

US Threatens SWIFT with Sanctions if Iran Isn't Cut Off

By [Zero Hedge](#)

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Treasury Secretary Steven Mnuchin threatened the global financial messaging service SWIFT on Friday that it could be penalized if it doesn't cut off financial services to entities and individuals doing business with Iran. The warning came just days ahead of the US re-imposition of all US sanctions on Iran that had been lifted under the 2015 nuclear deal, which will take effect at midnight tonight and cover Iran's shipping, financial and energy sectors.

Speaking to reporters, Mnuchin was [quoted by Reuters as saying](#) that

“SWIFT is no different than any other entity,” adding “We have advised SWIFT that it must disconnect any Iranian financial institutions that we designate as soon as technologically feasible to avoid sanctions exposure.”

The Trump administration has been pressuring allies to cut Iranian oil imports to “zero” next month although on Friday the US agreed to grant exemptions to 8 countries that import Iran oil; the countries include Japan, India, and South Korea according to Bloomberg. China, the leading importers of Iranian oil remains in discussions with the US on terms but is among the eight, as is Turkey which will likely receive an exemption, the country's energy minister said on Friday. The full list of countries receiving waivers will be released on Monday.

By cutting Iran off from SWIFT, Iran would lose its ability to be paid for its exports and to pay for imports. Washington has been pressuring SWIFT to cut Iran from the financial system as it did in 2012 before the nuclear deal. Six years ago the EU imposed sanctions on Iranian banks, forcing SWIFT, which is subject to EU laws, to cut financial transactions with at least 30 of Iran's financial institutions, including the central bank.

Iranian banks were reconnected to the network in 2016 after the Iran nuclear deal came into force, allowing much needed foreign cash to flow into Tehran's coffers.

While SWIFT (The Society for Worldwide Interbank Financial Telecommunication), which is a financial network that provides cross-border transfers for members across the world, is based in Belgium, its board includes executives from US banks with US federal law allowing the administration to act against banks and regulators across the globe. It supports most interbank messages, connecting over 11,000 financial institutions in more than 200 countries and territories.

Washington's pressure has pushed Brussels to look at creating a SWIFT alternative. As we

reported at the time, in August German Foreign Minister Heiko Maas called on the EU to set up an independent equivalent of the system. Later, EU Foreign Affairs Chief Federica Mogherini confirmed that the bloc's signatories remain committed to the nuclear deal with Iran and are working to create special payment channels to do business with the Islamic Republic. That proposal stalled in Brussels and major European firms left Iran.

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Whether with or without SWIFT's involvement, Iranians are bracing for the full force of US sanctions due to hit on Monday. The new sanctions, which also aim to cut off Iran's banking sector from the global market, are timed to coincide with the anniversary of the 1979 storming by Iranian revolutionaries of the US embassy in Tehran, when angry students took 52 American diplomats hostage for 444 days.

Iran has remained defiant, saying it is confident it can weather the impacts, and that the US will fail to bring down Iranian oil imports to zero.

On Friday, President Trump announced the reimposition of sanctions by tweeting on Friday a [photograph of himself](#) in the style of an advertisement for the Game of Thrones series, with the tagline: "Sanctions Are Coming, November 5" ([much to the chagrin of HBO](#)).

pic.twitter.com/nk2vKvHuaL

— Donald J. Trump (@realDonaldTrump) [November 2, 2018](#)

The office of Iran's Quds force commander, Qassem Soleimani, retaliated by posting a photo of himself in a similar style alongside the tagline: "I will stand against you."

But ordinary people, wary of the fluctuations of the currency and the rising prices of goods, are anxious. On Sunday, a state-organised rally took place in front of the former US embassy compound in central Tehran to mark the anniversary. The crowd held placards reading "Down with USA", and "Down with Israel", while others set US and Israeli flags on fire.

"Never threaten the Iranian people," Mohammad Ali Jafari, the commander of Iran's elite revolutionary guards told people gathering in front of the former embassy, officially referred to as a "den of spies". "Do not make military threats against us, and do not frighten us with military threats," he added.

Iran is also relying on European support: as noted above, the EU has set up a mechanism - known as a special purpose vehicle (SPV) - to sidestep US sanctions and persuade an increasingly reluctant Iran to stay inside the deal in the hope of rescuing its economy. It is unclear if Europe will be willing to actually activate this "SWIFT-alternative", however, in light of Mnuchin's threats.

Iran's supreme leader, Ayatollah Ali Khamenei, reacting to Trump's threats on Saturday, said America's power was in decline.

"The US's goal in imposing sanctions is to paralyze and prevent the growth of

national economy; but it resulted in a movement towards self-sufficiency in Iran," he said.

Inside Iran, however, people are on tenterhooks. Economic grievances were a trigger for a wave of nationwide protests in recent months over the scarcity of the US dollar, unpaid wages and rising prices.

"Nov 5th isn't the most pivotal moment in this saga," said Ali Vaez, Iran project director at the International Crisis Group [told the Guardian](#). "Paradoxically, if sanctions prove as effective as the White House is hoping for, they are bound to push Iran to either revive its nuclear program or become more aggressive in the region. Both will significantly increase the risks of a military confrontation."

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