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NSC/S PROFILE

RECORD ID: 9100855  
RECEIVED: 04 FEB 91 07

TO: PRESIDENT

FROM: SCOWCROFT  
WH EXECUTIVE CLERK

DOC DATE: 06 FEB 91  
SOURCE REF:

KEYWORDS: IRAQ  
ECONOMICS  
KUWAIT

SANCTIONS  
CONGRESSIONAL  
CM

PERSONS:

SUBJECT: SEMIANNUAL RPT TO CONGRESS RE IRAQ

ACTION: PRES SGD PER WH EXEC CLERK

DUE DATE: 07 FEB 91

STATUS: C

STAFF OFFICER: HAASS

LOGREF:

FILES: WH

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FOR ACTION

FOR CONCURRENCE

FOR INFO

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PX

THE WHITE HOUSE  
WASHINGTON

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THE PRESIDENT HAS SEEN  
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C0072

February 6, 1991

ACTION

MEMORANDUM FOR THE PRESIDENT

THROUGH: THE EXECUTIVE CLERK *def for*  
FROM: BRENT SCOWCROFT *Rg for*  
SUBJECT: Semiannual Report to Congress on Iraq

Purpose

To obtain your approval of the semiannual report to Congress on the Iraqi emergency and the economic sanctions imposed on Iraq and occupied Kuwait which remain in force because of the current state of U.S./Iraqi relations.

Background

The International Emergency Economic Powers Act requires that you submit a report to Congress every six months on the Iraqi emergency, which was declared last August, and on the economic sanctions imposed against Iraq and occupied Kuwait in response to the Iraqi invasion of Kuwait on August 2, 1990.

Treasury Secretary Brady, supported by State and Justice, has forwarded the current report (Tabs A & B), which is due to the Congress this month, for your signature. This initial report summarizes Administration actions and developments concerning the Iraqi emergency and the imposition of economic sanctions for the past six months. It also contains information on Administration expenses attributable to the Iraqi emergency.

RECOMMENDATION

That you sign the report to Congress at Tab A.

Attachments

Tab A Report to Congress  
Tab B Letter from Treasury Secretary

cc Vice President  
Chief of Staff

To the President of the Senate: 2/11/91 (4:16p)  
To the Speaker of the House: 2/11/91 (4:20p).

*Noted:  
The White*



0855



THE SECRETARY OF THE TREASURY  
WASHINGTON

February 1, 1991

The President  
The White House  
Washington, D.C. 20500

Dear Mr. President:

On August 2, 1990, you declared an emergency with respect to Iraq pursuant to the International Emergency Economic Powers Act, and imposed sanctions against Iraq and occupied Kuwait. Under the International Emergency Economic Powers Act, the President is required to submit a report to the Congress concerning the Iraqi emergency every six months. A proposed initial report, which summarizes Administration actions and developments concerning the Iraqi emergency during the past six months, is enclosed. Only matters related to the economic sanctions against Iraq and occupied Kuwait are discussed.

The enclosed report also contains information on Administration expenses attributable to the Iraqi emergency, as required under the National Emergencies Act.

I recommend that you sign and transmit the proposed report to the Congress.

Sincerely,

Nicholas F. Brady

Enclosure

0855

THE SECRETARY OF THE TREASURY  
WASHINGTON



The President  
The White House  
Washington, D. C. 20503  
Dear Mr. President:

On August 1, 1954, you declared an emergency with respect to the Federal Reserve Bank of New York and the Federal Reserve Bank of Chicago. Under the Federal Reserve Act, the President is required to submit a report to the Congress concerning the facts and circumstances which led to the declaration of an emergency. The report should be submitted within 30 days of the date of the declaration. The report should contain a statement of the facts and circumstances which led to the declaration of an emergency, and a statement of the action taken by the President to deal with the emergency. The report should also contain a statement of the reasons why the President believes that the declaration of an emergency was necessary.

I am enclosing herewith a copy of the report which I have prepared for the President. I am also enclosing a copy of the report which I have prepared for the Secretary of the Treasury.

Very truly yours,  
John F. Harbo

61 FEB 1 4 7: 55

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THE WHITE HOUSE

WASHINGTON

February 11, 1991

Dear Mr. President:

1. On August 2, 1990, in Executive Order No. 12722, I declared a national emergency to deal with the threat to the national security and foreign policy of the United States caused by Iraq's invasion of Kuwait. (55 FR 31803.) In that order, I ordered the immediate blocking of all property and interests in property of the Government of Iraq (including the Central Bank of Iraq) then or thereafter located in the United States or within the possession or control of a U.S. person. I also prohibited the importation of goods or services of Iraqi origin into the United States and the exportation of goods, technology, and services to Iraq from the United States. In addition, I prohibited travel-related transactions and transportation transactions from or to Iraq and the performance of any contract in support of any industrial, commercial, or governmental project in Iraq. U.S. persons were also prohibited from granting or extending credit or loans to the Government of Iraq.

At the same time, at the request of the Government of Kuwait, I issued Executive Order No. 12723 (55 FR 31805), blocking all property of the Government of Kuwait then or thereafter in the United States or in the possession or control of a U.S. person.

Subsequently, on August 9, 1990, I issued Executive Orders Nos. 12724 and 12725 (55 FR 33089), to ensure that the sanctions imposed by the United States were consistent with United Nations Security Council Resolution 661 of August 6, 1990. Under these orders, additional steps were taken with regard to Iraq, and sanctions were applied to Kuwait as well to insure that no benefit to Iraq resulted from the military occupation of Kuwait.

2. The declaration of the national emergency on August 2, 1990, was made pursuant to the authority vested in me as President by the Constitution and laws of the United States, including the International Emergency Economic Powers Act (50 U.S.C. 1701 et seq.), the National Emergencies Act (50 U.S.C. 1601 et seq.), and section 301 of title 3 of the United States Code. I reported the declaration to the Congress on August 3, 1990, pursuant to section 204(b) of the International Emergency Economic Powers Act (50 U.S.C. 1703(b)). The additional



sanctions of August 9, 1990, were imposed pursuant to the authority vested in me by the Constitution and laws of the United States, including the statutes cited above and the United Nations Participation Act (22 U.S.C. 287c). The present report is submitted pursuant to 50 U.S.C. 1641(c) and 1703(c). This report discusses only Administration actions and expenses directly related to the national emergency with respect to Iraq declared in Executive Order No. 12722, as implemented pursuant to that order and Executive Orders Nos. 12723, 12724, and 12725.

3. The Office of Foreign Assets Control of the Department of the Treasury ("FAC"), after consultation with other Federal agencies, issued the Kuwaiti Assets Control Regulations, 31 C.F.R. Part 570 (55 FR 49857, November 30, 1990), and the Iraqi Sanctions Regulations, 31 C.F.R. Part 575 (56 FR 2112, January 18, 1991), to implement the prohibitions contained in Executive Orders Nos. 12722-12725.

Prior to the issuance of the final regulations, FAC issued a number of general licenses to address emergency situations affecting U.S. persons and the legitimate Government of Kuwait. Those general licenses have been incorporated, as appropriate, into the Kuwaiti Assets Control Regulations and the Iraqi Sanctions Regulations as general licenses, which permit transactions that would otherwise be prohibited by the Executive orders and regulations. U.S. persons, including U.S. financial institutions, are authorized to complete certain securities, foreign exchange, and similar transactions on behalf of the Government of Kuwait that were entered into prior to August 2, 1990. Similarly, certain import and export transactions commenced prior to August 2, 1990, were allowed to be completed, provided that any payments owed to Iraq or Kuwait were paid into a blocked account in a U.S. financial institution. The regulations also allow for the investment and reinvestment of blocked Kuwaiti and Iraqi assets. Consistent with United Nations Security Council Resolutions 661 and 666, the regulations also outline licensing procedures permitting the donation to Iraq or Kuwait of food in humanitarian circumstances, and of medical supplies, where it is demonstrated to FAC that the proposed export transaction meets the requirements for exemption under United Nations Security Council Resolution 661.

With this report I am enclosing a copy of the Department of the Treasury's Kuwaiti Assets Control Regulations and Iraqi Sanctions Regulations.



4. Worldwide outrage over the invasion of Kuwait by Saddam Hussein has resulted in the imposition of sanctions by nearly every country of the world. To an extent unprecedented in the history of peacetime economic sanctions, the community of nations has worked together to make the sanctions effective in isolating Saddam Hussein and in cutting him off from the support he needs in order to continue his illegal occupation of Kuwait. This cooperation has occurred through the United Nations Sanctions Committee, established by United Nations Security Council Resolution 661, diplomatic channels, and day-to-day working contact among the national authorities responsible for implementing and administering the sanctions.

5. As of January 24, 1991, FAC had issued 158 specific licenses to Kuwaiti governmental entities operating assets or direct investments in the United States, enabling continued operation and the preservation of Kuwaiti government assets in the United States, as well as addressing certain expenditures by or on behalf of the Government of Kuwait in exile. In addition, 68 specific licenses were issued regulating transactions involving the Government of Iraq or its assets. Authorizations were granted enabling the Iraqi Embassy to conduct diplomatic representation in the United States. Specific licenses were also issued to non-Iraqi entities determining or authorizing the disposition of pre-embargo imports and exports on the high seas, authorizing the payment under confirmed letters of credit for pre-embargo exports, and permitting the conduct of procedural transactions such as the filing of lawsuits and payment for legal representation. In all cases involving Iraqi property, steps were taken to ensure that no financial benefit accrued to Iraq as a result of a licensing decision. In order to ensure compliance with the terms and conditions of licenses, reporting requirements have been imposed that are closely monitored. Licensed accounts are regularly audited by FAC compliance personnel and by deputized auditors from other regulatory agencies. Compliance analyses are prepared monthly for major licensed Kuwaiti governmental entities.

6. Upon issuance of Executive Orders Nos. 12722 and 12723 on August 2, 1990, FAC initiated an intensive effort to identify and enforce the blocked status of all property within the United States in which the Government of Iraq has an interest. On Sunday, August 5, 1990, in a nationwide law enforcement effort coordinated by FAC, notices of blocking were served on agents of Iraqi Airways, Inc., at four locations -- two in New York, one in Southfield, Michigan, and one in Los Angeles, California -- and all operations of Iraqi Airways in the United States were shut down.



On August 27, 1990, a notice of blocking was served on a company in Newbury, Ohio, which had in its possession a scintillation detector belonging to the Iraqi Atomic Energy Commission. The detector had been sold to the Iraqi government by the firm in February 1990 and returned to the United States for repair in July 1990.

