

**FEDERAL RESERVE BANK
OF NEW YORK**

Fiscal Agent of the United States

[Circular No. 9990
January 17, 1986]

ADDITIONAL LIBYAN SANCTIONS REGULATIONS

Blocking Libyan Government Property

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

Our Circular No. 9986, dated January 10, 1986, contained the text of Libyan Sanctions Regulations issued by the Treasury Department's Office of Foreign Assets Control, implementing Executive Order 12543, dated January 7, 1986, of the President of the United States. Those regulations generally prohibit transactions by U.S. persons in goods or services of Libyan origin or destination.

Printed on the following pages are additional Libyan Sanctions Regulations, also issued by the Office of Foreign Assets Control, as submitted for publication in the *Federal Register*. These regulations amend the regulations referred to above and implement Executive Order 12544, dated January 8, 1986, of the President of the United States to block all property and interests in property of the Government of Libya, its agencies, instrumentalities and controlled entities, including the Central Bank of Libya, that are in the United States, that hereafter come within the United States, or that are or hereafter come within the possession or control of U.S. persons, including their overseas branches.

Inquiries regarding these regulations should be directed to Telephone No. 212-791-5041. Additional copies of this circular will be furnished upon request.

E. GERALD CORRIGAN,
President.

FEDERAL BUREAU OF INVESTIGATION
U. S. DEPARTMENT OF JUSTICE
WASHINGTON, D. C.

MEMORANDUM FOR THE DIRECTOR
FROM: SAC, NEW YORK

RE: [Illegible]

[Illegible text follows, appearing to be a memorandum body with several paragraphs of text, but the content is completely unreadable due to extreme fading.]

DEPARTMENT OF THE TREASURY

Office of Foreign Assets Control

31 C.F.R. Part 550

Libyan Sanctions Regulations

AGENCY: Office of Foreign Assets Control, Department of the Treasury.

ACTION: Final Rule.

SUMMARY: On January 8, 1986, the President issued Executive Order 12544, invoking the authority, *inter alia*, of the International Emergency Economic Powers Act (50 U.S.C. 1701 *et seq.*), in order to take steps with respect to Libya additional to those set forth in Executive Order 12543 of January 7, 1986 (51 FR 875, January 9, 1986), which declared a national emergency with respect to Libya. In implementation of Executive Order 12544 (51 FR 1235, January 10, 1986), the Treasury Department is amending the Libyan Sanctions Regulations (51 FR 1354, January 10, 1986) to block all property and interests in property of the Government of Libya, its agencies, instrumentalities and controlled entities, including the Central Bank of Libya, that are in the United States, that hereafter come within the United States, or that are or hereafter come within the possession or control of U.S. persons, including their overseas branches.

EFFECTIVE DATE: 4:10 p.m. Eastern Standard Time, January 8, 1986, except the prohibitions set forth in Sections 550.201, 550.202, 550.203, 550.204, and 550.205 are effective as of 12:01 a.m. Eastern Standard Time, February 1, 1986, and the prohibitions set forth in Sections 550.206 and 550.207 are effective as of 8:06 p.m. Eastern Standard Time, January 7, 1986.

FOR FURTHER INFORMATION: Contact Dennis M.O'Connell, Director, Office of Foreign Assets Control, Department of the Treasury, Washington, D.C. 20220, Tel.(202) 376-0395.

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. Because no notice of proposed rulemaking is required for this rule, the Regulatory Flexibility Act, 5 U.S.C. 601 *et seq.*, does not apply. Because the Regulations are issued with re-

spect 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. The information collection requests contained in this document are being submitted to the Office of Management and Budget (OMB) under the Paperwork Reduction Act of 1980, 44 U.S.C. 3501 *et seq.* Notice of OMB action on these requests will be published in the Federal Register.

List of Subjects in 31 C.F.R. Part 550: Libya, Blocking of Assets, Imports, Exports, Loans, Penalties, Reporting and Recordkeeping Requirements.

