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January 23, 2012

CIRCULAR LETTER TO ALL FINANCIAL INSTITUTIONS LICENSED
UNDER THE FINANCIAL INSTITUTIONS ACT, 2008

REF: CB-OIFI-175/2012

U.S. Legislation on Dealing with Designated Iranian Financial Institutions or the Central Bank of Iran

The Central Bank of Trinidad and Tobago (the Central Bank) wishes to advise all institutions licensed under the Financial Institutions Act, 2008 (licensees) that the Government of the United States of America (USA) has signed into law, the National Defense Authorization Act for Fiscal Year 2012 (the Act). The Act deals with designated Iranian Financial Institutions or the Central Bank of Iran and is intended to prevent Iran from acquiring nuclear weapons.

Diplomatic Note No. 003 (the Note) dated January 3, 2012, which outlines the implications of the new legislation, is being forwarded for your careful review and attention. The Note highlights the importance of ensuring that transactions with the Central Bank of Iran or U.S.-designated Iranian financial institutions are not facilitated. The Note also advises that failure to adhere to the provisions of the new legislation may lead to the termination or the imposition of strict limits on the U.S. correspondent accounts of financial institutions.

Should you have any concerns or queries, kindly submit same in writing for the attention of:

Mrs. Michelle Francis-Pantor
Manager, Policy and Market Conduct Unit
Financial Institutions Supervision Department
Central Bank of Trinidad and Tobago
Eric Williams Plaza, Independence Square
Port of Spain

Please be guided accordingly.

Yours sincerely

Carl Hiralal
INSPECTOR OF FINANCIAL INSTITUTIONS

No. 003

The Embassy of the United States of America presents its compliments to the Ministry of Foreign Affairs and Communications of the Republic of Trinidad and Tobago and has the honor to present information regarding the implications of new legislation on dealing with designated Iranian Financial Institutions or the Central Bank of Iran signed by the President of the United States on December 31, 2011.

The United States is determined to prevent Iran from acquiring nuclear weapons.

We continue to work with our international partners through the dual-track approach of engagement and pressure to persuade Iran to engage seriously about its nuclear program.

The latest IAEA Director General's report included troubling - but unsurprising - conclusions that Iran engaged in activities relative to the development of nuclear weapons prior to 2003, and some of those activities may be ongoing. In response, the IAEA Board of Governors overwhelmingly voted in favor of a resolution, co-sponsored by all P5+1 countries, expressing its deep concern about Iran's nuclear program.

In light of Iran's continued failure to demonstrate the exclusively peaceful nature of its nuclear program, Congress passed and President Obama signed new legislation to target the Central Bank of Iran and Iran's crude oil revenues. UNSCR 1929 notes there is a potential connection between Iran's revenues derived from its energy sector and the funding of Iran's illicit nuclear activities, and also noted the need for vigilance in dealing with all Iranian financial institutions, including the Central Bank of Iran.

This new legislation states that the President shall terminate or impose strict limits on the U.S. correspondent accounts of private financial institutions in your country

that he determines knowingly conduct or facilitate a significant transaction - related to oil or any other kind of trade - with the Central Bank of Iran or a U.S.-designated Iranian financial institution.

The President's authority to make a finding and impose sanctions will take effect 60 days from December 31, 2011, for transactions other than those for purchases of petroleum. The sanctions are not triggered by transactions for the sale of food, medicine, and medical devices to Iran.

Separately, sanctions shall be imposed on both private and government-owned or -controlled banks, including central banks, if the President determines they knowingly conduct or facilitate significant transactions with the CBI or a U.S.-
designated Iranian financial institution for the purchase of petroleum products from Iran. These sanctions take effect 180 days or more after enactment, depending on a Presidential determination about the price and supply of alternatives to Iranian petroleum, as described below.

The President shall also impose sanctions on private or government-owned or -controlled financial institutions, including central banks, that he finds knowingly conduct significant transactions with the CBI or a U.S.-designated Iranian financial institution for the sale of petroleum or petroleum products to Iran. These sanctions take effect 60 days after the effective date of the law for private financial institutions and 180 days after enactment for government-owned or -controlled financial institutions.

The law exempts the financial institutions of any country that the President determines, and reports to Congress, has significantly reduced its volume of crude oil purchases from Iran during successive 180-day periods.

We are consulting with major oil producers and consumers to maintain stable markets while we work to reduce Iran's oil revenues.

Notably, before sanctions related to the purchase of petroleum and petroleum products from Iran can be imposed, the President must first determine there is a sufficient supply of petroleum and petroleum products from other countries to

permit purchasers to significantly reduce the volume of purchases from Iran.

This legislation sharpens the choice for Iran: rejoin the international community as a responsible nation and fulfill your obligations with respect to your nuclear program, or face escalating pressure and isolation.

