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August 22, 2016

The Honorable John Kerry  
Secretary of State  
United States Department of State  
2201 C Street NW  
Washington, DC 20520

Dear Secretary Kerry,

I write to express strong concern over misleading statements made by you and other Department of State officials regarding the \$1.7 billion settlement the Obama administration reached with the Islamic Republic of Iran, which is officially classified as a state sponsor of terrorism by the Department of State, to settle a decades-old claim at the Iran-U.S. Claims Tribunal at The Hague.

On January 29, 2016, the week after American hostages were released from Iran, I wrote you a letter with a series of questions regarding the timing and source of funds used to pay the settlement. Specifically, I asked the following three questions:

1. Were payments made from the FMS account to compensate terror victims accounted for in the administration's \$1.7 billion settlement?
2. Were any taxpayer funds used to supplement the recent settlement in place of FMS funds?
3. Was this settlement agreement reached for the express purpose of gaining the release of the three American hostages?

With respect to the third question, the response I received from the Department of State on March 15, 2016 denied any connection between the release of American hostages and the \$1.7 billion payout to Iran. The letter stated, "In short, this settlement, although concurrent with discussions concerning the release of the American prisoners, was done on its own merits and unquestionably is to the great benefit of the United States."

When I posed the same question to you at a February 24, 2016 hearing, you reiterated that position, stating, "We made it clear to them it had to be done on a separate track, it had to be completely separate, we weren't going to tie it in, and we reached one agreement before we reached the other, so the answer is no." Your response is directly contradicted by the admission of Department of State spokesman John Kirby, who said on August 18, 2016, "Payment of the \$400 million was not done until the prisoners were released." While your department continues

to deny it made a ransom payment to secure the release of American hostages, the facts clearly suggest otherwise.

Your apparent dishonesty regarding the timing of the settlement has consequently cast serious doubt on the answers you provided regarding the source of funds that were used to pay off the Iranian regime. As I noted in my January 29 letter, the original \$400 million used by Iran to purchase military equipment from the United States, which was placed in a Foreign Military Sales (FMS) account prior to the severing of diplomatic ties in 1979, should have already been used to compensate American victims of Iranian-sponsored terror attacks under the *Victims of Trafficking and Violence Protection Act of 2000* (VTVPA). The Department of State denied that those funds had been exhausted, stating, "While it limited the total amount of payments from appropriated funds to the then-existing balance of the FMS account, the VTVPA neither directed nor authorized the use of the FMS funds themselves to pay the judgment holders."

You have already admitted that U.S. taxpayers will be footing the bill for the \$1.3 billion in interest on the FMS account. Given your other misleading statements, I have serious concerns that the \$400 million you provided in hard currency to a terrorist regime will also come out of U.S. taxpayers' pockets.

To that end, I request that you provide all of the quarterly statements of the original \$400 million trust fund used by Iran that was held in the FMS account. If necessary, I request that you cooperate with the Department of the Treasury and the Department of Defense to produce the quarterly statements. In addition, I would be happy to review the quarterly statements, and further discuss the details of the settlement, in a classified briefing.

Thank you for your prompt response to this matter.

Sincere regards,



Roy Blunt  
United States Senator