November 7, 2014

The President
The White House
1600 Pennsylvania Avenue NW
Washington, DC 20500

Dear Mr. President,

We write to urge you to establish a direct financial channel between the United States and Iran for the purpose of facilitating transactions authorized or exempted pursuant to the Iranian Transactions and Sanctions Regulations (“ITSR”). This would strengthen any prospective nuclear agreement with Iran and better enable the United States to advance its foreign policy interests. Such a direct channel could be established as part of any comprehensive agreement reached between the U.S., its P5+1 partners, and Iran in the weeks ahead.

Since the advent of financial sanctions on Iran, conducting authorized transactions has proven difficult. Pursuant to 31 C.F.R. § 560.516, U.S. and Iranian parties are required to route funds through third-country financial institutions, as U.S. banks are prohibited from “debiting or crediting an Iranian account.” However, foreign banks have proved unwilling to process such funds transfers. This has left U.S. and Iranian parties without a clear means to effectuate transactions related to permissible activities.

Reports that the U.S. and Iran are discussing a direct financial channel is thus welcome news to the Iranian-American community. Many Iranian Americans have family and friends in Iran and are in need of a financial channel to engage in authorized transactions and would also boost the role Iranian Americans can play bridging the divide between the two countries.

U.S. foreign policy interests would also be clearly served by establishing a direct financial channel to Iran and permitting U.S. and Iranian parties to utilize that channel to effectuate authorized transactions. First, the White House has recently broadened the scope of licensed activities with Iran, specifically in regards to the sale of personal communications technologies to Iran, the establishment of academic exchanges between U.S. and Iranian universities, and the facilitation of humanitarian transactions to Iran. U.S. interests informed each measure: to allow Iranians to circumvent Internet restrictions; to broaden person-to-person ties between the two countries; and to ensure U.S. sanctions did not hurt Iran’s civilian population. Ensuring that U.S. and Iranian parties have a means to engage in transactions with each other in support of these activities is thus critical to meeting U.S. objectives.
Second, a direct financial channel could help ensure that Iran adheres to its non-proliferation obligations under a deal by providing Iran the benefit of its bargain. Unwinding the sanctions will prove difficult, but a direct financial channel between the U.S. and Iran could provide practical value to Iran and thus could be a potent signal of the U.S.’s commitment to a nuclear deal and its interest in de-escalating the sanctions pressure. This, in turn, could lead to a more robust and enduring agreement, as Iran reciprocates American commitment with that of its own. Finally, a direct channel could lead to a broader opening with Iran, as the White House utilizes commercial ties to Iran to moderate an otherwise recalcitrant regime and to appeal to Iran’s eager population.

We have long been supportive of your efforts to engage Iran. As we enter the final stretch in the negotiations, we are confident that your efforts will pay off and a nuclear deal that meets American objectives will be reached. Provided that is the case, both parties will have an opportunity to start to repair this troubled relationship. A direct financial channel could be a first step in this process.

Sincerely,

Jamal Abdi
NIAC Policy Director

cc: Jack Lew, Secretary of the Treasury, and John Kerry, Secretary of State