

FEDERAL RESERVE BANK OF DALLAS
DALLAS, TEXAS 75222

Circular No. 79-190
November 28, 1979

IRANIAN ASSETS CONTROL REGULATIONS

TO ALL BANKS
AND OTHERS CONCERNED IN THE
ELEVENTH FEDERAL RESERVE DISTRICT:

Enclosed are amendments adding Sections 535.414 and 535.504
to the Treasury Department's Iranian Assets Control Regulations.

Also included is the attachment containing the text of the regulations
announced in our Circular No. 79-187, dated November 26, 1979.

Sincerely yours,

Robert H. Boykin

First Vice President

Enclosures (2)

IN ADVANCE OF PRINTED COPY

Title 31 - MONEY AND FINANCE: Treasury
Chapter V - Foreign Assets Control
Department of the Treasury

Part 535 - Iranian Assets Control Regulations

AGENCY: Office of Foreign Assets Control.

ACTION: Final Rule.

SUMMARY: The Office of Foreign Assets Control is amending the Iranian Assets Control Regulations. The purpose of the first amendment is to add new §535.414 interpreting §535.508, which concerns payments into blocked accounts. The purpose of the second amendment is to add new §535.504 authorizing certain judicial proceedings with respect to blocked accounts, up to but not including entry of judgment. The purpose of the third amendment is to add a new interpretation stating that payments received under §535.508 may be distributed to others. The need for the first amendment is to make clear that §535.508 only permits payments into blocked accounts held by U. S. domestic banks. The need for the second amendment is to authorize judicial proceedings to deal with a large volume of cases which are anticipated, and which will meet the terms of the new section. The need for the third amendment is to make clear that §535.904 was originally intended to allow distribution of the payments authorized under that section. The effect of the amendments is that the limitations on the scope of the general authorization in §535.508 will be clear, all cases falling within the conditions in §535.504 will be licensed without individual license applications in each case and the meaning of §535.904 will be clarified.

EFFECTIVE DATE: November 23, 1979

FOR FURTHER INFORMATION CONTACT:

Dennis M. O'Connell
Chief Counsel
Office of Foreign Assets Control
Department of the Treasury
Washington, D. C. 20220

(202) 376-0236

SUPPLEMENTARY INFORMATION: Since the regulations involve a foreign affairs function, the provisions of the Administrative Procedure Act, 5 U.S.C. 553, requiring notice of proposed rulemaking, the opportunity for public participation and a delay in effective date are inapplicable. 31 CFR, Part 535 is amended by the addition of §§535.414, 535.415 and 535.504 as follows:

* * * * *

§535.414 Payments to blocked accounts under §535.508.

(a) Section 535.508 does not authorize any transfer from a blocked account within the United States to an account held by any bank outside the United States or any other payment into a blocked account outside the United States.

(b) Section 535.508 only authorizes payment into a blocked account held by a domestic bank as defined by §535.320.

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§535.415 Payment by Iranian Entities of Obligations to Persons within the United States

A person receiving payment under section 535.904 of this part may distribute all or part of that payment to anyone, provided that any such payment to Iran or an Iranian entity must be to a blocked account in a domestic bank.

§535.504 Certain judicial proceedings with respect to property of Iran or Iranian entities.

(a) Subject to the limitations of paragraphs (b) and (c) of this section, judicial proceedings are authorized with respect to property in which on or since the effective date there has existed an interest of Iran or an Iranian entity.

(b) This section does not authorize or license:

(1) The entry of any judgment or of any decree or order of similar or analogous effect upon any judgment book, minute book, journal or otherwise, or the docketing of any judgment in any docket book, or the filing of any judgment roll or the taking of any other similar or analogous action.

(2) Any payment or delivery out of a blocked account based upon a judicial proceeding, nor does it authorize the enforcement or carrying out of any judgment or decree or order of similar or analogous effect with regard to any property in which Iran or an Iranian entity has an interest.

(c) A judicial proceeding is not authorized by this section if it is based on transactions which violated the prohibitions of this part.

Dated: November 23, 1979

/s/ Stanley L. Sommerfield
Stanley L. Sommerfield
Director
Office of Foreign Assets Control

Approved: /s/ Richard J. Davis
Richard J. Davis
Assistant Secretary

DEPARTMENT OF THE TREASURY
Title 31 — Money and Finance: Treasury
CHAPTER V — FOREIGN ASSETS CONTROL

PART 535 — IRANIAN ASSETS CONTROL REGULATIONS

AGENCY: Office of Foreign Assets Control.

