

113TH CONGRESS
2^D SESSION

H. R. 5431

To impose sanctions on foreign financial institutions that engage in certain transactions with the Islamic State of Iraq and Syria, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

SEPTEMBER 10, 2014

Mr. FITZPATRICK introduced the following bill; which was referred to the Committee on Foreign Affairs, and in addition to the Committees on Oversight and Government Reform and Financial Services, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

A BILL

To impose sanctions on foreign financial institutions that engage in certain transactions with the Islamic State of Iraq and Syria, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Isolating ISIS Act”.

1 **SEC. 2. SANCTIONS WITH RESPECT TO FOREIGN FINANCIAL**
2 **INSTITUTIONS THAT ENGAGE IN CERTAIN**
3 **TRANSACTIONS.**

4 (a) PROHIBITIONS AND CONDITIONS WITH RESPECT
5 TO CERTAIN ACCOUNTS HELD BY FOREIGN FINANCIAL
6 INSTITUTIONS.—

7 (1) IN GENERAL.—Not later than 120 days
8 after the date of the enactment of this Act, the Sec-
9 retary of the Treasury, in consultation with the Sec-
10 retary of State and the heads of other applicable
11 Federal departments and agencies, shall prohibit, or
12 impose strict conditions on, the opening or maintain-
13 ing in the United States of a correspondent account
14 or a payable-through account by a foreign financial
15 institution that the Secretary of the Treasury deter-
16 mines, on or after the date of the enactment of this
17 Act, engages in an activity described in paragraph
18 (2).

19 (2) ACTIVITIES DESCRIBED.—A foreign finan-
20 cial institution engages in an activity described in
21 this paragraph if the foreign financial institution—

22 (A) knowingly facilitates a transaction or
23 transactions for the Islamic State of Iraq and
24 Syria;

25 (B) knowingly facilitates a transaction or
26 transactions of a person designated for acting

1 on behalf of or at the direction of, or owned or
2 controlled by, the Islamic State of Iraq and
3 Syria;

4 (C) knowingly engages in money laun-
5 dering to carry out an activity described in sub-
6 paragraph (A) or (B);

7 (D) knowingly facilitates a transaction or
8 transactions or provides financial services to
9 carry out an activity described in subparagraph
10 (A), (B), or (C), including—

11 (i) facilitating a transaction or trans-
12 actions; or

13 (ii) providing financial services that
14 involve a transaction of any goods; or

15 (E)(i) knowingly facilitates, or participates
16 or assists in, an activity described in subpara-
17 graph (A), (B), (C), or (D), including by acting
18 on behalf of, at the direction of, or as an inter-
19 mediary for, or otherwise assisting, another per-
20 son with respect to the activity described in any
21 such subparagraph;

22 (ii) knowingly attempts or conspires to fa-
23 cilitate or participate in an activity described in
24 subparagraph (A), (B), (C), or (D); or

1 (iii) is owned or controlled by a foreign fi-
2 nancial institution that the Secretary finds
3 knowingly engages in an activity described in
4 subparagraph (A), (B), (C), or (D).

5 (3) PENALTIES.—The penalties provided for in
6 subsections (b) and (c) of section 206 of the Inter-
7 national Emergency Economic Powers Act (50
8 U.S.C. 1705) shall apply to a person that violates,
9 attempts to violate, conspires to violate, or causes a
10 violation of the prohibition or strict conditions re-
11 ferred to in paragraph (1) of this subsection to the
12 same extent that such penalties apply to a person
13 that commits an unlawful act described in subsection
14 (a) of such section 206.

15 (4) REGULATIONS.—The Secretary of the
16 Treasury shall prescribe and implement regulations
17 to carry out this subsection.

18 (b) WAIVER.—

19 (1) IN GENERAL.—The Secretary of the Treas-
20 ury, in consultation with the Secretary of State and
21 the heads of other applicable Federal departments
22 and agencies, may waive, on a case-by-case basis,
23 the application of a prohibition or condition imposed
24 with respect to a foreign financial institution pursu-
25 ant to subsection (a) for a period of not more than

1 180 days, and may renew that waiver for additional
2 periods of not more than 180 days, on and after the
3 date that the Secretary of the Treasury, in consulta-
4 tion with the Secretary of State—

5 (A) determines that such a waiver is in the
6 national security interests of the United States;
7 and

8 (B) submits to the appropriate congress-
9 sional committees a report describing the rea-
10 sons for the determination.

11 (2) FORM.—The report required by subpara-
12 graph (1) shall be submitted in unclassified form,
13 but may contain a classified annex.

14 (c) PROVISIONS RELATING TO FOREIGN FINANCIAL
15 INSTITUTIONS.—

16 (1) REPORT.—Not later than 45 days after the
17 date of the enactment of this Act and every 180
18 days thereafter, the Secretary of the Treasury shall
19 submit to the appropriate congressional committees
20 a report that—

21 (A) identifies each foreign central bank
22 that the Secretary determines engages in one or
23 more activities described in subsection
24 (a)(2)(D); and

1 (B) provides a detailed description of each
2 such activity.

