

FEDERAL RESERVE BANK OF DALLAS

DALLAS, TEXAS 75222

Circular No. 82-41

April 7, 1982

IRANIAN ASSETS CONTROL REGULATIONS

Final Rule

TO ALL MEMBER BANKS IN THE
ELEVENTH FEDERAL RESERVE DISTRICT:

The Office of Foreign Assets Control is amending the Iranian Assets Control Regulations. The purpose of the amendment is outlined in the material submitted for publication in the Federal Register printed on the following pages. The effective date of the amendment is March 19, 1982.

Questions regarding the amendment should be directed to Raymond W. Konan, Chief Counsel, Office of Foreign Assets Control, Department of the Treasury, Washington, D.C. 20220, Telephone (202) 376-0236.

Additional copies of this circular will be furnished upon request to the Department of Communications, Financial and Community Affairs, Ext. 6289.

Sincerely yours,



William H. Wallace
First Vice President

Banks and others are encouraged to use the following incoming WATS numbers in contacting this Bank: 1-800-442-7140 (intrastate) and 1-800-527-9200 (interstate). For calls placed locally, please use 651 plus the extension referred to above.

IN ADVANCE OF PRINTED COPY

AMENDMENT

DEPARTMENT OF THE TREASURY

OFFICE OF FOREIGN ASSETS CONTROL

31 CFR PART 535

Iranian Assets Control Regulations: Time to Establish
Blocked Accounts in Lieu of Payments under Standby
Letters of Credit

AGENCY: Office of Foreign Assets Control

ACTION: Final Rule

SUMMARY: The Office of Foreign Assets Control is amending §535.568 of the Iranian Assets Control Regulations. The purposes of this amendment are: (1) to establish procedures for the establishment of a blocked account by the account party to a standby letter of credit in cases where a demand for payment is outstanding and payment was barred by a court injunction which is removed; (2) to provide that the account party may apply for a specific license providing an extension of time to establish a blocked account where a demand for payment has been made and the account party has filed a petition in an appropriate court for a judicial order barring payment of a standby letter of credit.

EFFECTIVE DATE: March 19, 1982.

FOR FURTHER INFORMATION CONTACT: Raymond W. Konan, Chief Counsel, Office of Foreign Assets Control, Department of the Treasury, Washington, D.C. 20220, Tel. (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, opportunity for public participation and delay in effective date, are inapplicable. Similarly, because the Regulations are issued with respect to a foreign affairs function of the United States, they are not subject to Executive Order 12291 of February 17, 1981, dealing with Federal regulations.

Section 535.568 is amended by the addition of a new paragraph (c), the appropriate relettering of subsequent paragraphs, the addition of appropriate references to new paragraph (c), and the revision of former paragraph (h). §535.568 Certain Standby Letters of Credit and Performance Bonds. /amended/

(a) Notwithstanding any other provision of law, payment into a blocked account in a domestic bank by an issuing or confirming bank under a standby letter of credit in favor of an Iranian entity is prohibited by §535.201 and not authorized, notwithstanding the provisions of §535.508, if either (1) a specific license has been issued pursuant to the provisions of paragraph (b) hereof or (2) eight business days have not expired after notice to the account party pursuant to paragraph (b) hereof.

(b) Whenever an issuing or confirming bank shall receive such demand for payment under a standby letter of credit, it shall promptly notify the person for whose account the credit was opened. Such person may then apply within five business days for a specific license authorizing the account party to establish a blocked account on its books in the name of the Iranian entity in the amount payable under the credit, in lieu of payment by the issuing or confirming bank into a blocked account and reimbursement therefor by the account party.

(c) Where there is outstanding a demand for payment under a standby letter of credit, and the issuing or confirming bank has been enjoined from making payment, upon removal of the injunction, the person for whose account the credit was opened may apply for a specific license for the same purpose and in the same manner as that set forth in paragraph (b) of this section. The issuing or confirming bank shall not make payment under the standby letter of credit unless (1) eight business days have expired since the bank has received notice of the removal of the injunction and (2) a specific license issued to the account party pursuant to the provisions of this paragraph has not been presented to the bank.

(d) If necessary to assure the availability of the funds blocked, the Secretary may at any time require the payment of the amounts due under any letter of credit described in paragraph (a) into a blocked account in a domestic bank or the supplying of any form of security deemed necessary.

(e) Nothing in this section precludes any person for whose account a standby letter of credit was opened or any other person from at any time contesting the legality of the demand from the Iranian entity or from raising any other legal defense to payment under the standby letter of credit.

(f) This section does not affect the obligation of the various parties of the instruments covered by this section if the instruments and payment thereunder are subsequently unblocked.

(g) For the purposes of this section, the term "standby letter of credit" shall mean a letter of credit securing performance of, or repayment of, any advance payments of deposits, under a contract with Iran or an Iranian entity, or any similar obligation in the nature of a performance bond.

(h) The regulations do not authorize any person subject to the jurisdiction of the United States to reimburse a non-U.S. bank for payment to Iran or an Iranian entity under a standby letter of credit, except by payment into a blocked account in accordance with §535.508 or paragraph (b) or (c) of this section.

(i) A person receiving a specific license under paragraph (b) or (c) of this section shall certify to the Office of Foreign Assets Control within five business days after receipt of that license that it has established the blocked account on its books as provided for in those paragraphs. However, in appropriate cases, this time may be extended upon application to the Office of Foreign Assets Control when the account party has filed a petition with an appropriate court seeking a judicial order barring payment by the issuing or confirming bank.

(j) The extension or renewal of a standby letter of credit is authorized.

(signed) Dennis M. O'Connell
Dennis M. O'Connell
Director
Office of Foreign Assets Control

Approved: (signed) John M. Walker, Jr.
John M. Walker, Jr.
Assistant Secretary
(Enforcement and Operations)

Publication date: March 23, 1982

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