PART 550 — LIBYAN SANCTIONS
REGULATIONS

31 C.F.R. Chapter V, Part 550, is amended as set forth below:

1. The "Authority" citation for Part 550 is revised to read as follows:

Authority: 50 U.S.C. 1701 *et seq.*; E.O. 12543, 51 F.R. 875, January 9, 1986; E.O. 12544, 51 F.R. 1235, January 10, 1986.

2. The table of contents of Part 550 is amended by revising the entry for Section 550.209 and by adding an entry for Section 550.210 to Subpart B; by adding Sections 550.313 through 550.320 to Subpart C; by adding Sections 550.412 through 550.421 to Subpart D; and by adding Sections 550.511 through 550.516 and 550.568 to Subpart E as follows:

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Subpart B — Prohibitions

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- Section 550.209 Prohibited transactions involving property in which the Government of Libya has an interest; transactions with respect to securities.
- Section 550.210 Effect of transfers violating the provisions of this part.

Subpart C — General Definitions

* * *

- Section 550.313 Transfer.

- Section 550.314 Property; property interests.
- Section 550.315 Interest.
- Section 550.316 Blocked account; blocked property.
- Section 550.317 Domestic bank.
- Section 550.318 Entity.
- Section 550.319 Entity of the Government of Libya; Libyan entity.
- Section 550.320 Banking institution.

Subpart D — Interpretations

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- Section 550.412 Termination and acquisition of an interest of the Government of Libya.
- Section 550.413 Payments to Libya prohibited.
- Section 550.414 Exports of Libyan-titled goods.
- Section 550.415 Advance payments
- Section 550.416 Imports of Libyan goods and purchases of goods from Libya.
- Section 550.417 Letters of credit.
- Section 550.418 Payments from blocked accounts for U.S. exporters and other obligations prohibited.
- Section 550.419 Acquisition of instruments, including bankers' acceptances.
- Section 550.420 Indirect payments to the Government of Libya.
- Section 550.421 Setoffs prohibited.

Subpart E — Licenses, Authorizations, and Statements of Licensing Policy

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- Section 550.511 Payments to blocked accounts in domestic banks.
- Section 550.512 Payment of certain checks and drafts and documentary letters of credit.
- Section 550.513 Completion of certain securities transactions.
- Section 550.514 Transfers between accounts located in the United States for credit to Government of Libya.

- Section 550.515 Payment by the Government of Libya of obligations to persons within the United States.
- Section 550.516 Unblocking of foreign currency deposits held by U.S. persons overseas.
- Section 550.568 Certain standby letters of credit and performance bonds.

Subpart B — Prohibitions

3. Section 550.209 is revised to read as follows:

§ 550.209 Prohibited transactions involving property in which the Government of Libya has an interest; transactions with respect to securities.

(a) Except as authorized by regulations, rulings, instructions, licenses, or otherwise, no property or interests in property of the Government of Libya that are in the United States, that hereafter come within the United States or that are or hereafter come within the possession or control of U.S. persons, including their overseas branches, may be transferred, paid, exported, withdrawn or otherwise dealt in.

(b) 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 the Government of Libya is prohibited irrespective of the fact that at any time (either prior to, on, or subsequent to 4:10 p.m. E.S.T., January 8, 1986) the registered or inscribed owner thereof may have, or appears to have, assigned, transferred or otherwise disposed of any such security.

4. New Section 550.210 is added to read as follows:

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

(a) Any transfer after 4:10 p.m. E.S.T., January 8, 1986, 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 the Government of Libya has or has had an interest since such 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 4:10 p.m. E.S.T., January 8, 1986, 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 the Government of Libya has or has had an interest since such 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 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 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 paragraphs (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 4:10 p.m. E.S.T., January 8, 1986, there existed an interest of the Government of Libya.

SUBPART C — GENERAL DEFINITIONS

5. Section 550.301 is revised to read as follows:

§ 550.301 **Effective date.**

The "effective date" means:

(a) 12:01 a.m. Eastern Standard Time (E.S.T.), February 1, 1986, with respect to the transactions prohibited by Sections 550.201, 550.202, 550.203, 550.204, and 550.205;

(b) 8:06 p.m. Eastern Standard Time (E.S.T.), January 7, 1986, with respect to transactions prohibited by Sections 550.206 and 550.207; and

(c) 4:10 p.m. Eastern Standard Time (E.S.T.), January 8, 1986, with respect to transactions prohibited by Section 550.209.

