

**FEDERAL RESERVE BANK
OF NEW YORK**
Fiscal Agent of the United States

[Circular No. 8685
November 19, 1979]

AMENDMENTS TO IRANIAN ASSETS CONTROL REGULATIONS

*To All Banks, and Others Concerned,
in the Second Federal Reserve District:*

Enclosed is the text of several amendments, effective November 14, 1979, to the Iranian Assets Control Regulations issued by the Office of Foreign Assets Control, U.S. Treasury Department. The regulations were sent to you with our Circular No. 8682.

The purpose of these amendments is to add several general licenses to the Treasury's regulations. The additional licenses authorize, under certain conditions:

- (1) the transfer of funds by any person to a blocked account in a domestic bank (Sec. 535.508);
- (2) transactions incident to exportations to Iran where the exportation is licensed by the Department of Commerce after the effective date of the regulation (Sec. 535.533);
- (3) shipments of certain types of blocked property, including food, clothing, medical supplies, educational material, certain goods in transit, and personal baggage, provided there is no debit to a blocked account (Sec. 535.903); and
- (4) the transfer of non-blocked funds to U. S. banks or other U. S. persons solely for purposes of payment of obligations owed by Iranian entities to persons within the United States (Sec. 535.904).

The amendments also include a definition of "domestic bank" for the purposes of the regulation (Sec. 535.320).

Also included in the enclosed amendments is a general license, referred to in our Circular No. 8682, authorizing overseas branches

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and subsidiaries of persons subject to the jurisdiction of the United States to set-off their claims against blocked accounts held by them for Iran or Iranian entities (Sec. 535.902).

Inquiries regarding these amendments should be directed to Ernest T. Patrikis, Deputy General Counsel (Tel. 212-791-5022), Don N. Ringsmuth, Assistant General Counsel (Tel. No. 212-791-5007), or John Hopkins Heires, Adviser, Foreign Department (Tel. No. 212-791-6816).

THOMAS M. TIMLEN.
First Vice President.

DEPARTMENT OF THE TREASURY
Title 31 — Money and Finance: Treasury
CHAPTER V — FOREIGN ASSETS CONTROL
PART 535 — IRANIAN ASSETS CONTROL REGULATIONS
Amendments effective November 14, 1979

AGENCY: Office of Foreign Assets Control.

ACTION: Final Rule.

SUMMARY: The Office of Foreign Assets Control is amending the Iranian Assets Control Regulations by the addition of new sections 535.320, 535.508, 535.533, 535.903 and 535.904. The purpose of the amendments is to add general licenses to the Regulations authorizing (1) the transfer of funds by any person to a blocked account in a domestic bank, (2) transactions incident to exportations to Iran where the exportation is licensed after the effective date by the Department of Commerce, (3) shipments of certain types of blocked property, such as food, clothing, medical supplies, educational materials, certain goods in transit, and personal baggage, provided there is no debit to a blocked account, and (4) the transfer of non-blocked funds to U. S. banks or other U. S. persons solely for purposes of payment of obligations owed by Iranian entities to persons within the United States. The need for the amendments is that transactions in blocked assets are prohibited without a license. The effect of the amendments is that exports licensed by the Department of Commerce after the effective date, exports of certain types of blocked property, payment or transfer of blocked assets into blocked accounts in domestic banks, and transfers of payments by, through or to U. S. banks and other persons for purposes of payment of obligations owed by Iranian nationals, are authorized. The regulations also include a definition for the term domestic bank.

EFFECTIVE DATE: November 14, 1979.

FOR FURTHER INFORMATION CONTACT:

Dennis M. O'Connell
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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.

The Iranian Assets Control Regulations are amended by the addition of §§ 535.320, 535.508, 535.533, 535.903, and 535.904.

§ 535.320 Domestic bank.

The term "domestic bank" shall mean any branch or office within the United States of any of the following which is not a national of a designated foreign country: any bank or trust company incorporated under the banking laws of the United States or of any state, territory, or district of the United States, or any private bank or banker subject to supervision and examination under the banking laws of the United States or of any state, territory or district of the United States. The Secretary of the Treasury may also authorize any other banking institution to be treated as a "domestic bank" for the purpose of this definition or for the purpose of any or all sections of this part.

§ 535.508 Payments to blocked accounts in domestic banks.

(a) Any payment or transfer of credit, including any payment or transfer by any U.S.-owned or controlled foreign firm or branch to a blocked account in a domestic bank in the name of Iran or any Iranian entity is hereby authorized, provided such payment or transfer shall not be made from any blocked account if such payment or transfer represents, directly or indirectly, a transfer of the interest of Iran or an Iranian entity to any other country or person.