ACTION: Final Rule.

SUMMARY: The Office of Foreign Assets Control is issuing the Iranian Assets Control Regulations. The purpose of the Regulations is to block assets of the Government of Iran or its instrumentalities or controlled entities. The need for the Regulations is to implement the provisions of Executive Order No. 12170, and to meet the threat to the national security, foreign policy and economy of the United States with respect to which the President declared a national emergency in the Executive Order. The effect of the Regulations is that transactions in property subject to the jurisdiction of the United States or which is in the possession or control of persons subject to the jurisdiction of the United States in which Iran or its instrumentalities or controlled entities has or has had any interest on or after the effective date of these Regulations are prohibited in the absence of a license from the Treasury Department. The Regulations do not block assets of nationals of Iran unless such nationals are substantially owned or controlled by the state or Government of Iran.

EFFECTIVE DATE: 8:10 a.m. E.S.T., November 14, 1979.

FOR FURTHER INFORMATION CONTACT:

Dennis M. O'Connell
Acting Chief Counsel
Office of Foreign Assets Control
Department of the Treasury
Washington, D.C. 20220

SUPPLEMENTARY INFORMATION: Since the regulations involve a foreign affairs function, the provisions of the Administrative Procedure Act, 5 U.S.C. 553, requiring notice of proposed rulemaking, the opportunity for public participation and a delay in effective date are inapplicable.

The Iranian Assets Control Regulations are issued as follows:

Accordingly, 31 CFR Chapter V is amended by adding a new Part 535 to read as follows:

**PART 535 — IRANIAN ASSETS CONTROL
REGULATIONS**

**Subpart A — Relation of This Part
to Other Laws and
Regulations**

Sec. 535.101 Relation of this part to other laws and regulations.

Subpart B — Prohibitions

Sec. 535.201 Transactions involving Iran; effective date.

Sec. 535.202 Transactions with respect to securities registered or inscribed in the name of Iran.

Sec. 535.203 Effect of transfers violating the provisions of this part.

Subpart C — General Definitions

Sec. 535.301 Iran; Iranian Entity.

Sec. 535.311 Property; property interests.

Sec. 535.329 Person subject to the jurisdiction of the United States.

Subpart D — Reserved

Subpart E — Licenses

Sec. 535.531 Payment of certain checks and drafts.

Sec. 535.532 Completion of certain securities transactions.

Subpart F — Reserved

Subpart G — Penalties

Sec. 535.701 Penalties

Subpart H — Reserved

Subpart I — Miscellaneous Provisions

Sec. 535.901 Dollar Accounts at banks abroad.

AUTHORITY: Secs. 201-207, 91 Stat. 1626; 50 U.S.C. 1701-1706; E.O. No. 12170, 44 F.R. 65729:

SUBPART A — RELATION OF THIS PART TO OTHER LAWS AND REGULATIONS.

§ 535.101 Relation of this part to other laws and regulations.

(a) This part is independent of Parts 500, 505, 515, 520 and 530 of this chapter. Those parts do not relate to Iran. No license or authorization contained in or issued pursuant to such parts shall be deemed to authorize any transaction prohibited by this part, nor shall any license or authorization issued pursuant to any other provision of law (except this part) be deemed to authorize any transaction so prohibited.

(b) No license or authorization contained in or issued pursuant to this part shall be deemed to authorize any transaction to the extent that it is prohibited by reason of the provisions of any law or any statute other than the International Emergency Economic Powers Act, as amended, or any proclamation, order or regulation other than those contained in or issued pursuant to this part.

SUBPART B — PROHIBITIONS.

§ 535.201 Transactions involving Iran; effective date.

(a) No property subject to the jurisdiction of the United States or which is in the possession of or control of persons subject to the jurisdiction of the United States in which on or after the effective date Iran has any interest of any nature whatsoever may be transferred, paid, exported, withdrawn or otherwise dealt in except as authorized;

(b) Any transaction for the purpose or which has the effect of evading or avoiding any of the prohibitions set forth in paragraph (a) of this section is hereby prohibited;

(c) The term effective date means with respect to Iran, 8:10 a.m., Eastern Standard time, November 14, 1979.

§ 535.202 Transactions with respect to securities registered or inscribed in the name of Iran.

Unless authorized by a license expressly referring to this section, the acquisition, transfer (including the transfer on the books of any issuer or agent thereof),

disposition, transportation, importation, exportation, or withdrawal of, or the endorsement or guaranty of signatures on or otherwise dealing in any security (or evidence thereof) registered or inscribed in the name of any Iranian entity is prohibited irrespective of the fact that at any time (either prior to, on, or subsequent to the effective date) the registered or inscribed owner thereof may have, or appears to have, assigned, transferred or otherwise disposed of any such security.