On September 17, 1990, in a law enforcement effort coordinated by FAC with assistance from the Federal Bureau of Investigation and the Customs Service, a notice of blocking was served and actions were taken pursuant thereto at the office of a machine tool distributing company in Solon, Ohio. This corporation is a wholly owned subsidiary of an English company and was blocked based on information that the English company was ultimately owned and controlled by an Iraqi government-controlled trading company in Baghdad, Iraq. Enforcement of the blocked status of the Ohio company's property, including its bank assets, forced the shutdown of the firm.

FAC is continuing to coordinate enforcement actions and investigate reports of violations of the sanctions against Iraq and occupied Kuwait. These efforts will continue to ensure that no activities in violation of the sanctions are allowed to confer any benefit on Iraq.

The enforcement efforts of the United States Government complement the efforts worldwide to enforce sanctions against Iraq. The United States has utilized a wide variety of diplomatic, administrative, and enforcement tools to deter circumvention of the global trade and financial embargoes established under United Nations Security Council resolutions. The enforcement efforts of the United States have been augmented through ongoing contacts with the United Nations, the Organization of Economic Cooperation and Development, the European Community and member states' central banks through the Bank for International Settlements, as well as with representatives of individual governments.

7. The expenses incurred by the Federal Government in the 6-month period from August 2, 1990, through February 1, 1991, that are directly attributable to the exercise of the authorities conferred by the declaration of a national emergency with respect to Iraq (including sanctions against Iraq and occupied Kuwait) are estimated at \$1,226,338.80, most of which represents wage and salary costs for Federal personnel. Personnel costs were largely centered in the Department of the Treasury (particularly in FAC, the U.S. Customs Service, Office of the Assistant Secretary for Enforcement, the Office of the Assistant Secretary for International Affairs, and the Office of the General Counsel), the Department of State, the Federal Reserve Board, the National Security Council, the Department of Agriculture, and the Department of Transportation.



8. The invasion of Kuwait and the continuing illegal occupation of that country by Saddam Hussein continue to pose an unusual and extraordinary threat to the national security and foreign policy of the United States. The United States remains committed to a multilateral resolution of this crisis through its actions implementing the binding decisions of the United Nations Security Council with respect to Iraq and Kuwait. I shall continue to exercise the powers at my disposal to apply economic sanctions against Iraq and occupied Kuwait as long as these measures are appropriate, and will continue to report periodically to the Congress on significant developments, pursuant to 50 U.S.C. 1703(c).

Sincerely,

A handwritten signature in dark ink, appearing to read "D. Quayle", written in a cursive style.

The Honorable Dan Quayle  
President of the Senate  
Washington, D.C. 20510

THE WHITE HOUSE

WASHINGTON

February 11, 1991

Dear Mr. Speaker:

1. On August 2, 1990, in Executive Order No. 12722, I declared a national emergency to deal with the threat to the national security and foreign policy of the United States caused by Iraq's invasion of Kuwait. (55 FR 31803.) In that order, I ordered the immediate blocking of all property and interests in property of the Government of Iraq (including the Central Bank of Iraq) then or thereafter located in the United States or within the possession or control of a U.S. person. I also prohibited the importation of goods or services of Iraqi origin into the United States and the exportation of goods, technology, and services to Iraq from the United States. In addition, I prohibited travel-related transactions and transportation transactions from or to Iraq and the performance of any contract in support of any industrial, commercial, or governmental project in Iraq. U.S. persons were also prohibited from granting or extending credit or loans to the Government of Iraq.

At the same time, at the request of the Government of Kuwait, I issued Executive Order No. 12723 (55 FR 31805), blocking all property of the Government of Kuwait then or thereafter in the United States or in the possession or control of a U.S. person.

Subsequently, on August 9, 1990, I issued Executive Orders Nos. 12724 and 12725 (55 FR 33089), to ensure that the sanctions imposed by the United States were consistent with United Nations Security Council Resolution 661 of August 6, 1990. Under these orders, additional steps were taken with regard to Iraq, and sanctions were applied to Kuwait as well to insure that no benefit to Iraq resulted from the military occupation of Kuwait.

2. The declaration of the national emergency on August 2, 1990, was made pursuant to the authority vested in me as President by the Constitution and laws of the United States, including the International Emergency Economic Powers Act (50 U.S.C. 1701 et seq.), the National Emergencies Act (50 U.S.C. 1601 et seq.), and section 301 of title 3 of the United States Code. I reported the declaration to the Congress on August 3, 1990, pursuant to section 204(b) of the International Emergency Economic Powers Act (50 U.S.C. 1703(b)). The additional



sanctions of August 9, 1990, were imposed pursuant to the authority vested in me by the Constitution and laws of the United States, including the statutes cited above and the United Nations Participation Act (22 U.S.C. 287c). The present report is submitted pursuant to 50 U.S.C. 1641(c) and 1703(c). This report discusses only Administration actions and expenses directly related to the national emergency with respect to Iraq declared in Executive Order No. 12722, as implemented pursuant to that order and Executive Orders Nos. 12723, 12724, and 12725.

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With this report I am enclosing a copy of the Department of the Treasury's Kuwaiti Assets Control Regulations and Iraqi Sanctions Regulations.



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5. As of January 24, 1991, FAC had issued 158 specific licenses to Kuwaiti governmental entities operating assets or direct investments in the United States, enabling continued operation and the preservation of Kuwaiti government assets in the United States, as well as addressing certain expenditures by or on behalf of the Government of Kuwait in exile. In addition, 68 specific licenses were issued regulating transactions involving the Government of Iraq or its assets. Authorizations were granted enabling the Iraqi Embassy to conduct diplomatic representation in the United States. Specific licenses were also issued to non-Iraqi entities determining or authorizing the disposition of pre-embargo imports and exports on the high seas, authorizing the payment under confirmed letters of credit for pre-embargo exports, and permitting the conduct of procedural transactions such as the filing of lawsuits and payment for legal representation. In all cases involving Iraqi property, steps were taken to ensure that no financial benefit accrued to Iraq as a result of a licensing decision. In order to ensure compliance with the terms and conditions of licenses, reporting requirements have been imposed that are closely monitored. Licensed accounts are regularly audited by FAC compliance personnel and by deputized auditors from other regulatory agencies. Compliance analyses are prepared monthly for major licensed Kuwaiti governmental entities.

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FAC is continuing to coordinate enforcement actions and investigate reports of violations of the sanctions against Iraq and occupied Kuwait. These efforts will continue to ensure that no activities in violation of the sanctions are allowed to confer any benefit on Iraq.

The enforcement efforts of the United States Government complement the efforts worldwide to enforce sanctions against Iraq. The United States has utilized a wide variety of diplomatic, administrative, and enforcement tools to deter circumvention of the global trade and financial embargoes established under United Nations Security Council resolutions. The enforcement efforts of the United States have been augmented through ongoing contacts with the United Nations, the Organization of Economic Cooperation and Development, the European Community and member states' central banks through the Bank for International Settlements, as well as with representatives of individual governments.

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8. The invasion of Kuwait and the continuing illegal occupation of that country by Saddam Hussein continue to pose an unusual and extraordinary threat to the national security and foreign policy of the United States. The United States remains committed to a multilateral resolution of this crisis through its actions implementing the binding decisions of the United Nations Security Council with respect to Iraq and Kuwait. I shall continue to exercise the powers at my disposal to apply economic sanctions against Iraq and occupied Kuwait as long as these measures are appropriate, and will continue to report periodically to the Congress on significant developments, pursuant to 50 U.S.C. 1703(c).

Sincerely,

A handwritten signature in dark ink, appearing to read 'T. S. Foley', with a stylized, cursive script.

The Honorable Thomas S. Foley  
Speaker of the  
House of Representatives  
Washington, D.C. 20515



Friday  
November 30, 1990

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## Part VII

# Department of the Treasury

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Office of Foreign Assets Control

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31 CFR Part 570

Kuwaiti Assets Control Regulations; Final  
Rule

Friday  
January 18, 1991

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**Part V**

**Department of the  
Treasury**

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**Office of Foreign Assets Control**

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**31. CFR. Part. 575  
Iraqi Sanctions Regulations.**

THE WHITE HOUSE  
WASHINGTON  
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☒ Hardcopy pages are in poor condition (too light or too dark).

☐ Remainder of case not scanned/ *Report*

☐ Oversize attachment not scanned.

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☐ Duplicate letters attached - not scanned.

☐ Only table of contents scanned.

☐ No incoming letter attached.

☐ Only tracking sheet scanned.

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☐ Bill not scanned.

Comments:

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THE WHITE HOUSE  
Office of the Press Secretary

For Immediate Release

February 11, 1991

TEXT OF A LETTER FROM  
THE PRESIDENT TO THE SPEAKER OF  
THE HOUSE OF REPRESENTATIVES AND  
THE PRESIDENT OF THE SENATE

February 11, 1991

Dear Mr. Speaker: (Dear Mr. President:)

1. On August 2, 1990, in Executive Order No. 12722, I declared a national emergency to deal with the threat to the national security and foreign policy of the United States caused by Iraq's invasion of Kuwait. (55 FR 31803.) In that order, I ordered the immediate blocking of all property and interests in property of the Government of Iraq (including the Central Bank of Iraq) then or thereafter located in the United States or within the possession or control of a U.S. person. I also prohibited the importation of goods or services of Iraqi origin into the United States and the exportation of goods, technology, and services to Iraq from the United States. In addition, I prohibited travel-related transactions and transportation transactions from or to Iraq and the performance of any contract in support of any industrial, commercial, or governmental project in Iraq. U.S. persons were also prohibited from granting or extending credit or loans to the Government of Iraq.

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(OVER)

7. The expenses incurred by the Federal Government in the 6-month period from August 2, 1990, through February 1, 1991, that are directly attributable to the exercise of the authorities conferred by the declaration of a national emergency with respect to Iraq (including sanctions against Iraq and occupied Kuwait) are estimated at \$1,226,338.80, most of which represents wage and salary costs for Federal personnel. Personnel costs were largely centered in the Department of the Treasury (particularly in FAC, the U.S. Customs Service, Office of the Assistant Secretary for Enforcement, the Office of the Assistant Secretary for International Affairs, and the Office of the General Counsel), the Department of State, the Federal Reserve Board, the National Security Council, the Department of Agriculture, and the Department of Transportation.

8. The invasion of Kuwait and the continuing illegal occupation of that country by Saddam Hussein continue to pose an unusual and extraordinary threat to the national security and foreign policy of the United States. The United States remains committed to a multilateral resolution of this crisis through its actions implementing the binding decisions of the United Nations Security Council with respect to Iraq and Kuwait. I shall continue to exercise the powers at my disposal to apply economic sanctions against Iraq and occupied Kuwait as long as these measures are appropriate, and will continue to report periodically to the Congress on significant developments, pursuant to 50 U.S.C. 1703(c).