Despite a concerted multilateral effort to persuade the Iranian government to engage seriously with the P5+1 about its nuclear ambitions, Iran has refused multiple opportunities to do so. Iran has also failed to answer questions about nuclear weapons development activities it has already conducted.

It is Iran's refusal to engage that led our Congress to pass this legislation by an overwhelming margin in order to pressure the Iranian leadership by focusing on the means supporting its activities of concern, its oil revenues.

The best way for countries importing Iranian crude oil to avoid the possibility of sanctions is to reduce those imports from Iran and seek supplies elsewhere. We urge you to take these steps in an orderly manner as quickly as possible.

We also strongly encourage you to work with your private banks to ensure that all transactions are carefully scrutinized and not conducted with U.S.-designated banks or the Central Bank of Iran.

A Fact Sheet regarding this legislation is attached for additional information.

The Embassy of the United States of America avails itself of this opportunity to renew to the Ministry of Foreign Affairs and Communications of Trinidad and Tobago the assurances of its highest consideration.

Embassy of the United States of America,

Port of Spain, January 3, 2012.

EMBASSY OF THE UNITED STATES OF AMERICA PORT OF SPAIN

cc: Ministry of National Security

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. (The complete version includes an Appendix with 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.

Attachment: New Legislation on Dealing with Iranian Financial Institutions

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List of Q&As

What does the new legislation require?

The Act mandates the President to sanction foreign financial institutions that are found to knowingly conduct or facilitate significant transactions (except transactions for the sale of food, medicine, or medical devices to Iran) with the Central Bank of Iran or with a U.S.-designated Iranian financial institution. The fact sheet we have provided describes other exemptions, as well as different rules for oil and non-oil transactions, as well as private and government, state-owned, or state-controlled financial institutions.

When will it be implemented?

Authority to impose sanctions for transactions unrelated to the purchase of oil from Iran becomes effective 60 days after the enactment of the Act, and applies to private foreign financial institutions.

Authority to impose sanctions for transactions related to the purchase of petroleum products from Iran becomes effective 180 days after the enactment of the Act only if the President determines the price and supply of petroleum products from other countries is sufficient to permit a significant reduction in the volume of petroleum products purchased from Iran. Petroleum-related sanctions would apply to private and government-owned or -controlled financial institutions, including Central Banks. Government-owned or –controlled financial institutions can also be sanctioned for transactions related to the sale of petroleum products to Iran, beginning 180 days after enactment.

What are the sanctions that can be imposed on foreign financial institutions under the Act?

Under Section 1245 of the Act, foreign financial institutions that are found to knowingly facilitate a significant financial transaction with the Central Bank of Iran or with an Iranian financial institution designated by Treasury risk being cut off from direct access to the U.S. financial system.

Why is the United States taking this action now?

We are committed to the dual-track approach of engagement and pressure on Iran to resolve the international community's concerns about Iran's nuclear program. So far Iran has refused to engage in serious negotiations with the E3+3. The recent IAEA report has confirmed Iran conducted a program to develop nuclear weapons, may be continuing with these activities, and is refusing to undertake the necessary transparency measures to clear up international concerns about the goals of Iran's nuclear program. In the absence of Iran's cooperation or meaningful engagement, we continue working with our international partners to increase the pressure on Iran.

What qualifies as a "significant" transaction?

Decisions on what is "significant" will be made on a case by case basis. However, foreign financial institutions should assume that any transaction with Iran is significant. Iran has a history of abusing the international financial sector to support its nuclear program.

Does the legislation apply to private banks or public banks/central banks?

Sanctions for conducting or facilitating non-petroleum related transactions do not apply to foreign central banks or state- owned or -controlled foreign financial institutions.

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Sanctions for conducting or facilitating transactions involving Iranian oil apply to foreign private and government- owned or -controlled financial institutions.

However, all foreign 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.

Does the legislation apply to all transactions or only petroleum-related transactions?

The legislation covers both kinds of transactions, but on different time lines and with differing coverage. For transactions involving the purchase of Iranian oil, the legislation mandates that the President sanction both private and state-owned or state-controlled foreign financial institutions that are found to knowingly conduct or facilitate significant transactions with the CBI or U.S.-designated banks. These sanctions would not go into effect for at least 180 days, depending on the President's assessment of the petroleum market.

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 Central Bank of Iran (CBI) or with a U.S.-designated Iranian financial institution.

The President shall also impose sanctions on private or government-owned or -controlled financial institutions that conduct significant transactions with the CBI or a U.S. - designated Iranian financial institution for the sale of petroleum or petroleum products to Iran. These sanctions take effect 60 days after the effective date of the law for private financial institutions and 180 days after enactment for government-owned or -controlled financial institutions.

Attachment: New Legislation on Dealing with Iranian Financial Institutions

Are there any transactions that are exempted?

Transactions for the sale of food, medicine, or medical devices to Iran are exempted under this legislation.