6. Section 550.304 is revised to read as follows:

§ 550.304 **Government of Libya.**

(a) The "Government of Libya" includes:

(1) The state and the Government of Libya, as well as any political subdivision, agency, or instrumentality thereof, including the Central Bank of Libya;

(2) Any partnership, association, corporation, or other organization substantially owned or controlled by 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.

7. New Section 550.313 is added to read as follows:

§ 550.313 **Transfer.**

The term "transfer" shall mean any actual or purported act or transaction, whether or not evidenced by writing, and whether or not done or performed within the United States, the purpose, intent or effect of which is to create, surrender, release, transfer, or alter, directly or indirectly, any right, remedy, power, privilege, or interest with respect to any property and, without limitation upon the foregoing, shall include the making, execution, or delivery of any assignment, power, conveyance, check, declaration, deed, deed of trust, power of attorney, power of appointment, bill of sale, mortgage, receipt, agreement, contract, certificate, gift, sale, affidavit, or statement; the appointment of any agent, trustee, or fiduciary; the creation or transfer of any lien; the issuance, docketing, filing, or the levy of or under any judgment, decree, attachment, injunction, execution, or other judicial or administrative process or order, or the service of any garnishment; the acquisition of any interest of any nature whatsoever by reason of a judgment or decree of any foreign country; the fulfillment of any condition, or the exercise of any power of appointment, power of attorney, or other power.

8. New Section 550.314 is added to read as follows:

§ 550.314 Property; property interests.

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, letters of credit and any documents relating to any rights or obligations thereunder, 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, pooling 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.

9. New Section 550.315 is added to read as follows:

§ 550.315 Interest.

Except as otherwise provided in this part, the term "interest" when used with respect to property shall mean an in-

terest of any nature whatsoever, direct or indirect.

10. New Section 550.316 is added to read as follows:

§ 550.316 Blocked account; blocked property.

The terms "blocked account" and "blocked property" shall mean any account or property in which the Government of Libya has an interest, with respect to which payments, transfers or withdrawals or other dealings may not be made or effected except pursuant to an authorization or license authorizing such action.

11. New Section 550.317 is added to read as follows:

§ 550.317 Domestic bank.

(a) The term "domestic bank" shall mean any branch or office within the United States of any of the following which is not a Libyan entity: 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.

(b) The term "domestic bank" includes any branch or office within the United States of a foreign bank that is not a Libyan entity.

12. New Section 550.318 is added to read as follows:

§ 550.318 Entity.

The term "entity" includes a corporation, partnership, association, or other organization.

13. New Section 550.319 is added to read as follows:

§ 550.319 Entity of the Government of Libya; Libyan entity.

The terms "entity of the Government of Libya" and "Libyan entity" include:

(a) Any corporation, partnership, association, or other entity in which the Government of Libya owns a majority or controlling interest, any entity substantially managed or funded by that government, and any entity which is otherwise controlled by that government;

(b) Any agency or instrumentality of the Government of Libya, including the Central Bank of Libya.

14. New Section 550.320 is added to read as follows:

§ 550.320 **Banking institution.**

The term "banking institution" shall include any person engaged primarily or incidentally in the business of banking, of granting or transferring credits, or of purchasing or selling foreign exchange or procuring purchasers and sellers thereof, as principal or agent, or any person holding credits for others as a direct or incidental part of its business, or any broker; and each principal, agent, home office, branch or correspondent of any person so engaged shall be regarded as a separate "banking institution."

SUBPART D — INTERPRETATIONS.

§ 550.404 [Amended].

15. Section 550.404 is amended by removing paragraph (c).

16. New Section 550.412 is added to read as follows:

§ 550.412 **Termination and acquisition of an interest of the Government of Libya.**

(a) Whenever a transaction licensed or authorized by or pursuant to this part results in the transfer of property (including any property interest) away from the Government of Libya, such property shall no longer be deemed to be property in which the Government of Libya has or has had an interest unless there exists in the property another such interest the transfer of which has not been effected pursuant to license or other authorization.