Sincerely,

GEORGE BUSH

# # #



# Office of the Executive Clerk Receipt

TO: The Honorable Dan Quayle  
President of the Senate  
S221

FEBRUARY 11, 1991  
(Date)

**Received From The White House:** Letter from the President, dtd 2/11/91, whereby he  
transmits <sup>the</sup> semiannual report to the Congress on the emergency with regard to Iraq

Delivered by William McCathran  
OEC

Received by

Mary G. Noel

Time Received

4:16

# Office of the Executive Clerk Receipt

TO: The Honorable Thomas S. Foley  
Speaker of the House of Representatives  
H209

FEBRUARY 11, 1991  
(Date)

**Received From The White House:** Letter from the President, dtd 2/11/91, whereby he  
transmits the semiannual report to the Congress on the emergency with regard to Iraq.

Delivered by William McCathran  
OEC

Received by

Gary Topper

Time Received

2/11/91 4:20p.

OFFICE OF THE EXECUTIVE CLERK  
TRACKING SHEET FOR PRESIDENTIAL DOCUMENTS

TITLE: 6-MO. PERIODIC REPORT RE NATIONAL EMERGENCY  
WITH IRAQ (KUWAIT)

TYPE DOCUMENT:

PROCLAMATION

LETTER(S)

EXECUTIVE ORDER

MESSAGE TO THE CONGRESS/SENATE

MEMORANDUM

STATEMENT BY THE PRESIDENT

DECISION MEMORANDUM

SIGNING STATEMENT

DETERMINATION (numbered)

TREATY/CONVENTION/AGREEMENT, etc.

OTHER: \_\_\_\_\_

RECEIVED: (Advance: 1 / 1 / 91 Time: \_\_\_\_\_ a.m./p.m.)  
In final: 2/6 / 91 Time: 6:50 a.m./p.m.  
2/8/91 1:15 PM

SENT TO CORRESPONDENCE FOR TYPING IN FINAL:

(Advance: 1 / 1 / 91 Time: \_\_\_\_\_ a.m./p.m.)  
In final: 2/6 / 91 Time: 6:55 a.m./p.m.  
2/8/91 1:20 PM

TO PHILLIP D. BRADY'S OFFICE:

(For staffing: 1 / 1 / 91 Time: \_\_\_\_\_ a.m./p.m.)  
In final: 2/7 / 91 Time: 11:55 a.m./p.m.  
2/8/91 2:10P (AFTER COUNSEL CHECKED)

INFO, INCLUDING STENCIL, TO PRESS OFFICE:

Date: 2/11 / 91 Time: 2:45 a.m./p.m.  
POSTED: 2/11 / 91 Time: 4:02 a.m./p.m.

NOTIFICATIONS:

Brian 1 4:46  
(Person/time)  
Wendy  
Barth 1 4:47  
(Person/time)

Each time a message, report, etc., is xmitted to the Congress, call OLA -- x2230.

#0855

NSC, when appropriate -- Brenda Hilliard;  
Ex. Sec's. Office -- x6534.

(Person/time)

DAVID MILLS, FAC, 535-6020

(Other)

(Person/time)

SANDY CHARLES, NSC, x3552

(Other)

OTHER INFORMATION:



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Friday  
November 30, 1990

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**Part VII**

**Department of the  
Treasury**

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**Office of Foreign Assets Control**

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**31 CFR Part 570**

**Kuwaiti Assets Control Regulations; Final  
Rule**



## DEPARTMENT OF THE TREASURY

## Office of Foreign Assets Control

## 31 CFR Part 570

## Kuwaiti Assets Control Regulations -

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

**ACTION:** Final rule.

**SUMMARY:** On August 2, 1990, upon Iraq's invasion of Kuwait, the President issued Executive Order No. 12722. In that order he declared a national emergency with respect to Iraq, involving the authority, *inter alia*, of the International Emergency Economic Powers Act (50 U.S.C. 1701 *et seq.*), ordered specified sanctions against Iraq, and authorized the Secretary of the Treasury, in consultation with the Secretary of State, to take such actions, including the promulgation of rules and regulations, as might be necessary to carry out the purposes of the Order. Pursuant to this declaration of national emergency, the President also issued Executive Order No. 12723, at the request of the recognized Government of Kuwait, blocking all property and interests in property of the Government of Kuwait as a protective measure. On August 9, 1990, the President issued Executive Orders No. 12724 and No. 12725, imposing additional sanctions on Iraq, consistent with Resolution 661, dated August 6, 1990, of the United Nations Security Council, and imposing similar sanctions on Kuwait to ensure that no benefit from the United States flowed to the Government of Iraq in militarily-occupied Kuwait. In implementation of those Orders, the Treasury Department is issuing the Kuwaiti Assets Control Regulations ("Regulations").

The Regulations block all property and interests in property of the Government of Kuwait or any person purporting to be the Government of Kuwait, its agencies instrumentalities, and controlled entities, including the Central Bank of Kuwait, 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. The Regulations also generally prohibit: (a) Imports into the United States of goods or services from Kuwait; (b) exports from the United States of goods, technology or services to Kuwait or entities operated from Kuwait; (c) any dealing by any U.S. person in Kuwait-origin goods or any other goods from Kuwait or intended for Kuwait; (d) transactions by U.S. persons

relating to travel by U.S. citizens and permanent resident aliens to Kuwait, including their activities within Kuwait; (e) transactions by U.S. persons relating to transportation to or from Kuwait; transportation services to or from the United States by Kuwaiti persons, vessels, or aircraft; or the sale in the United States by any person holding authority under the Federal Aviation Act of any transportation by air which includes any stop in Kuwait; (f) performance by U.S. persons of contracts in support of industrial, commercial, public utility, or governmental projects in Kuwait; and (g) any transfer of funds by U.S. persons to the Government of Kuwait or any person in Kuwait.

**EFFECTIVE DATE:** November 30, 1990.

**FOR FURTHER INFORMATION CONTACT:** William B. Hoffman, Chief Counsel, Tel.: (202) 535-6020, or Steven L. Pinter, Chief of Licensing, Tel.: (202) 535-9449, Office of Foreign Assets Control, Department of the Treasury, Washington, DC.

**SUPPLEMENTARY INFORMATION:** All General Licenses issued by the Office of Foreign Assets Control prior to November 30, 1990, may continue to be relied on to validate actions prior to this date during the period of their validity. Specific licenses issued prior to this date continue in effect according to their terms unless modified by the Office of Foreign Assets Control.

Authorizations contained in General Licenses issued prior to publication of these regulations can now be found in the following sections:

Issuance date	License No.	Regulation Section
8/02/90	General License No. 1.....	Amended
8/15/90	General License No. 1, amended.	Section 570.504
8/08/90	General License No. 2.....	Section 570.508
8/08/90	General License No. 3.....	Amended
10/15/90	General License No. 3, amended.	Section 570.512
8/08/90	General License No. 4.....	Revoked 10/2/90
8/13/90	General License No. 5.....	Section 570.504
8/15/90	General License No. 6.....	Section 570.513
8/15/90	General License No. 7.....	Amended
10/18/90	General License No. 7, amended.	Section 570.510
8/23/90	General License No. 8.....	Section 570.514
8/27/90	General License No. 9.....	Section 570.517
8/30/90	General License No. 10.....	Section 570.505
9/01/90	General License No. 11.....	Section 570.508
9/26/90	General License No. 12.....	Section 570.520

Transactions otherwise prohibited under this part may be authorized by a general license contained in subpart E or by a specific license issued pursuant to the procedures described in § 570.801 of subpart H.

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 respect to foreign affairs function of the United States, they are not subject to Executive Order 12291 of February 17, 1981, dealing with Federal regulations.

These regulations are being issued without prior notice and public procedure pursuant to the Administrative Procedure Act. For this reason, the collections of information contained in these regulations 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.*). Comments concerning the collection of information and the accuracy of estimated average annual burden, and suggestions for reducing this burden should be directed to OMB, Paperwork Reduction Project (1505-\*\*\*\*), Washington, DC 20503, with copies of the Office of Foreign Assets Control, Department of the Treasury, 1500 Pennsylvania Ave., NW.—Annex, Washington, DC 20220. Any such comments should be submitted not later than January 29, 1991. Notice of OMB action on these requests will be published in the Federal Register.

The collections of information in these regulations are contained in §§ 570.503, 570.509-570.512, 570.515, 570.517, 570.518, 570.520, 570.521, subpart F, and §§ 570.703, and 570.801. This information is required by the Office of Foreign Assets Control for licensing, compliance, civil penalty and enforcement purposes. This information will be used to determine the eligibility of applicants for the benefits provided through specific licenses, to determine whether persons subject to the regulations are in compliance with applicable requirements, and to determine whether and to what extent civil penalty or other enforcement action is appropriate. The likely respondents and recordkeepers are individuals and business organizations.

*Estimated total annual reporting and/or recordkeeping burden:* 2000 hours.

The estimated annual burden per respondent/recordkeeper varies from 30 minutes to 10 hours, depending on individual circumstances, with an estimated average of 2 hours.

*Estimated number of respondents and/or recordkeepers:* 1000.

*Estimated annual frequency of responses:* 1-12.



**List of Subjects in 31 CFR Part 570**

Iraq, Kuwait, Banks banking, finance, Blocking of assets, Imports, Exports, Loan programs, Penalties, Reporting and recordkeeping requirements.

For the reasons set forth in the preamble, part 570 is added to chapter V as follows:

**PART 570—KUWAITI ASSETS CONTROL REGULATIONS**

Authority: 50 U.S.C. 1701 *et seq.*; 50 U.S.C. 1801 *et seq.*; 22 U.S.C. 287c; Pub. L. 101-513, 104 Stat. 2047-55 (Nov. 5, 1990); 3 U.S.C. 301; E.O. 12722, 55 FR 31803 (Aug. 3, 1990); E.O. 12723, 55 FR 31805 (Aug. 3, 1990); E.O. 12725, 55 FR 33091 (Aug. 13, 1990).

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

Sec.