3 (2) SPECIAL RULE TO ALLOW FOR TERMI-
4 NATION OF SANCTIONABLE ACTIVITY.—The Sec-
5 retary of the Treasury shall not be required to apply
6 sanctions to a foreign financial institution described
7 in subsection (a) if the Secretary of the Treasury, in
8 consultation with the Secretary of State and the
9 heads of other applicable Federal departments and
10 agencies, certifies in writing to the appropriate con-
11 gressional committees that—

12 (A) the foreign financial institution—

13 (i) is no longer engaging in an activity
14 described in subsection (a)(2); or

15 (ii) has taken and is continuing to
16 take significant verifiable steps toward ter-
17 minating the activity described in sub-
18 section (a)(2); and

19 (B) the Secretary has received reliable as-
20 surances from the government with primary ju-
21 risdiction over the foreign financial institution
22 that the foreign financial institution will not en-
23 gage in any activity described in subsection
24 (a)(2) in the future.

25 (d) DEFINITIONS.—

1 (1) IN GENERAL.—In this section:

2 (A) ACCOUNT; CORRESPONDENT ACCOUNT;
3 PAYABLE-THROUGH ACCOUNT.—The terms “ac-
4 count”, “correspondent account”, and “payable-
5 through account” have the meanings given
6 those terms in section 5318A of title 31, United
7 States Code.

8 (B) FINANCIAL INSTITUTION.—The term
9 “financial institution” means a financial insti-
10 tution specified in subparagraph (A), (B), (C),
11 (D), (E), (F), (G), (H), (I), (J), (K), (M), (N),
12 (P), (R), (T), (Y), or (Z) of section 5312(a)(2)
13 of title 31, United States Code.

14 (C) FOREIGN FINANCIAL INSTITUTION.—
15 The term “foreign financial institution” has the
16 meaning of such term in section 1010.605 of
17 title 31, Code of Federal Regulations, and in-
18 cludes a foreign central bank.

19 (D) MONEY LAUNDERING.—The term
20 “money laundering” means any of the activities
21 described in paragraph (1), (2), or (3) of sec-
22 tion 1956(a) of title 18, United States Code,
23 with respect to which penalties may be imposed
24 pursuant to such section.

1 (2) OTHER DEFINITIONS.—The Secretary of
2 the Treasury may further define the terms used in
3 this section in the regulations prescribed under this
4 section.

5 **SEC. 3. IMPOSITION OF SANCTIONS WITH RESPECT TO**
6 **UNITED STATES PERSONS THAT ENGAGE IN**
7 **TRANSACTIONS WITH CERTAIN FOREIGN**
8 **PERSONS.**

9 (a) IN GENERAL.—The President shall impose sanc-
10 tions in accordance with subsection (c) with respect to
11 each person on the list required by subsection (b).

12 (b) LIST.—

13 (1) IN GENERAL.—Not later than 90 days after
14 the date of the enactment of this Act, the President
15 shall submit to the appropriate congressional com-
16 mittees a list of United States persons that the
17 President determines have knowingly engaged in an
18 activity described in paragraph (2) on or after such
19 date of enactment.

20 (2) ACTIVITY DESCRIBED.—

21 (A) IN GENERAL.—A person engages in an
22 activity described in this paragraph if the per-
23 son knowingly engages in a transaction or
24 transactions with a foreign person that trans-
25 fers or receives, or facilitates the transfer or re-

1 ceipt of, any goods or services to or from the
2 Islamic State of Iraq and Syria.

3 (B) APPLICABILITY TO CONTRACTS AND
4 OTHER AGREEMENTS.—A person engages in an
5 activity described in subparagraph (A) without
6 regard to whether the activity is carried out
7 pursuant to a contract or other agreement en-
8 tered into before, on, or after the date of the
9 enactment of this Act.

10 (3) SPECIAL RULE TO ALLOW FOR TERMI-
11 NATION OF SANCTIONABLE ACTIVITY.—The Presi-
12 dent shall not be required to include a person on the
13 list required by paragraph (1) if the President cer-
14 tifies in writing to the appropriate congressional
15 committees that—

16 (A) the person is no longer engaging in, or
17 has taken significant verifiable steps toward
18 stopping, the activity described in paragraph
19 (2) for which the President would otherwise
20 have included the person on the list; and

21 (B) the President has received reliable as-
22 surances that the person will not knowingly en-
23 gage in any activity described in paragraph (2)
24 in the future.

1 (4) UPDATES OF LIST.—The President shall
2 submit to the appropriate congressional committees
3 an updated list under paragraph (1) as new infor-
4 mation becomes available.

5 (5) FORM OF REPORT; PUBLIC AVAILABILITY.—

6 (A) FORM.—The list required by para-
7 graph (1) shall be submitted in unclassified
8 form but may contain a classified annex.

9 (B) PUBLIC AVAILABILITY.—The unclassi-
10 fied portion of the list required by paragraph
11 (1) shall be made available to the public and
12 posted on the websites of the Department of the
13 Treasury and the Department of State.