(b) Unless otherwise specifically provided in a license or authorization issued pursuant to this part, if property (including any property interest) is transferred to the Government of Libya, such property shall be deemed to be property in which there exists an interest of the Government of Libya.

17. New Section 550.413 is added to read as follows:

§ 550.413 **Payments to Libya prohibited.**

The prohibition of transfers of property or interests in property to the Government of Libya in Section 550.209 applies to payments and transfers of any kind whatsoever, including payment of debt obligations, fees, taxes, and royalties owed to the Government of Libya, and also including payment or transfer of dividend checks, interest payments, and other periodic payments. Such payments may be made into blocked accounts as provided in section 550.511.

18. New Section 550.414 is added to read as follows:

§ 550.414 **Exports of Libyan-titled goods.**

(a) The prohibitions contained in section 550.209 shall

apply to any goods in the possession or control of a U.S. person if the Government of Libya had title to such property as of 4:10 p.m. E.S.T., on January 8, 1986, or acquired title after such time.

(b) Section 550.209 does not prohibit the export to Libya of the goods described in paragraph (a) of this section if such export is either not prohibited by section 550.202 or permitted by an authorization or license issued pursuant to this part.

(c) If the goods described in paragraph (a) of this section are not exported as described in paragraph (b) of this section, the property shall remain blocked and no change in title or other transaction regarding such property is permitted, except pursuant to an authorization or license issued pursuant to this part.

19. New Section 550.415 is added to read as follows:

§ 550.415 **Advance payments.**

The prohibitions contained in section 550.209 do not apply to goods manufactured, consigned, or destined for export to Libya, if the Government of Libya did not have title to such goods on or at any time after 4:10 p.m. E.S.T., January 8, 1986. However, if such goods are not exported to Libya prior to 12:01 p.m. E.S.T. February 1, 1986, then any advance payment received in connection with such property is subject to the prohibitions contained in section 550.209.

20. New Section 550.416 is added to read as follows:

§ 550.416 **Imports of Libyan goods and purchases of goods from Libya.**

The prohibitions contained in section 550.209 shall not apply to the goods described in sections 550.201 and 550.204 if the importation or purchase of such goods is either not prohibited by sections 550.201 and 550.204 or permitted by an authorization or license issued pursuant to this part. However, any payments in connection with such imports or purchases are subject to the prohibitions contained in section 550.209.

21. New Section 550.417 is added to read as follows:

§ 550.417 **Letters of credit.**

(a) Q. Prior to 4:10 p.m. E.S.T., January 8, 1986, a bank that is a U.S. person has issued or confirmed a documentary letter of credit for the Government of Libya as account party in favor of a U.S. person. The bank does not hold funds for the Government of Libya out of which it could reimburse itself for payment under the letter of credit. The

U.S. person presents documentary drafts for exports to Libya made after 4:10 p.m. E.S.T., January 8, 1986. May the bank pay the U.S. exporter against the drafts?

A. No. Such a payment is prohibited by sections 550.206 and 550.209, as an extension of credit to the Government of Libya and a transfer of property in which there is an interest of the Government of Libya.

(b) Q. On the same facts as in paragraph (a), the bank holds deposits for the Government of Libya. May it pay on the letter of credit and debit the blocked funds for reimbursement?

A. No. A debit to a blocked account is prohibited by section 550.209 except as licensed.

(c) Q. On the same facts as in paragraph (a), the Government of Libya, after 4:10 p.m. E.S.T., January 8, 1986, transfers funds to the bank to collateralize the letter of credit for purposes of honoring the obligation to the U.S. exporter. Is the transfer authorized and may the bank pay against the drafts?

A. Yes. In accordance with section 550.515, the transfer by the Government of Libya to the bank is licensed. The funds are not blocked and the bank is authorized to pay under the letter of credit and reimburse itself from the funds.

(d) Q. Prior to 4:10 p.m. E.S.T., January 8, 1986, a foreign bank confirms a documentary letter of credit issued by its U.S. agency or branch for a non-Libyan account party in favor of a Libyan entity. Can the U.S. agency or branch of the foreign bank transfer funds to that foreign bank in connection with that foreign bank's payment under the letter of credit?