570.101 *Relation of this part to other laws and regulations.*

**Subpart B—Prohibitions**

- 570.201 *Prohibited transactions involving property in which the Government of Kuwait has an interest; transactions with respect to securities.*
- 570.202 *Effect of transfers violating the provisions of this part.*
- 570.203 *Holding of certain types of blocked property in interest-bearing accounts.*
- 570.204 *Prohibited importation of goods or services from Kuwait.*
- 570.205 *Prohibited exportation and exportation of goods, technology, or services to Kuwait.*
- 570.206 *Prohibited dealing in property.*
- 570.207 *Prohibited transactions relating to travel to Kuwait or to activities within Kuwait.*
- 570.208 *Prohibited transportation-related transactions involving Kuwait.*
- 570.209 *Prohibited performance of contracts.*
- 570.210 *Prohibited transfers of funds to the Government of Kuwait or any person in Kuwait.*
- 570.211 *Evasions; attempts; conspiracies.*
- 570.212 *Effective date.*

**Subpart C—General Definitions**

- 570.301 *Blocked account; blocked property.*
- 570.302 *Effective date.*
- 570.303 *Entity.*
- 570.304 *Entity of the Government of Kuwait; Kuwaiti government entity.*
- 570.305 *General license.*
- 570.306 *Government of Iraq.*
- 570.307 *Government of Kuwait.*
- 570.308 *Interest.*
- 570.309 *Iraq; Iraqi.*
- 570.310 *Kuwait; Kuwaiti.*
- 570.311 *Kuwaiti origin.*
- 570.312 *Kuwaiti person.*
- 570.313 *License.*
- 570.314 *Person.*
- 570.315 *Property; property interest.*
- 570.316 *Specific license.*
- 570.317 *Transfer.*
- 570.318 *UNSC Resolution 661.*
- 570.319 *United States.*
- 570.320 *U.S. financial institution.*

570.321 *United States person; U.S. person.*

**Subpart D—Interpretations**

- 570.401 *Reference to amended sections.*
- 570.402 *Effect of amendment.*
- 570.403 *Termination and acquisition of an interest of the Government of Kuwait.*
- 570.404 *Payments from blocked accounts to U.S. exporters and for other obligations prohibited.*
- 570.405 *Acquisition of instruments including bankers acceptances.*
- 570.406 *Extensions of credit or loans to Kuwait.*
- 570.407 *Payments in connection with certain authorized transactions.*
- 570.408 *Offshore transactions.*
- 570.409 *Transshipments through the United States prohibited.*
- 570.410 *Imports of Kuwaiti goods from third countries.*
- 570.411 *Exports to third countries.*
- 570.412 *Release of Kuwaiti goods from bonded warehouse or foreign trade zone.*
- 570.413 *Goods intended for export to Kuwait.*
- 570.414 *Imports of Kuwaiti goods and purchases of goods from Kuwait.*
- 570.415 *Setoffs prohibited.*
- 570.416 *Travel transactions for journalistic activity in Kuwait.*
- 570.417 *Transactions among licensed entities.*
- 570.418 *Transactions incidental to a licensed transaction.*

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

- 570.501 *Effect of license or authorization.*
- 570.502 *Exclusion from licenses and authorizations.*
- 570.503 *Payments and transfers to blocked accounts in U.S. financial institutions.*
- 570.504 *Completion of certain foreign exchange, securities, and commodities transactions.*
- 570.505 *Completion of certain transactions related to bankers acceptances authorized.*
- 570.506 *Payment by the Government of Kuwait of obligations to persons within the United States authorized.*
- 570.507 *Certain exports to Kuwait authorized.*
- 570.508 *Import of household and personal effects from Kuwait authorized.*
- 570.509 *Payment and transfers authorized for shipments of oil under contract and en route to the United States prior to the effective date.*
- 570.510 *Payment and transfers authorized for goods and services exported to Kuwait prior to the effective date.*
- 570.511 *Extensions and renewals authorized.*
- 570.512 *Investment and reinvestment of Government of Kuwait funds held in blocked accounts.*
- 570.513 *Transactions related to telecommunications authorized.*
- 570.514 *Transactions related to mail authorized.*
- 570.515 *Fees for professional services authorized.*
- 570.516 *Certain transactions with respect to patents, trademarks, and copyrights authorized.*

- 570.517 *Procedures established for export transactions initiated prior to effective date.*
- 570.518 *Certain standby letters of credit and performance bonds.*
- 570.519 *Certain imports for diplomatic or official personnel authorized.*
- 570.520 *Donations of food to relieve human suffering authorized.*
- 570.521 *Certain exportations of medical supplies authorized.*

**Subpart F—Reports**

- 570.601 *Required records.*
- 570.602 *Reports to be furnished on demand.*
- 570.603 *Reports on certain correspondent bank accounts.*

**Subpart G—Penalties**

- 570.701 *Penalties.*
- 570.702 *Prepenalty notice.*
- 570.703 *Presentation responding to prepenalty notice.*
- 570.704 *Penalty notice.*
- 570.705 *Referral to United States Department of Justice.*

**Subpart H—Procedures**

- 570.801 *Licensing.*
- 570.802 *Decisions.*
- 570.803 *Amendment, modification, or revocation.*
- 570.804 *Rulemaking.*
- 570.805 *Delegation by the Secretary of the Treasury.*
- 570.806 *Rules governing availability of information.*

**Subpart I—Paperwork Reduction Act**

570.901 [Reserved].

**Appendix A to Part 570—Kuwaiti Governmental Entities****Subpart A—Relation of This Part To Other Laws and Regulations**

§ 570.101 *Relation of this part to other laws and regulations.*

(a) This part is separate from, and independent of, the other parts of this chapter. No license or authorization contained in or issued pursuant to those other parts authorizes any transaction prohibited by this part. No license or authorization contained in or issued pursuant to any other provision of law or regulation authorizes any transaction prohibited by this part.

(b) No license or authorization contained in or issued pursuant to this part relieves the involved parties from complying with any other applicable laws or regulations.

**Subpart B—Prohibitions**

§ 570.201 *Prohibited transactions involving property in which the Government of Kuwait 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 Government of Kuwait 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 otherwise authorized by this part or by a specific license expressly referring to this section, the transfer (including the transfer on the books of any issuer or agent thereof), the endorsement or guaranty of signatures on, or any other dealing in any security (or evidence thereof) registered or inscribed in the name of the Government of Kuwait and held within the possession or control of a U.S. person is prohibited, irrespective of the fact that at any time either at 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.

(c) A transfer of property to or from the Government of Kuwait and not involving a U.S. person shall be recognized for purposes of this section if the transfer complied with all applicable United Nations Security Council resolutions as implemented in the country of transfer as to the property transferred, and was otherwise lawful in the country of transfer.

(d) *Example:* If a U.S. person acquires a security which had been sold on August 9, 1990, by the Government of Kuwait to a citizen of the United Kingdom, the security would not be considered property in which the Government of Kuwait has an interest if the August 9 transfer was lawful in the United Kingdom. The United Kingdom implemented UNSC Resolution 661 prior to August 9, 1990, with respect to transfers of securities to and from the Government of Kuwait.

**§ 570.202 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 hereunder and involves any property in which the Government of Kuwait 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 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 the Government of Kuwait has an interest, or has had an interest since such date, unless the person with whom such property is held or maintained, prior to such date, had written notice of the transfer or by any written evidence had recognized such transfer.

(c) Unless otherwise provided, an appropriate license or other authorization issued or pursuant to the direction or authorization of the Director of the Office of Foreign Assets Control before, during, or after a transfer shall validate such transfer or render it enforceable to the same extent that it would be valid or enforceable but for the provisions of the International Emergency Economic Power Act, the United Nations Participation 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 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 to the satisfaction of the Director of the Office of Foreign Assets Control each of the following:

(1) Such transfer did not present 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 of a third party 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 hereunder, or

(ii) Such transfer was not licensed or authorized by the Director of the Office of Foreign Assets Control, or

(iii) If a license did purport to cover the transfer, such license had been obtained by misrepresentation of a third party or the withholding of material

facts or was otherwise fraudulently obtained;

the person with whom such property was held or maintained filed with the Office of Foreign Assets Control a report 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 evidence that the terms of paragraphs (d) (1) and (2) of this section have been satisfied.

(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 the Government of Kuwait.

**§ 570.203 Holding of certain types of blocked property in interest-bearing accounts.**

(a) Any person, including a U.S. financial institution, currently holding property subject to § 570.201 which, as of the effective date or the date of receipt if subsequent to the effective date, is not being held in an interest-bearing account, or otherwise invested in a manner authorized by the Office of Foreign Assets Control, must transfer such property to, or hold such property or cause such property to be held in, an interest-bearing account or interest-bearing status in a U.S. financial institution as of the effective date or the date of receipt if subsequent to the effective date of this section, unless otherwise authorized or directed by the Office of Foreign Assets Control. This requirement shall apply to currency and any other financial assets, bank deposits, accounts, and any proceeds resulting from the sale of tangible or intangible property. If interest is credited to an account separate from that in which the interest-bearing asset is held, the name of the account party on both accounts must be the same and must clearly indicate the blocked Government of Kuwait entity having an interest in the accounts.

(b) For purposes of this section, the term "interest-bearing account" means a blocked account in a U.S. financial institution earning interest at rates that are commercially reasonable for the amount of funds in the account. Except as otherwise authorized, the funds may not be invested or held in instruments the maturity of which exceeds 90 days, unless such investments are readily marketable and are purchased at the direction of the Government of Kuwait.

(c) This section does not apply to blocked tangible property, such as



chattels, nor does it create an affirmative obligation on the part of the holder of such blocked tangible property to sell or liquidate the property and put the proceeds in a blocked account. However, the Office of Foreign Assets Control may issue licenses permitting or directing sales of tangible property in appropriate cases.

**§ 570.204 Prohibited importation of goods or services from Kuwait.**

Except as otherwise authorized, no goods or services of Kuwaiti origin may be imported into the United States, nor may any U.S. person engage in any activity that promotes or is intended to promote such importation.

**§ 570.205 Prohibited exportation and reexportation of goods, technology, or services to Kuwait.**

Except as otherwise authorized, no goods, technology (including technical data or other information), or services may be exported from the United States, or, if subject to U.S. jurisdiction, exported or reexported from a third country to Kuwait, to any entity owned or controlled by the Government of Kuwait, or to any entity operated from Kuwait, except donated foodstuffs in humanitarian circumstances, and donated supplies intended strictly for medical purposes, the exportation of which has been specifically licensed pursuant to §§ 570.507, 570.519, 570.520 or 570.521.

**§ 570.206 Prohibited dealing in property.**

Except as otherwise authorized, no U.S. person may deal in property of Kuwaiti origin exported from Kuwait or Iraq after August 6, 1990, property intended for exportation to Kuwait, or property intended for exportation from Kuwait to any other country, nor may any U.S. person engage in any activity that promotes or is intended to promote such dealing.

**§ 570.207 Prohibited transactions relating to travel to Kuwait or to activities within Kuwait.**

Except as otherwise authorized, no U.S. person may engage in any transaction relating to travel by any U.S. citizen or permanent resident alien to Kuwait, or to activities by any U.S. citizen or permanent resident alien within Kuwait, or to activities by any U.S. citizen or permanent resident alien within Kuwait, after the effective date, other than transactions:

- (a) Necessary to effect the departure of a U.S. citizen or permanent resident alien from Kuwait or Iraq;
- (b) Relating to travel and activities for the conduct of the official business of

the United States Government or the United Nations; or

(c) Relating to journalistic activity by persons regularly employed in such capacity by a newsgathering organization.

