanctions and diplomatic pressure on Iran and enable it to access some of its foreign currency reserves appear to be part of an effort to form an unofficial deal with Iran without any formal text in a bid to circumvent congressional review required under U.S. law. This is further supported by recent Iranian statements and European overtures to Iran.
  - » While the Biden Administration eventually committed, after significant pressure, that it would submit an agreement made with Iran to Congress pursuant to the terms of the Iran Nuclear Agreement Review Act (INARA), some advocates of negotiations with Iran, including a key former National Security Council lawyer for the 2015 Iran Deal, have recently suggested the White House can and should circumvent these reporting requirements by relying on “reciprocal gestures” by Iran and the United States that are not written down.
  - » INARA requires submission of any deal to Congress for a 30-day review period “regardless of the form it takes” as long as it pertains to Iran’s nuclear program.
  - » Without full congressional oversight there will be no way for the American public to understand the full extent of concessions given to Iran, or to understand what steps the Biden Administration is taking to ensure reciprocal acts by the Iranian government.
- Although the United States has provided sanctions waivers to Iraq before, in order to ensure Iraq’s continued supply of energy from Iran, the most recent waiver, allowing for the transfer of \$2.76 billion to Iran, is more than five times greater than the previous waivers. This suggests the move could be part of a nuclear deal with Iran, not just driven by Iraqi energy needs.
  - » Previous waivers for Iraq – such as the last one issued in March 2023 – only allowed Iraq to transfer \$500 million to Iran. These transfers have previously been limited to fund purchases of basic commodities, but still advance Iranian liquidity and other economic goals and enable the regime to reward its supporters.

- » The United States has long provided Iraq with sanctions waivers, renewed every 60-120 days, to import Iranian electricity and natural gas despite repeated efforts by the United States to wean Iraq off Iranian imports.
- » According to Iranian officials, the funds released in June 2023 were transferred in a €1.5 billion tranche with a subsequent €1.0 billion tranche set to be disbursed shortly.
- » Iranian officials claimed the sum would be used to purchase foodstuffs, for paying down debt to Turkmenistan, and to pay for Iranian religious pilgrims' expenses while traveling outside Iran.
- Iranian access to IMF Special Drawing Rights decreases the economic pressure on the regime and frees up liquidity to be spent on other political and military priorities.
  - » Iran received the equivalent of \$4.86 billion dollars in SDRs in the IMF's August 2021 SDR allocation, with Biden Administration approval despite strong Congressional opposition to the SDR general allocation.
  - » Iran previously had been allocated around \$2.1 billion dollars' worth of SDRs, some of which it converted to other currencies while not under U.S. sanctions.
  - » SDRs are an international reserve asset created and administered by the IMF, whose value is based on a basket of the U.S. dollar, the euro, the Chinese Renminbi, the Japanese yen, and the British pound sterling.
  - » Once an IMF member is allocated an SDR, it can generally trade the SDR with another IMF member in exchange for freely usable currencies like the U.S. dollar.
- Any concessions that result in a reduction of Iranian frozen assets – including through sanctions waivers – severely impair any prospects of a future diplomatic arrangement with Iran that would include a comprehensive settlement of Iran's malign activity and a permanent and irreversible end to Iran's nuclear program.
  - » In 2020, Iran had roughly \$90 billion in funds frozen abroad. Over the past three years, the Biden Administration has already allowed the drawdown of some of these funds – such as for the paying of Iran's UN membership dues – without taking actions to increase the amount of frozen funds to entice Iran to the negotiating table.
  - » \$7 billion is currently frozen in South Korean banks, after South Korea imported large amounts of Iranian crude oil from 2018-2019 during a period the United States permitted some imports of Iranian oil but required the payments be put in escrow subject to the lifting of U.S. sanctions.
  - » A further \$10 billion has been frozen in Iraqi banks since the re-imposition of U.S. sanctions in 2018.
  - » Iranian economic officials have repeated claims that these funds would be released imminently for over two years in an effort to quell currency crises that roil Iranian markets.
  - » Meanwhile, Iran's accessible foreign exchange reserves have soared from around \$4-6 billion at the end of 2020 to a projected \$43 billion in 2023 according to IMF data.

- » Any funds returned to Iranian control – regardless of whether they are set up to pay for “humanitarian goods” or medicine – would be fully fungible and enable the Iranian regime to prioritize other funds for use in its terror activity, military development, and transfer of weapons and materiel to Russia and other terror groups in the Middle East.
- In April 2022, Treasury Secretary Janet Yellen [denied](#) that Iran would be able to convert their SDRs into U.S. dollars, however, Iran could still convert SDRs into Chinese Renminbi or transfer SDRs to other countries in exchange for goods or to pay down debt – serving Iranian liquidity goals.
  - » Any diplomatic deal with Iran could also include an agreement that Iranian SDRs could be freely converted into U.S. dollars.
- Iran has previously tied the release of the \$7 billion in funds frozen in South Korean banks to the release of three U.S. hostages: Siamak Namazi, Morad Tahbaz, and Emad Shargi.
  - » If the Biden Administration releases these funds in connection with the release of U.S. hostages, it will massively incentivize future Iranian hostage taking.
- Providing visas to senior Iranian leaders to visit Washington is an unacceptable concession to Iran while U.S. hostages are languishing in Iranian prisons and several former senior U.S. officials are under 24/7 security protection due to severe Iranian assassination threats.
  - » The Central Bank of Iran is under U.S. counterterrorism sanctions for [providing](#) billions of dollars in funding to Iranian terror operations for the Islamic Revolutionary Guard Corps (IRGC), Hizballah, and the Houthis. Mohammad Reza Farzin was previously the head of Bank Melli Iran, an entity also under U.S. counterterrorism sanctions.
  - » While the United States guaranteed all UN Member State diplomats access to the United Nations headquarters in New York City under the 1954 Headquarters Agreement, the United States has no similar obligation to provide visas for foreign officials to visit the IMF headquarters in Washington, D.C.

## What Should the United States Do Next?

- Congress should demand answers from the Biden Administration why visas were granted to leaders of the Central Bank of Iran, a sanctioned entity with an immense track record of providing funding to terror groups, and whether U.S. policy has changed or is set to change regarding the conversion of Iranian-held SDRs into U.S. dollars.
  - » Congress should also mandate sanctions on all Iranian senior leaders in charge of certain sanctioned Iranian state entities, including the Central Bank of Iran and the National Development Fund. So long as Americans are not safe to travel to Iran, no Iranian official should be admitted into the United States unless absolutely compelled to under international law.
- Congress should move to [reform](#) INARA, including by ensuring that any effort to bypass Congressional review by taking reciprocal steps falls under the purview of INARA’s submission requirements.

- Congress should inquire why a sanctions waiver was extended for Iraq to transfer such a large sum to Iran and ask the Biden Administration to preserve all documents and communications related to this action to ensure it is not an end-run around INARA.
- The Biden Administration should make every effort to minimize the drawdown of frozen Iranian funds and find ways to seize more Iranian assets held abroad in order to weaken the regime, incentivize the negotiation of a comprehensive deal that permanently dismantles Iran's nuclear program, and enable the Iranian opposition movement to have a fighting chance to overthrow the regime.