A. No, the payment of the U.S. agency or branch is blocked, unless the foreign bank made payment to the Libyan entity prior to 4:10 p.m. E.S.T., January 8, 1986.

22. New Section 550.418 is added to read as follows:

§ 550.418 Payments from blocked accounts for U.S. exporters and other obligations prohibited.

No debits may be made to a blocked account to pay obligations to U.S. persons or other persons, including payment for goods, technology or services exported prior to 12:01 a.m. E.S.T., February 1, 1986, except as authorized pursuant to this part.

23. New Section 550.419 is added to read as follows:

§ 550.419 Acquisition of instruments, including bankers' acceptances.

Section 550.209 prohibits the acquisition by any U.S. person of any obligation, including bankers' acceptances, in which the documents evidencing the obligation indicate, or the U.S. person has actual knowledge, that the transaction being financed covers property in which, on or after 4:10 p.m. E.S.T., January 8, 1986, the Government of Libya has an interest of any nature whatsoever.

24. New Section 550.420 is added to read as follows:

§ 550.420 Indirect payments to the Government of Libya.

The prohibition in Section 550.209 on payments or transfers to the Government of Libya applies to indirect payments (including reimbursement of a non-U.S. person for payment, as, for example, on a guarantee) made after 4:10 p.m. E.S.T., January 8, 1986.

25. New Section 550.421 is added to read as follows:

§ 550.421 Setoffs prohibited.

A setoff against a blocked account, whether by a bank or other U.S. person, is a prohibited transfer under section 550.209 if effected after 4:10 p.m. E.S.T., January 8, 1986.

SUBPART E — LICENSES, AUTHORIZATIONS, AND STATEMENTS OF LICENSING POLICY.

26. New Section 550.511 is added to read as follows:

§ 550.511 Payments to blocked accounts in domestic banks.

(a) Any payment or transfer of credit, including any payment or transfer by any U.S. person outside the United States, to a blocked account in a domestic bank in the name of the Government of Libya is hereby authorized, provided that such payment or transfer shall not be made from any blocked account if such payment or transfer represents, directly or indirectly, a transfer of any interest of the Government of Libya to any other country or person.

(b) This section does not authorize any transfer from a blocked account within the United States to an account held by any bank outside the United States. This section only authorizes payment into a blocked account held by a domestic bank as defined in section 550.317.

(c) This section does not authorize:

- (1) Any payment or transfer to any blocked account held in a name other than that of the Government of Libya where such government is the ultimate beneficiary of such payment or transfer; or

- (2) Any foreign exchange transaction in the United States 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.

(d) 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.

(e) 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.

(f) 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.

(g) The authorization in paragraph (a) of this section is subject to the condition that written 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 account number, the name and address of the Libyan entity in whose name the account is held, and the name and address of the domestic bank.

(h) This section authorizes transfer of a blocked demand deposit account to a blocked interest-bearing account in the name of the same person at the instruction of the depositor at any time. If such transfer is to a blocked account in a different domestic bank, such bank must furnish notification as described in paragraph (g) of this section.

27. New Section 550.512 is added to read as follows:

§ 550.512 Payment of certain checks and drafts and documentary letters of credit.

(a) A bank which is a U.S. person is hereby authorized to make payments from blocked accounts within such bank of checks and drafts drawn or issued prior to 4:10 p.m. E.S.T., January 8, 1986, provided that:

- (1) The amount involved in any one payment, acceptance, or debit does not exceed \$5000; or

- (2) The check or draft was in process of collection by a bank which is a U.S. person on or prior to such date and does not exceed \$50,000; or

- (3) The check or draft is in payment for goods furnished or services rendered by a non-Libyan entity prior to 4:10 p.m. E.S.T., January 8, 1986.

- (4) The authorization contained in paragraph (a) shall expire at 12:01 a.m., February 17, 1986.