This section prohibits the unauthorized payment by a U.S. person of his or her own travel or living expenses to or within Kuwait.

**§ 570.208 Prohibited transportation-related transactions involving Kuwait.**

Except as otherwise authorized, the following are prohibited:

(a) Any transaction by a U.S. person relating to transportation to or from Kuwait;

(b) The provision of transportation to or from the United States by any Kuwaiti person or any vessel or aircraft of Kuwaiti registration; or

(c) The sale in the United States by any person holding authority under the Federal Aviation Act of any transportation by air which includes any stop in Kuwait.

(d) *Example:* Unless licensed or exempted, no U.S. person may insure, or provide ticketing, ground, port, refueling, bunkering, clearance, or freight forwarding services, with respect to any sea, ground, or air transportation the destination of which is Kuwait, or which is intended to make a stop in Kuwait.

**§ 570.209 Prohibited performance of contracts.**

Except as otherwise authorized, no U.S. person may perform any contract, including a financing contract, in support of an industrial, commercial, public utility, or governmental project in Kuwait.

**§ 570.210 Prohibited transfer of funds to the Government of Kuwait or any person in Kuwait.**

Except as otherwise authorized, no U.S. person may commit or transfer, directly or indirectly, funds or other financial or economic resources to the Government of Kuwait or any person in Kuwait.

**§ 570.211 Evasions; attempts; conspiracies.**

Any transaction for the purpose of, or which has the effect of, evading or avoiding, or which facilitates the evasion or avoidance of, any of the prohibitions set forth in this subpart, is hereby prohibited. Any attempt to violate the prohibitions set forth in this part is hereby prohibited. Any conspiracy formed for the purpose of engaging in a transaction prohibited by this part is hereby prohibited.

**§ 570.212 Effective date.**

The effective dates of the prohibitions and directives contained in this subpart B are as follows:

(a) With respect to §§ 570.201, 574.202, and 570.211, 5 a.m., Eastern Daylight Time ("EDT"), August 2, 1990;

(b) With respect to §§ 570.204, 570.205, 570.206, 570.207, 570.208, 570.209, and 570.210, 8:55 p.m. EDT, August 9, 1990; and

(c) With respect to § 570.203, November 30, 1990.

**Subpart C—General Definitions**

**§ 570.301 Blocked account; blocked property.**

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

**§ 570.302 Effective date.**

The term *effective date* refers to the effective date of the applicable prohibition, as identified in § 570.212.

**§ 570.303 Entity.**

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

**§ 570.304 Entity of the Government of Kuwait; Kuwaiti Government entity.**

The term *entity of the Government of Kuwait* or *Kuwaiti Government entity* includes:

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

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

**§ 570.305 General license.**

The term *general license* means any license or authorization the terms of which are set forth in this part.

**§ 570.306 Government of Iraq.**

The term *Government of Iraq* includes:

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



(b) Any partnership, association, corporation, or other organization substantially owned or controlled by the foregoing;

(c) 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; and

(d) Any other person or organization determined by the Director of the Office of Foreign Assets Control to be included within this section.

#### § 570.307 Government of Kuwait.

The term *Government of Kuwait* includes:

(a) The state and the Government of Kuwait and any entity purporting to be the Government of Kuwait, as well as any political subdivision, agency, or instrumentality thereof, including the Central Bank of Kuwait;

(b) Any partnership, association, corporation, or other organization substantially owned or controlled by the foregoing;

(c) 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; and

(d) Any other person or organization determined by the Director of the Office of Foreign Assets Control to be included within this section.

#### § 570.308 Interest.

Except as otherwise provided in this part, the term *interest* when used with respect to property (e.g., "an interest in property") means an interest of any nature whatsoever, direct or indirect.

#### § 570.309 Iraq; Iraqi.

The term *Iraq* means the country of Iraq and any territory under the jurisdiction or authority thereof, legal or illegal. The term "Iraqi" means pertaining to Iraq as defined in this section.

#### § 570.310 Kuwait; Kuwaiti.

The term *Kuwait* means the country of Kuwait and any territory under the jurisdiction or authority thereof. The term "Kuwaiti" means pertaining to Kuwait as defined in this section.

#### § 570.311 Kuwaiti origin.

The term *goods or services of Kuwaiti origin* includes:

(a) Goods produced, manufactured, grown, or processed within Kuwait;

(b) Goods which have entered into Kuwaiti commerce;

(c) Services performed in Kuwait or by a Kuwaiti national who is acting as an agent, employee, or contractor of the Government of Kuwait, or of a business entity located in Kuwait. Services of Kuwaiti origin are not imported into the United States when such services are provided in the United States by a Kuwaiti national employed in the United States.

#### § 570.312 Kuwaiti person.

The term *Kuwaiti person* means any Kuwaiti citizen, any person organized under the laws of Kuwait, or any person owned or controlled, directly or indirectly, by a Kuwaiti national or the Government of Kuwait.

#### § 570.313 License.

Except as otherwise specified, the term *license* means any license or authorization contained in or issued pursuant to this part.

#### § 570.314 Person.

The term *person* means an individual, partnership, association, corporation, or other organization.

#### § 570.315 Property; property interest.

The terms *property* and *property interest* include, but are not limited to, money, checks, drafts, bullion, bank deposits, savings accounts, debts, indebtedness, obligations, notes, debentures, stocks, bonds, coupons, any other financial instruments, banker's 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, vendor's sales agreements, land contracts, leaseholds, ground rents, real estate and any other interest therein, 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, services of any nature whatsoever, 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.

#### § 570.316 Specific license.

The term *specific license* means any license or authorization not set forth in this part but issued pursuant to this part in response to an application.

#### § 570.317 Transfer.

The term *transfer* means 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, convey, 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, the exercise of any power of appointment, power of attorney, or other power; or the acquisition, disposition, transportation, importation, exportation, or withdrawal of any security.

#### § 570.318 UNSC Resolution 661.

The term *UNSC Resolution 661* means United Nations Security Council Resolution No. 661, adopted August 6, 1990, prohibiting certain transactions with respect to Iraq and Kuwait.

#### § 570.319 United States.

The term *United States* means the United States, its territories and possessions, and all areas under the jurisdiction or authority thereof.

#### § 570.320 U.S. financial institution.

The term *U.S. financial institution* means any U.S. person (including foreign branches) that is engaged in the business of accepting deposits, making, granting, transferring, holding, or brokering loans or credits, or purchasing or selling foreign exchange, securities, commodity futures or options, or procuring purchasers and sellers thereof, as principal or agent; including, but not limited to, depository institutions, banks, savings banks, trust companies, securities brokers and dealers, commodity futures and options brokers and dealers, forward contract and foreign exchange merchants, securities and commodities exchanges, clearing corporations, investment companies,



employee benefit plans, and U.S. holding companies, U.S. affiliates, or U.S. subsidiaries of any of the foregoing. This term includes those branches, offices and agencies of foreign financial institutions which are located in the United States, but not such institutions' foreign branches, offices, or agencies.

**§ 570.321 United States person; U.S. person.**

The term *United States person* or *U.S. person* means any United States citizen; permanent resident alien; juridical person organized under the laws of the United States or any jurisdiction within the United States; including foreign branches; or any person in the United States.

**Subpart D—Interpretations**

**§ 570.401 Reference to amended sections.**

Except as otherwise specified, reference to any section of this part or to any regulation, ruling, order, instruction, direction, or license issued pursuant to this part shall be deemed to refer to the same as currently amended.

**§ 570.402 Effect of amendment.**

Any amendment, modification, or revocation of any section of this part or of any order, regulation, ruling, instruction, or license issued by or under the direction of the Director of the Office of Foreign Assets Control shall not, unless otherwise specifically provided, be deemed to affect any act done or omitted to be done, or any civil or criminal suit or proceeding commenced or pending prior to such amendment, modification, or revocation. All penalties, forfeitures, and liabilities under any such order, regulation, ruling, instruction, or license shall continue and may be enforced as if such amendment, modification, or revocation had not been made.

**§ 570.403 Termination and acquisition of an interest of the Government of Kuwait.**

(a) Whenever a transaction licensed or authorized by or pursuant to this part results in the transfer of property (including any property interest) from the Government of Kuwait, such property shall no longer be deemed to be property in which the Government of Kuwait 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 or attempted to be transferred to the Government of

Kuwait, such property shall be deemed to be property in which there exists an interest of the Government of Kuwait.

**§ 570.404 Payments from blocked accounts to U.S. exporters and for 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 the effective date, except as authorized pursuant to this part.

**§ 570.405 Acquisition of instruments including bankers acceptances.**

No U.S. person may acquire or deal in any obligation, including bankers acceptances, where the documents evidencing the obligation indicate, or the U.S. person has actual knowledge, that the underlying transaction is in violation of §§ 570.201, 570.204, or 570.205. This interpretation does not apply to obligations arising from an underlying transaction licensed or otherwise authorized pursuant to this part.

**§ 570.406 Extensions of credits or loans to Kuwait.**

(a) The prohibition in § 570.210 applies to the unlicensed renewal of credits or loans in existence on the effective date, whether by affirmative action or operation of law.

(b) The prohibition in § 570.210 applies to credits or loans extended in any currency.

**§ 570.407 Payments in connection with certain authorized transactions.**

Payments are authorized in connection with transactions authorized in or pursuant to Subpart E.

**§ 570.408 Offshore transactions.**

(a) The prohibitions contained in §§ 570.201 and 570.206 apply to transactions by U.S. persons in locations outside the United States with respect to property which the U.S. person knows, or has reason to know, that the Government of Kuwait has or has had an interest since the effective date.

(b) Prohibited transactions include, but are not limited to, importation into locations outside the United States of, or dealings within such locations in, goods or services of Kuwaiti origin.

(c) *Examples:* (1) A U.S. person may not, within the United States or abroad, purchase, sell, finance, insure, transport, act as a broker for the sale or transport of, or otherwise deal in, Kuwaiti crude oil or petroleum products refined in Kuwait.

(2) A U.S. person may not, within the United States or abroad, conduct transactions of any nature whatsoever

with an entity that he knows or has reason to know is a Kuwaiti Government entity unless the entity is licensed by the Office of Foreign Assets Control to conduct such transactions with U.S. persons.

**§ 570.409 Transshipments through the United States prohibited.**

(a) The prohibitions in § 570.205 apply to the importation into the United States, for transshipment or transit, of goods which are intended or destined for Kuwait, or an entity operated from Kuwait.