(b) This section does not authorize:

(1) Any payment or transfer to any blocked account held in a name other than that of Iran or the Iranian entity who is the ultimate beneficiary of such payment or transfer; or

(2) Any foreign exchange transaction including, but not by way of limitation, any transfer of credit, or payment of an obligation, expressed in terms of the currency of any foreign country.

(c) This section does not authorize any payment or transfer of credit comprising an integral part of a transaction which cannot be effected without the subsequent issuance of a further license.

(d) 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, or the income derived from such securities 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.

(e) This section does not authorize any payment or transfer from a blocked account in a domestic bank to a blocked account held under any name or designation which differs from the name or designation of the specified blocked account or sub-account from which the payment or transfer is made.

(f) The authorization in paragraph (a) is subject to the condition that a notification from the domestic bank receiving an authorized payment or transfer is furnished by the transferor to the Office of Foreign Assets Control confirming that the payment or transfer has been deposited in a blocked account under the regulations in this part and providing the name and address of Iran or the Iranian entity in whose name the account is held.

§ 535.533 Transactions involving exportations to Iran.

(a) All exports and all transactions ordinarily incident to the exportation of goods, wares and merchandise from the United States to Iran or any person within Iran are hereby, authorized, provided the following terms and conditions are complied with:

(1) The exportation is authorized pursuant to a validated license issued by the Department of Commerce after the effective date under the provisions of the Export Administration Act of 1979, as amended (sec. 4, 93 Stat. 503, 50 U.S.C. App. 2401); and

(2) Banking institutions within the United States, prior to issuing, confirming or advising letters of credit, or accepting or paying drafts drawn, or reimbursing themselves for payments made, under letters

of credit, or making any other payment or transfers of credit, in connection with any exportation pursuant to this section, or engaging in any other transaction here-in authorized, shall satisfy themselves that:

(i) Each such transaction is incident to a bona fide exportation and is customary in the normal course of business, and that the value of such exportation reasonably corresponds with the sums of money involved in financing such transaction; and

(ii) such exportation is made pursuant to all the terms and conditions of this section.

(b) This section does not authorize the financing of any transaction from any blocked account.

§ 535.903 Authorization of exports of certain types of blocked property to Iran.

All transactions ordinarily incident to the export to Iran of the following types of blocked property:

a. Medicines, medical supplies, medical equipment;

b. Agricultural commodities, products, and equipment; seeds, fertilizer, pesticides; fish;

c. Clothing (other than military), blankets, mosquito netting, textile products;

d. Educational materials;

e. Foreign-origin commodities transiting the U. S.;

f. Crew baggage, aircraft, ship stores, plane stores;

are hereby authorized, *provided* that no payment therefor may be made by debit to any blocked account. The transfer of funds after the effective date by, through or to any U. S. banking institution or other U. S. person for purposes of payments of U. S. persons for such exportation is authorized. Funds are not blocked by virtue of being transferred or received pursuant to this section.

§ 535.904 Payment by Iranian entities of obligations to persons within the United States.

The transfer of funds after the effective date by, through or to any U. S. banking institution or other person within the United States solely for purposes of payment of obligations by Iranian entities owed to persons within the United States is authorized, *provided* that there is no debit to a blocked account. Property is not blocked by virtue of being transferred or received pursuant to this section.

AGENCY: Office of Foreign Assets Control.

ACTION: Final Rule.

SUMMARY: The Office of Foreign Assets Control is amending the Iranian Assets Control Regulations by the addition of new section 535.902. The purpose of the amendment is to license U.S.-owned or controlled foreign firms such as overseas branches or subsidiaries of domestic banks, to set-off their claims against blocked accounts held by them for Iran or Iranian entities. The need for the amendment is that section 535.201 of the Regulations prohibits any debit to a blocked account, including set-offs. The effect of the amendment is that U.S.-owned or controlled firms abroad are licensed to set-off their claims against Iran or Iranian entities by debiting blocked accounts held by them for Iran or Iranian entities.

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.

EFFECTIVE DATE: November 14, 1979

FOR FURTHER INFORMATION CONTACT:

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Washington, D. C. 20220
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The Iranian Assets Control Regulations are amended by the addition of § 535.902 as follows:

§ 535.902 **Set-offs by U.S.-owned or controlled firms abroad.**

Branches and subsidiaries in foreign countries of persons subject to the jurisdiction of the United States are licensed to set-off their claims against Iran or Iranian entities by debit to blocked accounts held by them for Iran or Iranian entities.

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Stanley Sommerfield
Director

Approved:
Richard J. Davis
Assistant Secretary