(b) Payments are authorized from blocked accounts of documentary drafts drawn under irrevocable letters of credit issued or confirmed in favor of a non-Libyan entity by a bank which is a U.S. person prior to 4:10 p.m. E.S.T., January 8, 1986, provided that (1) the goods that are the subject of the payment under the letter of credit have been exported prior to 4:10 p.m. E.S.T., January 8, 1986; and (2) payment under the letter of credit is made by 12:01 a.m. E.S.T., February 17, 1986.

(c) Paragraphs (a) and (b) do not authorize any payment to a Libyan entity except payments into a blocked account in a domestic bank in accordance with Section 550.511.

28. New Section 550.513 is added to read as follows:

§ 550.513 Completion of certain securities transactions.

(a) Banking institutions within the United States are hereby authorized to complete, on or before January 21, 1986, purchases and sales made prior to 4:10 p.m., E.S.T., January 8, 1986, of securities purchased or sold for the account of the Government of Libya 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 within the United States 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 within the United States 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.

29. New Section 550.514 is added to read as follows:

§ 550.514 Transfers between accounts located in the United States for credit to Government of Libya.

Transfers are authorized by order of a foreign bank which is not a Libyan entity from its account in a domestic bank (directly or through a foreign branch or subsidiary of a domestic bank) to an account held by a domestic bank (directly or through a foreign branch or subsidiary) for a second foreign bank which is not a Libyan entity and which in turn credits an account held by it abroad for the Government of Libya. For purposes of this section, "foreign bank" includes a foreign subsidiary, but not a foreign branch, of a domestic bank.

30. New Section 550.515 is added to read as follows:

§ 550.515 Payment by the Government of Libya of obligations to persons within the United States.

(a) The transfer of funds after 4:10 p.m. E.S.T., January 8, 1986, by, through, or to any banking institution or other person within the United States solely for purposes of payment of obligations owed by the Government of Libya 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.

(b) A person receiving payment under this section may distribute all or part of that payment to anyone, provided that any such payment to the Government of Libya must be to a blocked account in a domestic bank.

31. New Section 550.516 is added to read as follows:

§ 550.516 Unblocking of foreign currency deposits held by U.S. persons overseas.

Deposits in currencies other than U.S. dollars held abroad by U.S. persons are unblocked, provided, however, that conversions of blocked dollar deposits into foreign currencies are not authorized.

32. New Section 550.568 is added to read as follows:

§ 550.568 Certain standby letters of credit and performance bonds.

(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 a Libyan entity is prohibited by Section 550.209 and not authorized, notwithstanding the provisions of Section 550.511, if either (1) a specific license has been issued pursuant to the provisions of paragraph (b) of this section or (2) ten business days have not expired after notice to the account party pursu-

ant to paragraph (b) of this section.

(b) Whenever an issuing or confirming bank shall receive such demand for payment under such a standby letter of credit, it shall promptly notify the account party. The account party 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 Libyan 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. Nothing in this section relieves any such bank or such account party from giving any notice of defense against payment or reimbursement that is required by applicable law.

(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 account party 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) ten 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) of this section into a blocked account in a domestic bank or the supplying of any form of security deemed necessary.

(e) Nothing in this section precludes the account party on any standby letter of credit or any other person from at any time contesting the legality of the demand from the Libyan 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 payments thereunder are subsequently unblocked.

(g) For the purposes of this section, (1) the term "standby letter of credit" shall mean a letter of credit securing performance of, or repayment of any advance payments or deposits under contract with the Government of Libya, or any similar obligation in the nature of a performance bond; and (2) the term "account party" shall mean the person for whose account the standby letter of credit is opened.

(h) The regulations do not authorize any U.S. person to

reimburse a non-U.S. bank for payment to the Government of Libya under a standby letter of credit, except by payments into a blocked account in accordance with section 550.511 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 period 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.

SUBPART F — REPORTS.

§ 550.602 [Amended]

33. Section 550.602 is amended to insert after the word “transactions” in the third sentence of that section the following phrase: “may be required either before or after such transactions”.

Dated: January 14, 1986

Dennis M. O’Connell, Director
Office of Foreign Assets Control

Approved: January 14, 1986

Francis A. Keating II, Assistant Secretary
(Enforcement & Operations)

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