(b) The prohibitions in § 570.204 apply to the importation into the United States, for transshipment or transit, of goods of Kuwaiti origin which are intended or destined for third countries.

(c) Goods in which the Government of Kuwait has an interest which are imported into or transshipped through the United States are blocked pursuant to § 570.201.

**§ 570.410 Imports of Kuwaiti goods from third countries.**

(a) Importation into the United States from third countries of goods, including refined petroleum products, containing raw materials or components of Kuwaiti origin is prohibited unless those raw materials or components were exported from Iraq or Kuwait prior to the effective date. In light of the universal prohibition in UNSC Resolution 661 on the importation of goods exported from Iraq or Kuwait after August 6, 1990, substantial transformation of Kuwaiti-origin goods in a third country does not exempt the third-country products from the prohibitions contained in this part.

(b) Importation into the United States of goods of Kuwaiti origin which were exported from Kuwait or Iraq on or after the effective date is prohibited pursuant to § 570.204.

**§ 570.411 Exports to third countries.**

(a) Exportation of goods or technology (including technical data and other information) from the United States to third countries is prohibited if the exporter knows, or has reason to know, that the goods or technology are intended for transshipment to Kuwait (including passage through, or storage in, intermediate destinations) without coming to rest in the third country and without being substantially transformed or incorporated into manufactured products in a third country. The exportation of goods and technology intended specifically for incorporation or substantial transformation into a third-country product is also prohibited if the particular product is to be used in Kuwait, is being specifically



manufactured to fill a Kuwaiti order, or if the manufacturer's sales of the particular product are predominantly to Kuwait.

(b) Exportation of goods or technology from the United States to third countries is not prohibited where the exporter has reasonable cause to believe that:

(1) The goods will come to rest in a third country for purposes other than reexportation to Kuwait; or

(2) The technology will come to rest in a third country for purposes other than reexport to Kuwait.

**§ 570.412 Release of Kuwaiti goods from bonded warehouse or foreign trade zone.**

Section 570.204 does not prohibit the release from a bonded warehouse or a foreign trade zone of goods of Kuwaiti origin imported into a bonded warehouse or a foreign trade zone either prior to the effective date or in a transaction authorized pursuant to this part after the effective date.

Note: Pursuant to § 570.201, property in which the Government of Kuwait has an interest may not be released unless authorized or licensed by the Office of Foreign Assets Control.

**§ 570.413 Goods intended for export to Kuwait.**

The prohibitions contained in § 570.201 do not apply to goods manufactured, consigned, or destined for export to Kuwait and not subject to § 575.518, if the Government of Kuwait has never held or received title to such goods on or after the effective date, and if any payment received from the Government of Kuwait with respect to such goods is placed in a blocked account in a U.S. financial institution pursuant to § 575.503.

**§ 570.414 Imports of Kuwait goods and purchases of goods from Kuwait.**

The prohibitions contained in § 570.201 shall not apply to the importation of Kuwaiti-origin goods and services described in § 570.204 if the importation of such goods is permitted by an authorization or license issued pursuant to this part. However, any payments in connection with such importation are subject to the prohibitions contained in §§ 570.201 and 570.210.

**§ 570.415 Setoffs prohibited.**

A setoff against a blocked account, whether by a U.S. bank or other U.S. person, is a prohibited transfer under § 570.201 if effected after the effective date.

**§ 570.416 Travel transactions for journalistic activity in Kuwait.**

(a) Section 570.207 does not prohibit travel transactions in Kuwait by persons regularly employed in journalistic activity by recognized newsgathering organizations.

(b) For purposes of this part:

(1) A person is considered regularly employed as a journalist if he or she is employed in a constant or regular manner by a recognized newsgathering organization. Free-lance journalists should have an assignment from a recognized newsgathering organization requiring travel to Kuwait, or be able to demonstrate that publication by a recognized newsgathering organization of a work requiring such travel is likely. The latter may be demonstrated by providing a resume listing previously-published free-lance works or copies of previously-published works.

(2) "Recognized newsgathering organizations" include those entities regularly and principally engaged in collecting news for publication in the public press, transmission by wire services, or broadcast by radio or television.

(c) Authorized travel transactions are limited to those incident to travel for the purpose of collecting and disseminating information for a recognized newsgathering organization, and do not include travel transactions related to any other activity in Kuwait.

**§ 570.417 Transactions among licensed entities.**

If two U.S. persons controlled by the Government of Kuwait have been granted specific licenses pursuant to this part authorizing them to engage in transactions with U.S. persons, they may also engage in transactions with each other. If an entity owned or controlled by the Government of Kuwait, but which is not a U.S. person, has been granted a specific license authorizing the entity to engage in transactions with a U.S. person, that entity may engage in transactions with a U.S. person controlled by the Government of Kuwait which has been licensed to operate, provided such transactions come within the scope of authorized transactions included in the U.S. person's operating license.

**§ 570.418 Transactions incidental to a licensed transaction.**

(a) Any transaction ordinarily incident to a licensed transaction and necessary to give effect thereto is also authorized, except a transaction by an unlicensed, blocked person or involving an unlicensed debit to a blocked account.

(b) Example: A license authorizing the Government of Kuwait to complete a securities sale also authorizes all activities by other parties required to complete the sale, including transactions by the buyer, brokers, transfer agents, banks, etc.

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

**§ 570.501 Effect of license or authorization**

(a) No license or other authorization contained in this part, or otherwise issued by or under the direction of the Director of the Office of Foreign Assets Control, shall be deemed to authorize or validate any transaction effected prior to the issuance of the license, unless specifically provided in such license or authorization.

(b) No regulation, ruling, instruction, or license authorizes any transaction prohibited under this part unless the regulation, ruling, instruction, or license is issued by the Office of Foreign Assets Control and specifically refers to this part. No regulation, ruling, instruction, or license referring to this part shall be deemed to authorize any transaction prohibited by any provision of this chapter unless the regulation, ruling, instruction or license specifically refers to such provision.

(c) Any regulation, ruling, instruction, or license authorizing any transaction otherwise prohibited under this part has the effect of removing a prohibition or prohibitions contained in subpart B from the transaction, but only to the extent specifically stated by its terms. Unless the regulation, ruling, instruction, or license otherwise specifies, such an authorization does not create any right, duty, obligation, claim, or interest in, or with respect to, any property which would not otherwise exist under ordinary principles of law.

**§ 570.502 Exclusion from licenses and authorizations.**

The Director of the Office of Foreign Assets Control reserves the right to exclude any person, property, or transaction from the operation of any license, or from the privileges therein conferred, or to restrict the applicability thereof with respect to particular persons, property, transactions, or classes thereof. Such action shall be binding upon all persons receiving actual or constructive notice of such exclusion or restriction.



**§ 570.503 Payments and transfers to blocked accounts in U.S. financial institutions.**

(a) Any payment of funds or transfer of credit or other assets, including any payment or transfer by any U.S. person outside the United States, to a blocked account in a U.S. financial institution in the name of the Government of Kuwait is hereby authorized, including incidental foreign exchange transactions, 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 Kuwait to any other country or person.

(b) This section does not authorize any payment or transfer to any blocked account held in a name other than that of the Government of Kuwait where such government is the ultimate beneficiary of such payment or transfer.

(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 or other assets, held in a blocked account or a sub-account thereof, or the income derived from such securities or assets, 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 or assets were or are held.

(e) This section does not authorize any payment or transfer from a blocked account in a U.S. financial institution 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) of this section is subject to the condition that written notification from the U.S. financial institution receiving an authorized payment or transfer is furnished to the Office of Foreign Assets Control, Blocked Assets Section, within 10 business days from the date of payment or transfer. This notification shall confirm that the payment or transfer has been deposited in a blocked account under the regulations in this part, and shall provide the account number, the name and address of the Government of Kuwait entity in whose name the account is held, the name and address of the transferee U.S. financial institution, and the amount of the payment or transfer.

(g) This section authorizes transfer of the funds of a blocked demand deposit account to a blocked interest-bearing account under the same name or designation as was the demand deposit account, as required pursuant to § 570.203 or at the instruction of the depositor, at any time. If such transfer is to a blocked account in a different U.S. financial institution, the transferee financial institution must furnish, within 10 business days of the date of transfer, the notification described in paragraph (f) of this section to the Office of Foreign Assets Control, Blocked Assets Section.

(h) This section authorizes the transfer of assets between blocked accounts in U.S. financial institutions at the instruction of the depositor for purposes of investment and reinvestment of assets in which the Government of Kuwait has an interest, as authorized in § 570.512. If such transfer is to a blocked account in a different U.S. financial institution, the transferee financial institution must furnish, within 10 business days of the date of transfer, the notification described in paragraph (f) of this section to the Office of Foreign Assets Control, Blocked Assets Section.

**§ 570.504 Completion of certain foreign exchange, securities, and commodities transactions.**

(a) U.S. financial institutions are authorized to perform and complete in accordance with its terms or, in agreement with the Government of Kuwait, to close out, offset, or liquidate, individually or on a net basis with subcontracts or other contracts, any contract with or on behalf of the Government of Kuwait, except as otherwise noted in paragraph (d) below, for foreign exchange, securities, currency, and interest rate transactions (including, without limitation, spot, forward, option, swap, and futures transactions), and commodity option, swap, and futures transactions (including the posting or payment of margin or settlement variation with respect to transactions described above), provided the contract was entered into prior to the effective date and any of the following requirements is met:

(1) Any funds, currency, securities, or other assets to be paid or delivered to the Government of Kuwait are credited to a blocked account in the name of the entity of the Government of Kuwait with which, or on whose behalf, the transaction was executed; or

(2) Any funds, currency, securities, or other assets to be paid or delivered to the Government of Kuwait are credited to a blocked account in the name of the entity of the Government of Kuwait and

in the financial institution and location designated in the original payment instructions or terms of settlement or delivery for that contract; provided that the country in which payment, settlement, or delivery occurs has in place an arrangement satisfactory to the Office of Foreign Assets Control for ensuring that Government of Kuwait assets in such accounts are blocked or restricted; or

(3) All funds, currency, securities, or other assets due to the Government of Kuwait in connection with such transaction were paid or delivered to the Government of Kuwait prior to the effective date.

(b) All transactions by U.S. persons incidental to the transactions authorized in paragraph (a) are also authorized.

(c) This section does not authorize the crediting of the funds, currency, securities, or other assets received by, or for the benefit of, the Government of Kuwait in a transaction authorized in paragraph (a) to a blocked account or sub-account for the Government of Kuwait under any name or designation which differs from the name or designation of the specific blocked account or sub-account in which the assets utilized by, or on behalf of, the Government of Kuwait in such transaction, were originally held.