Is the United States in discussions with other oil exporting nations to increase production?

The United States is interested in maintaining the stability of global oil markets, a goal shared by other oil producing and consuming nations. We regularly consult with key stakeholders, and will continue to do so, as we work collectively to reduce Iran's oil revenues.

Isn't this a unilateral trade embargo by the United States on Iran? This activity is not prohibited by the UN [or host country], aren't these sanctions an illegal, extraterritorial action?

While these new sanctions target foreign financial institutions outside of the United States, the sanctions themselves, if imposed, only restrict activities subject to U.S. jurisdiction. The sanctions do not place any prohibitions on the activities of foreign companies outside of U.S. jurisdiction, but the companies could face restrictions on their activities within U.S. jurisdiction if they undertake certain activities with Iran.

Didn't the Obama Administration oppose this legislation? Why are you pressuring us to enforce it when your own government didn't think it was a good idea?

The intent of the bill, which the Administration has always supported, is to reduce the revenues Iran receives from its oil exports since these revenues are used to support the regime and its nuclear program. The original text of the legislation had automatic triggers that this Administration opposed. The Administration worked with Congress to give the President some flexibility in terms of timing to prevent disruptions in the oil markets that could benefit Iran through higher oil prices.

Are transactions pursuant to existing contracts sanctionable? We have signed a multi-year deal with Iran.

The provisions in the legislation will apply to transactions unrelated to purchases of petroleum if the transactions are conducted 60 days after the enactment of the Act.

This provision would apply to transactions for the purchase of petroleum and petroleum products from Iran 180 days after the enactment of the Act, or longer depending on the President's determination on the availability and price of alternative supplies. The President can exempt from the sanctions the foreign financial institutions of any country that the President reports to Congress has significantly reduced its volume of crude oil purchases from Iran. 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.

The United States has prohibited direct commercial dealings with between U.S. persons and the Central Bank of Iran since 1995.

The United States is discriminating against certain countries. What are you going to do about India/China/Russia?

The United States is working with all of our partners, including India/China/Russia, to pressure Iran into serious negotiations on its nuclear program. We encourage all countries that trade with Iran to reduce their oil imports/commercial transactions. All foreign financial institutions and countries are potentially subject to the sanctions contained in this law.

Attachment: New Legislation on Dealing with Iranian Financial Institutions

How can we get a waiver?

The waiver can be invoked if the President determines that a waiver is in the national security interest of the United States, and if he 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.

Additionally, 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.

Our central bank/financial institutions conduct significant financial transactions with the United States. Since cutting off our financial institutions would harm the United States as much as it would harm us, why don't we qualify for a national interest waiver?

The President can determine when a waiver is in the national security interest. The intent of the legislation is very clear, though. It is to pressure the Iranian government by impairing their petroleum revenues to induce the regime to comply with UN Security Council Resolutions, to answer questions about its nuclear weapons-related activities to the IAEA, and to negotiate seriously about its nuclear program. The best way for your country to assist in this effort and avoid complications with the legislation is to significantly reduce your oil imports/commercial activity with Iran.

These new sanctions will only increase uncertainty in the marketplace. Our people will have to pay higher prices for oil and the Iranians will just sell their crude to China/India? These actions are only hurting us and benefiting the Chinese/Indians.

The legislation envisions a phased approach to its implementation. There will be enough time for the markets to adjust and we will work with you to find alternate suppliers. We have approached ALL countries to urge reduction in purchases of oil from Iran and ALL countries are subject to the sanctions in this legislation. Additionally, we are consulting with countries to refrain from increasing their purchases of Iranian crude in order to keep the pressure on Iran.

The United States has prohibited direct commercial dealings with between U.S. persons and the Central Bank of Iran since 1995.

Won't targeting the Central Bank of Iran just hurt the average Iranian?

Unfortunately, it is Iran's leaders who have forced us to take this action, first by their failure to fulfill their international obligations over three decades, and second through their use of otherwise legitimate institutions to carry out their illicit conduct. On the basis of this behavior, the United States has found Iran to be a "jurisdiction of primary money laundering concern." The Central Bank of Iran, in particular, has been used to assist entities that facilitate Iran's weapons proliferation efforts. Doing business with Iran is risky: it is hard to know the source, destination, and purpose of both products and money. The United States encourages you to reduce your business with Iran and carefully scrutinize those transactions that do go forward.

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Won't Iran just make more money from these sanctions since oil prices will go up?

The oil market is complicated and many factors go into price formation. This legislation envisions a phased approach to implementation, enabling supply and demand to adjust to new patterns of trade. The United States is urging all partners to reduce their imports of Iranian crude and supports a cut- off of imports of Iranian crude in a manner that would not disrupt international markets.

What banks in Iran can I do business with?

We urge caution in dealing with any Iranian bank. A list of designated banks is available on the OFAC website. Financial institutions in your country should already have access to this list.

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