14 (c) APPLICATION OF SANCTIONS.—

15 (1) IN GENERAL.—The President shall impose
16 sanctions described in paragraph (2) with respect to
17 a person on the list required by subsection (b).

18 (2) SANCTIONS.—The sanctions described in
19 this paragraph are the following:

20 (A) No assistance may be provided to the
21 person under the Foreign Assistance Act of
22 1961 (22 U.S.C. 2151 et seq.) or the Arms Ex-
23 port Control Act (22 U.S.C. 2751 et seq.).

24 (B) The United States Government may
25 not procure, or enter into any contract for the

1 procurement of, any goods or services from the
2 person.

3 (C) The President may impose additional
4 sanctions, as appropriate, with respect to the
5 person in accordance with the International
6 Emergency Economic Powers Act (50 U.S.C.
7 1701 et seq.).

8 (d) DEFINITIONS.—In this section:

9 (1) FOREIGN PERSON.—The term “foreign per-
10 son” means—

11 (A) an individual who is not a United
12 States person or an alien lawfully admitted for
13 permanent residence into the United States; or

14 (B) a corporation, partnership, or other
15 nongovernmental entity which is not a United
16 States person.

17 (2) PERSON.—

18 (A) IN GENERAL.—The term “person”
19 means—

20 (i) a natural person;

21 (ii) a corporation, business associa-
22 tion, partnership, society, trust, financial
23 institution, insurer, underwriter, guar-
24 antor, and any other business organization,
25 any other nongovernmental entity, organi-

1 zation, or group, and any governmental en-
2 tity operating as a business enterprise; and

3 (iii) any successor to any entity de-
4 scribed in clause (ii).

5 (B) APPLICATION TO GOVERNMENTAL EN-
6 TITIES.—The term “person” does not include a
7 government or governmental entity that is not
8 operating as a business enterprise.

9 (3) UNITED STATES PERSON.—The term
10 “United States person” means—

11 (A) a natural person who is a citizen of the
12 United States or who owes permanent alle-
13 giance to the United States; and

14 (B) a corporation or other legal entity
15 which is organized under the laws of the United
16 States, any State or territory thereof, or the
17 District of Columbia, if natural persons de-
18 scribed in subparagraph (A) own, directly or in-
19 directly, more than 50 percent of the out-
20 standing capital stock or other beneficial inter-
21 est in such legal entity.

22 **SEC. 4. REGULATORY AUTHORITY.**

23 (a) IN GENERAL.—Not later than 90 days after the
24 date of the enactment of this Act, the President shall pro-

1 mulgate regulations as necessary for the implementation
2 of this Act.

3 (b) NOTIFICATION TO CONGRESS.—Not later than 10
4 days before the promulgation of regulations under sub-
5 section (a), the President shall notify the appropriate con-
6 gressional committees of such proposed regulations.

7 **SEC. 5. TERMINATION.**

8 This Act shall cease to be in effect beginning 30 days
9 after the date on which the President certifies to Congress
10 that the Islamic State of Iraq and Syria—

11 (1) is no longer designated as a foreign ter-
12 rorist organization pursuant to section 219 of the
13 Immigration and Nationality Act (8 U.S.C. 1189);

14 (2) is no longer listed in the Annex to Executive
15 Order No. 13224 (September 23, 2001; relating to
16 blocking property and prohibiting transactions with
17 persons who commit, threaten to commit, or support
18 terrorism); and

19 (3) poses no significant threat to United States
20 national security, interests, or allies.

21 **SEC. 6. RULE OF CONSTRUCTION.**

22 Nothing in this Act shall apply to the authorized in-
23 telligence activities of the United States.

24 **SEC. 7. DEFINITIONS.**

25 In this Act:

1 (1) APPROPRIATE CONGRESSIONAL COMMIT-
2 TEES.—The term “appropriate congressional com-
3 mittees” means—

4 (A) the Committee on Foreign Affairs and
5 the Committee on Financial Services of the
6 House of Representatives; and

7 (B) the Committee on Foreign Relations
8 and the Committee on Banking, Housing, and
9 Urban Affairs of the Senate.

10 (2) ISLAMIC STATE OF IRAQ AND SYRIA.—The
11 term “Islamic State of Iraq and Syria” includes—

12 (A) any person—

13 (i) the property of or interests in
14 property of which are blocked pursuant to
15 the International Emergency Economic
16 Powers Act (50 U.S.C. 1701 et seq.); and

17 (ii) who is identified on the list of spe-
18 cially designated nationals and blocked
19 persons maintained by the Office of For-
20 eign Asset Control of the Department of
21 the Treasury as an agent, instrumentality,
22 or affiliate of the Islamic State of Iraq and
23 Syria; and

24 (B) the entity designated by the Secretary
25 of State as a foreign terrorist organization pur-

1 suant to section 219 of the Immigration and
2 Nationality Act (8 U.S.C. 1189).

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