**§ 570.505 Completion of certain transactions related to bankers acceptances authorized.**

(a) Persons other than the Government of Kuwait are authorized to buy, sell, and satisfy obligations with respect to bankers acceptances, and to pay under deferred payment undertakings, involving an interest of the Government of Kuwait as long as the bankers acceptances were created or the deferred payment undertakings were incurred prior to the effective date.

(b) Persons other than the Government of Kuwait are authorized to buy, sell, and satisfy obligations with respect to bankers acceptances, and to pay under deferred payment undertakings, involving the importation or exportation of goods to or from Kuwait that do not involve an interest of the Government of Kuwait as long as the bankers acceptances or the deferred payment undertakings were accepted prior to the effective date.

(c) Nothing in this section shall authorize or permit a debit to a blocked account. Specific licenses for the debiting of a blocked account may be issued on a case-by-case basis.



**§ 570.506 Payment by the Government of Kuwait of obligations to persons within the United States authorized.**

(a) The transfer of funds after the effective date by, through, or to any U.S. financial institution or other U.S. person solely for the purpose of payment of obligations of the Government of Kuwait to persons or accounts within the United States is authorized, provided that the obligation arose prior to the effective date, and the payment requires 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 any person, provided that any such payment to the Government of Kuwait must be to a blocked account in a U.S. financial institution.

**§ 570.507 Certain exports to Kuwait authorized.**

(a) All transactions ordinarily incident to the exportation of any item, commodity, or product from the United States to or destined for Kuwait are authorized if:

(1) Such exports would ordinarily be authorized under one of the following regulations administered by the Department of Commerce: 15 CFR 371.6—General license BAGGAGE (accompanied and unaccompanied baggage); 15 CFR 371.13—General license GUS (shipments to personnel and agencies of the U.S. Government); or,

(2) Such exports are for the official use of the United Nations, its personnel and agencies (excluding its relief or developmental agencies).

(b) All transactions related to exportation or reexportation not otherwise authorized in this part are prohibited unless licensed pursuant to the procedures described in § 570.801 by the Office of Foreign Assets Control.

**§ 570.508 Import of household and personal effects from Kuwait authorized.**

The importation of household and personal effects of Kuwaiti origin, including baggage and articles for family use, of persons arriving in the United States directly or indirectly from Kuwait is authorized. Articles included in such effects may be imported without limitation provided they were actually used by such persons or their family members abroad, are not intended for any other person or for sale, and are not otherwise prohibited from importation.

**§ 570.509 Payments and transfers authorized for shipments of oil under contract and en route to the United States prior to the effective date.**

(a) Oil of Kuwaiti origin or oil in which the Government of Kuwait has an interest may be imported into the United States only if:

(1) Prior to the effective date, the oil was loaded for ultimate delivery to the United States on board a vessel in Iraq, Kuwait, or a third country;

(2) The oil was imported into the United States before 11:59 p.m. Eastern Daylight Time, October 1, 1990; and

(3) The bill of lading accompanying the oil was issued prior to the effective date.

(b) Any payment owed or balance not paid to or for the benefit of the Government of Kuwait prior to the effective date for oil imported pursuant to paragraph (a) must be paid into a blocked account in a U.S. financial institution.

(c) Transactions conducted pursuant to this section must be reported in writing to the Office of Foreign Assets Control, Blocked Assets Section, no later than 10 days after the date of importation.

**Note.**—Transactions authorized by this provision have been completed prior to November 30, 1990. The text of this section is included for the convenience of the user.

**§ 570.510 Payments and transfers authorized for goods and services exported to Kuwait prior to the effective date.**

(a) Specific licenses may be issued on a case-by-case basis to permit payment under a financing arrangement requiring payment by a U.S. financial institution, from a blocked account or otherwise, of amounts owed to or for the benefit of a person with respect to goods or services exported prior to the effective date directly or indirectly to Kuwait, or to third countries for an entity operated from Kuwait, or for the benefit of the Government of Kuwait, where the license application presents evidence satisfactory to the Office of Foreign Assets Control that:

(1) The exportation occurred prior to the effective date (such evidence may include, e.g., the bill of lading, the air waybill, the purchaser's written confirmation of completed services, customs documents, and insurance documents); and

(2) If delivery or performance occurred after the effective date, due diligence was exercised to divert delivery of the goods for Kuwait and to effect final delivery of the goods to a non-prohibited destination, or to prevent performance of the services.

(b) This section does not authorize exportation or the performance of services after the effective date pursuant to a contract entered into or partially performed prior the effective date.

(c) Transactions conducted under specific licenses granted pursuant to this section must be reported in writing to the Office of Foreign Assets Control, Blocked Assets Section, no later than 10 days after the date of payment.

(d) Separate criteria may be applied to the issuance of licenses authorizing payment from an account of or held by a blocked U.S. bank owned or controlled by the Government of Kuwait.

**§ 570.511 Extensions and renewals authorized.**

(a) The extension or renewal, at the request of the account party, of a letter of credit or a standby letter of credit issued or confirmed by a U.S. financial institution is authorized.

(b) Transactions conducted pursuant to this section must be reported to the Office of Foreign Assets Control, Blocked Assets Section, within 10 days after completion of the transaction.

**§ 570.512 Investment and reinvestment of Government of Kuwait funds held in blocked accounts.**

(a) U.S. financial institutions are hereby authorized to invest and reinvest assets held in blocked accounts in the name of the Government of Kuwait, subject to the following conditions:

(1) The assets representing such investments and reinvestments are credited to a blocked account or sub-account which is in the name of the Government of Kuwait and which is located in the United States or within the possession or control of a U.S. person;

(2) The proceeds of such investments and reinvestments are not credited 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 funds or securities were held; and

(3) No immediate financial or economic benefit accrues to the Government of Iraq, or a person in Kuwait.

(b)(1) U.S. persons seeking to avail themselves of this authorization must register with the Office of Foreign Assets Control, Blocked Assets Section, before undertaking transactions authorized under this section.

(2) Transactions conducted pursuant to this section must be reported to the Office of Foreign Assets Control.



Blocked Assets Section, within 10 days after completion of the transaction.

**§ 570.513 Transactions related to telecommunications authorized.**

All transactions of U.S. common carriers with respect to the receipt and transmission of telecommunications involving Kuwait are authorized, provided that any payment owed to the Government of Kuwait or persons in Kuwait is paid into a blocked account in a U.S. financial institution.

**§ 570.514 Transactions related to mail authorized.**

All transactions by U.S. persons, including payment and transfers to common carriers, incident to the receipt or transmission of mail between the United States and Kuwait are authorized, provided that mail is limited to items not exceeding 12 ounces.

**§ 570.515 Fees for professional services authorized.**

Specific licenses may be issued on a case-by-case basis to permit payment to U.S. persons providing professional services to the Government of Kuwait including, but not limited to, legal, accounting, and investment advisory services.

**§ 570.516 Certain transactions with respect to patents, trademarks, and copyrights authorized.**

Transactions related to the registration and renewal in the United States Patent and Trademark Office or the United States Copyright Office of patents, trademarks, and copyrights in which the Government of Kuwait or a person in Kuwait has an interest are authorized.

**§ 570.517 Procedures established for export transactions initiated prior to effective date.**

(a) Goods awaiting exportation to Kuwait on the effective date and seized or detained by the U.S. Customs Service on the effective date or thereafter may be released to the exporter, provided the following documents are filed with Customs officials at the port where such goods are located:

(1) A copy of the contract governing the exportation (sale or other transfer) of the goods to Kuwait or, if no contract exists, a written explanation of the circumstances of exportation, including in either case a description of the manner and terms of payment received, or to be received by the exporter (or other person) for, or by reason of, the exportation of the goods;

(2) An invoice, bill of lading, or other documentation fully describing the goods; and

(3) A statement by the exporter substantially in the following form:

Any amount received from or on behalf of the Government of Kuwait by reason of the attempted exportation of the goods released to [name of exporter] by the U.S. Customs Service on [date], and fully described in the attached documents, has been or will be placed into a blocked account in a U.S. bank and the Office of Foreign Assets Control, Blocked Assets Section, will be immediately notified. [Name of exporter] agrees to fully indemnify the U.S. Government for any amount ultimately determined by a court of competent jurisdiction to be due or payable to or for the benefit of any person by reason of the failure of [name of exporter] to properly pay into a blocked account any amount received for the goods from or on behalf of the Government of Kuwait. [Name of exporter] also agrees to waive all claims (1) against any payments received and placed into a blocked account, except as may be later authorized by law, regulations, or license, and (2) against the U.S. Government with regard to the disposition of amounts placed into a blocked account. The statement should be dated and signed by the exporter or by a person authorized to sign on the exporter's behalf. The Customs Service may release the goods to the exporter upon receipt of the documentation and statement described above, provided it is satisfied that all customs laws and regulations have been complied with, including the execution of such hold harmless assurances as it shall determine to be appropriate. The documentation and statement received by Customs will be forwarded to the Office of Foreign Assets Control for review and appropriate action.

**§ 570.518 Certain standby letters of credit and performance bonds.**

(a)(1) Notwithstanding any other provision of law, payment into a blocked account in a U.S. financial institution by an issuing or confirming bank under a standby letter of credit in favor of a Kuwaiti beneficiary is prohibited by § 570.201 and not authorized, notwithstanding the provisions of § 570.503, if:

(i) A specific license has been issued pursuant to the provisions of paragraph (b) of this section, or

(ii) 10 business days have not expired after notice to the account party pursuant to paragraph (b) of this section.

(2) Nothing in this section shall affect the obligation of an issuing or confirming bank to make payment into a blocked account on behalf of an entity owned or controlled by the Government of Kuwait pursuant to a standby letter of credit if such entity is:

(i) Licensed by the Office of Foreign Assets Control to transact business with U.S. persons, or

(ii) Listed in appendix A to this part as "Not Controlled/Not Restricted" or "Controlled/Licensed to Operate."

(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 Kuwaiti beneficiary 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) 10 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 Director of the Office of Foreign Assets Control 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 U.S. financial institution 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 a Kuwaiti beneficiary 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 to the instruments covered by this section if



the instruments and payments thereunder are subsequently unblocked.

(g) The section does not authorize any U.S. person to reimburse a non-U.S. bank for payment to a Kuwaiti beneficiary under a standby letter of credit, except by payments into a blocked account in accordance with § 570.503 or paragraph (b) or (c) of this section.

(h) A person receiving a specific license under paragraph (b) or (c) of this section shall certify to the Office of Foreign Assets Control within 5 business days after receipt of that license that it has established the blocked account on its books as provided 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.

(i) 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, a contract, or any similar obligation in the nature of a performance bond;

(2) The term "account party" shall mean the person for whose account the standby letter of credit is opened; and

(3) The term "Kuwaiti beneficiary" shall mean a beneficiary that is

(i) A person in Kuwait,

(ii) An entity operated from Kuwait, or

(iii) The Government of Kuwait.