§ 535.203 Effect of transfers violating the provisions of this part.

(a) Any transfer after the effective date which is in violation of any provision of this part or of any regulation, ruling, instruction, license, or other direction or authorization thereunder and involves any property in which Iran has or has had an interest since such effective date is null and void and shall not be the basis for the assertion or recognition of any interest in or right, remedy, power or privilege with respect to such property.

(b) No transfer before the effective date shall be the basis for the assertion or recognition of any right, remedy, power, or privilege with respect to, or interest in, any property in which Iran has or has had an interest since the effective date unless the person with whom such property is held or maintained had written notice of the transfer or by any written evidence had recognized such transfer prior to such effective date.

(c) Unless otherwise provided, an appropriate license or other authorization issued by or pursuant to the direction or authorization of the Secretary of the Treasury before, during or after a transfer shall validate such transfer or render it enforceable to the same extent as it would be valid or enforceable but for the provisions of the International Emergency Economic Powers Act and this part and any ruling, order, regulation, direction or instruction issued hereunder.

(d) Transfers of property which otherwise would be null and void, or unenforceable by virtue of the provisions of this section shall not be deemed to be null and void, or unenforceable pursuant to such provisions, as to any person with whom such property was held or maintained (and as to such person only) in cases in which such person is able to establish each of the following:

- (1) Such transfer did not represent a willful violation of the provisions of this part by the person with whom such property was held or maintained;
- (2) The person with whom such property was held or maintained did not have reasonable cause to know or suspect, in view of all the facts and circumstances known or available to such person, that such transfer required a license or authorization by or pursuant to the provisions of this part and was not so licensed or authorized or if a license or authorization did purport to cover the transfer, that such license or authorization had been obtained by misrepresentation or the withholding of material facts or was otherwise fraudulently obtained; and
- (3) Promptly upon discovery that:

(i) Such transfer was in violation of the provisions of this part or any regulation, ruling, instruction, license or other direction or authorization thereunder, or

(ii) Such transfer was not licensed or authorized by the Secretary of the Treasury, or

(iii) If a license did purport to cover the transfer, such license had been obtained by misrepresentation or the withholding of material facts or was otherwise fraudulently obtained;

the person with whom such property was held or maintained filed with the Treasury Department, Washington, D.C., a report in triplicate setting forth in full the circumstances relating to such transfer. The filing of a report in accordance with the provisions of this paragraph shall not be deemed to be compliance or evidence of compliance with subparagraphs (d)(1) and (2) of this section.

(e) Unless licensed or authorized pursuant to this part any attachment, judgment, decree, lien, execution, garnishment, or other judicial process is null and void with respect to any property in which on or since the effective date there existed an interest of Iran.

SUBPART C — GENERAL DEFINITIONS.

§ 535.301 Iran; Iranian Entity.

- (a) The term "Iran" and "Iranian Entity" includes:
- (1) The state and the Government of Iran as well as any political subdivision, agency, or instru-

mentality thereof or any territory, dependency, colony, protectorate, mandate, dominion, possession or place subject to the jurisdiction thereof;

- (2) Any partnership, association, corporation, or other organization substantially owned or controlled by any of the foregoing;
- (3) Any person to the extent that such person is, or has been, or to the extent that there is reasonable cause to believe that such person is, or has been, since the effective date acting or purporting to act directly or indirectly on behalf of any of the foregoing;
- (4) Any territory which on or since the date of this order is controlled or occupied by the military, naval or police forces or other authority of Iran; and,
- (5) Any other person or organization determined by the Secretary of the Treasury to be included within the provisions hereof.

(b) A person specified in paragraph (a)(2) of this section shall not be deemed to fall within the definition of Iran solely by reason of being located in, organized under the laws of, or having its principal place of business in, Iran.

§535.311 Property; property interests.

Except as defined in § 535.203(f) for the purposes of that section, the terms "property" and "property interest" or "property interests" shall include, but not by way of limitation, money, checks, drafts, bullion, bank deposits, savings accounts, debts, indebtedness, obligations, notes, debentures, stocks, bonds, coupons, any other financial securities, bankers' acceptances, mortgages, pledges, liens or other rights in the nature of security, warehouse receipts, bills of lading, trust receipts, bills of sale, any other evidences of title, ownership or indebtedness, powers of attorney, goods, wares, merchandise, chattels, stocks on hand, ships, goods on ships, real estate mortgages, deeds of trust, vendors' sales agreements, land contracts, real estate and any interest therein, leaseholds, ground rents, options, negotiable instruments, trade acceptances, royalties, book accounts, accounts payable, judgments, patents, trademarks or copyrights, insurance policies, safe deposit boxes and their contents, annuities, pool-

ing agreements, contracts of any nature whatsoever, and any other property, real, personal, or mixed, tangible or intangible, or interest or interests therein, present, future or contingent.

§ 535.329 **Person subject to the jurisdiction of the United States.**

The term "person subject to the jurisdiction of the United States" includes:

- (a) Any person wheresoever located who is a citizen or resident of the United States;
- (b) Any person actually within the United States;
- (c) Any corporation organized under the laws of the United States or of any state, territory, possession, or district of the United States; and
- (d) Any partnership, association, corporation, or other organization wheresoever organized or doing business which is owned or controlled by persons specified in paragraphs (a), (b), or (c) of this section.

SUBPART D — [RESERVED]

SUBPART E — LICENSES

§ 535.531 **Payment of certain checks and drafts.**

(a) Any banking institution within the United States is hereby authorized to make payments from blocked accounts with such banking institution:

- (1) Of checks and drafts drawn or issued prior to the effective date, *Provided*, that:
 - (i) The amount involved in any one payment, acceptance, or debit does not exceed \$500; or
 - (ii) The check or draft was within the United States in process of collection by a domestic bank on or prior to the effective date and does not exceed \$50,000; and
- (2) Of documentary drafts drawn under irrevocable letters of credit issued or confirmed by a domestic bank prior to the effective date.

(b) This section does not authorize any payment to Iran or an Iranian entity except payments into a blocked account in a domestic bank unless Iran or the Iranian entity is otherwise licensed to receive such payment.

(c) The authorization contained in this section shall expire at the close of business on December 14, 1979.

§ 535.532 **Completion of certain securities transactions.**

(a) Banking institutions within the United States are hereby authorized to complete, on or before November 21, 1979, purchases and sales made prior to the effective date of securities purchased or sold for the account of Iran or an Iranian entity provided the following terms and conditions are complied with, respectively:

- (1) The proceeds of such sale are credited to a blocked account in a banking institution in the name of the person for whose account the sale was made; and
- (2) The securities so purchased are held in a blocked account in a banking institution in the name of the person for whose account the purchase was made.

(b) This section does not authorize the crediting of the proceeds of the sale of securities held in a blocked account or a sub-account thereof, to a blocked account or sub-account under any name or designation which differs from the name or designation of the specific blocked account or sub-account in which such securities were held.

SUBPART F — [RESERVED]

SUBPART G — PENALTIES

§ 535.701 **Penalties.**

(a) Attention is directed to section 206 of the International Emergency Economic Powers Act which provides in part:

- (a) A civil penalty of not to exceed \$10,000 may be imposed on any person who violates any license, order, or regulation issued under this title.
- (b) Whoever willfully violates any license, order, or regulation issued under this title shall, upon conviction be fined not more than \$50,000, or, if a natural person, may be imprisoned for not more than ten years, or both; and any officer, director, or agent of any corporation who knowingly participates in such violation may be punished by a like fine, imprisonment or both.

This section of the International Emergency Economic Powers Act is applicable to violations of any provision of this part and to violations of the provisions of any license, ruling, regulation, order, direction or instruction issued by or pursuant to the direction or authorization of the Secretary of the Treasury pursuant to this part or otherwise under the International Emergency Economic Powers Act.

(b) Attention is also directed to 18 U.S.C. 1001 which provides:

Whoever, in any matter within the jurisdiction of any department or agency of the United States knowingly and willfully falsifies, conceals or covers up by any trick, scheme, or device a material fact, or makes any false, fictitious or fraudulent statements or representations or makes or uses any false writing or document knowing the same to contain any false, fictitious or fraudulent statement or entry, shall be fined not more than \$10,000 or imprisoned not more than five years, or both.

SUBPART H — [RESERVED]

SUBPART I — MISCELLANEOUS PROVISIONS

§ 535.901 Dollar Accounts at banks abroad.

Any domestic bank is hereby authorized to effect withdrawals or other transfers from any account held in the name of a non-Iranian bank located in a foreign country, provided such non-Iranian foreign bank is not a person subject to the jurisdiction of the United States.

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G. William Miller
Secretary of the Treasury

November 14, 1979