**§ 570.519 Certain imports for diplomatic or official personnel authorized.**

All transactions ordinarily incident to the importation of any goods or services into the United States destined for official or personal use by diplomatic and support personnel employed by the recognized Government of Kuwait are authorized, unless the importation is otherwise prohibited by law.

**§ 570.520 Donations of food to relieve human suffering authorized.**

(a) Specific licenses may be issued on a case-by-case basis to permit exportation to Kuwait of donated food intended to relieve human suffering.

(b) In general, specific licenses will only be granted for donations of food to be provided through the United Nations in accordance with United Nations Security Council Resolutions 661 and 666 and in cooperation with the International Committee of the Red Cross or other appropriate humanitarian agencies for distribution by them or under their supervision, or in such other manner as may be approved under

United Nations Security Council Resolution 666 and any other applicable Security Council resolutions, in order to ensure that such donations reach the intended beneficiaries.

(c) Applications for specific licenses pursuant to paragraph (a) shall be made in advance of the proposed exportation, and provide the following information:

(1) The nature, quantity, value, and intended use of the donated food; and

(2) The terms and conditions of distribution, including the intended method of compliance with such terms and conditions of distribution as may have been adopted by the United Nations Security Council or a duly authorized body subordinate thereto to govern the shipment of foodstuffs under applicable United Nations Security Council resolutions, including Resolutions 661 and 666.

**§ 570.521 Certain exportations of medical supplies authorized.**

(a) Specific licenses may be issued on a case-by-case basis to permit exportation to Kuwait of supplies intended strictly for medical purposes, in accordance with the provisions of United Nations Security Council Resolutions 661 and 666, and other applicable Security Council resolutions.

(b) In general, specific licenses will only be granted for the exportation of medical supplies through the International Committee of the Red Cross or other appropriate humanitarian agencies for distribution by them or under their supervision, or in such other manner as may be approved under applicable Security Council resolutions, in order to ensure that such supplies reach the intended recipient.

(c) Applications for specific licenses pursuant to paragraph (a) shall be made in advance of the proposed exportation, and provide the following information:

(1) The nature, quantity, value, and intended use of the medical supplies;

(2) The terms and conditions of distribution, including the intended method of compliance with such terms and conditions of distribution as may have been adopted by the United Nations Security Council or a duly authorized body subordinate thereto to govern the shipment of medical supplies under applicable Security Council resolutions.

**Subpart F—Reports**

**§ 570.601 Required records.**

Every person engaging in any transaction subject to the provisions of this part shall keep a full and accurate record of each such transaction in which that person engages, regardless of

whether such transaction is effected pursuant to license or otherwise, and such record shall be available for examination for at least 2 years after the date of such transaction.

**§ 570.602 Reports to be furnished on demand.**

Every person is required to furnish under oath, in the form of reports or otherwise, from time to time and at any time as may be required, complete information relative to any transaction, regardless of whether such transaction is effected pursuant to license or otherwise, subject to the provisions of this part. Such reports may be required to include the production of any books of account, contracts, letters or other papers, connected with any such transaction or property, in the custody or control of the person required to make such reports. Reports with respect to transactions may be required either before or after such transactions are completed. The Director of Foreign Assets Control may, through any person or agency, conduct investigations, hold hearings, administer oaths, examine witnesses, receive evidence, take depositions, and require by subpoena the attendance and testimony of witnesses and the production of all books, papers, and documents relating to any matter under investigation, regardless of whether any report has been required or filed in connection therewith.

**§ 570.603 Report on certain correspondent bank accounts.**

(a) U.S. financial institutions are required to file a monthly report concerning any bank account held by them in the name of a bank in which the Government of Kuwait holds an equity interest of 10% or more (i.e., a correspondent bank account).

(b) The report, consisting of a copy of a monthly bank statement for the account, must:

(1) Include a summary of the average balance in the account for the period covered by the report,

(2) List the actual date on which account statements are made available to account holders, and

(3) State the exact location at which documents showing debits from and credits to the account may be reviewed and the name and telephone number of a person responsible for the content of the report.

(The report should not include copies of documents showing debits and credits.)

(c) A report filed pursuant to this section must arrive at the Office of Foreign Assets Control, Compliance



Section, no later than the last business day of the month following the activity summarized in the report. The report may be sent by facsimile to (202) 377-7222 or mailed to the following address:

Compliance Unit—603, Office of Foreign Assets Control, U.S. Department of the Treasury, 1500 Pennsylvania Avenue, NW—2131 Annex, Washington, DC 20220.

#### Subpart G—Penalties

##### § 570.701 Penalties.

(a) Section 586E of the Iraq Sanctions Act of 1990, contained in the Foreign Operations Authorization and Appropriation Act of 1990, dated November 5, 1990, 104 Stat. 1979, provides that notwithstanding section 206 of the International Emergency Economic Powers Act (50 U.S.C. 1705) and section 5(b) of the United Nations Participation Act of 1945 (22 U.S.C. 287c(b))—

(1) A civil penalty of not to exceed \$250,000 may be imposed on any person who, after the enactment of this Act, violates or evades or attempts to violate or evade Executive Order Number 12722, 12723, 12724, 12725, or any license, order, or regulation issued under such Executive Order;

(2) Whoever after the date of enactment of the Iraq Sanctions Act willfully violates or evades or attempts to violate or evade Executive Order Number 12722, 12723, 12724, or 12725 or any license, order, or regulation issued under any such Executive Order—

(i) Shall, upon conviction, be fined not more than \$1,000,000 if a person other than a natural person; or

(ii) If a natural person, shall upon conviction, be fined not more than \$1,000,000 be imprisoned for not more than 12 years, or both.

Any officer, director, or agent of any corporation who knowingly participates in a violation, evasion, or attempt described in paragraph (a)(2) of this section may be punished by imposition of the fine, imprisonment (or both) specified in paragraph (a)(2)(ii) of this section.

(b) Attention is 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 representation 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.

(c) Violations of this part may also be subject to relevant provisions of the Customs laws and other applicable laws.

##### § 570.702 Prepenalty notice.

(a) *When required:* If the Director of the Office of Foreign Assets Control has reasonable cause to believe that there has occurred a violation of any provision of this part or a violation 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, and the Director determines that further proceedings are warranted, he shall issue to the person concerned a notice of his intent to impose a monetary penalty. The prepenalty notice shall be issued whether or not another agency has taken any action with respect to this matter.

##### (b) Contents.

(1) *Facts of violation.* The prepenalty notice shall describe the violation, specify the laws and regulations allegedly violated, and state the amount of the proposed monetary penalty.

(2) *Right to make presentations.* The prepenalty notice also shall inform the person of his right to make a written presentation within 30 days of mailing of the notice as to why a monetary penalty should not be imposed, or, if imposed, why it should be in a lesser amount than proposed.

##### § 570.703 Presentation responding to prepenalty notice.

(a) *Time within which to respond.* The named person shall have 30 days from the date of mailing of the prepenalty notice to make a written presentation to the Director.

(b) *Form and contents of written presentation.* The written presentation need not be in any particular form, but shall contain information sufficient to indicate that it is in response to the prepenalty notice. It should contain responses to the allegations in the prepenalty notice and set forth the reasons why the person believes the penalty should not be imposed or, if imposed, why it should be in a lesser amount than proposed.

##### § 570.704 Penalty notice.

(a) *No violation.* If, after considering any presentations made in response to the prepenalty notice and any relevant facts, the Director determines that there was no violation by the person named in the prepenalty notice, he promptly shall

notify the person in writing of that determination and that no monetary penalty will be imposed.

(b) *Violation.* If, after considering any presentations made in response to the prepenalty notice, the Director determines that there was a violation by the person named in the prepenalty notice, he promptly shall issue a written notice of the imposition of the monetary penalty to that person.

##### § 570.705 Referral to United States Department of Justice.

In the event that the person named does not pay the penalty imposed pursuant to this subpart or make payment arrangements acceptable to the Director within 30 days of the mailing of the written notice of the imposition of the penalty, the matter shall be referred to the United States Department of Justice for appropriate action to recover the penalty in a civil suit in a Federal district court.

#### Subpart H—Procedures

##### § 570.801 Licensing.

(a) *General licenses.* General licenses have been issued authorizing under appropriate terms and conditions certain types of transactions which are subject to the prohibitions contained in subpart B of this part. All such licenses in effect on the date of publication are set forth in subpart E of this part. It is the policy of the Office of Foreign Assets Control not to grant applications for specific licenses authorizing transactions to which the provisions of an outstanding general license are applicable. Persons availing themselves of certain general licenses may be required to file reports and statements in accordance with the instructions specified in those licenses. Failure to file such reports or statements will nullify the authority of the general license.

##### (b) Specific licenses.

(1) *General course of procedure.* Transactions subject to the prohibitions contained in subpart B of this part which are not authorized by general license may be effected only under specific licenses.

(2) *Applications for specific licenses.* Applications for specific licenses to engage in any transactions prohibited by or pursuant to this part may be filed by letter or on an application form with the Office of Foreign Assets Control. Any person having an interest in a transaction or proposed transaction may file an application for a license authorizing such transaction, but the applicant for a specific license is



required to make full disclosure of all parties in interest to the transaction so that a decision on the application may be made with full knowledge of all relevant facts and so that the identity and location of the persons who know about the transaction may be easily ascertained in the event of inquiry.

(3) *Information to be supplied.* The applicant must supply all information specified by relevant instructions and/or forms, and must fully disclose the names of all the parties who are concerned with or interested in the proposed transaction. If the application is filed by an agent, the agent must disclose the name of his principal(s). Such documents as may be relevant shall be attached to each application as a part of such application except that documents previously filed with the Office of Foreign Assets Control may, where appropriate, be incorporated by reference. Applicants may be required to furnish such further information as is deemed necessary to a proper determination by the Office of Foreign Assets Control. If an applicant or other party in interest desires to present additional information or discuss or argue the application, he may do so at any time before or after decision. Arrangements for oral presentation should be made with the Office of Foreign Assets Control.

(4) *Effect of denial.* The denial of a license does not preclude the reopening of an application or the filing of a further application. The applicant or any other party in interest may at any time request explanation of the reasons for a denial by correspondence or personal interview.

(5) *Reports under specific licenses.* As a condition for the issuance of any license, the licensee may be required to file reports with respect to the transaction covered by the license, in such form and at such times and places as may be prescribed in the license or otherwise.

(6) *Issuance of license.* Licenses will be issued by the Office of Foreign Assets Control acting on behalf of the Secretary of the Treasury or licenses may be issued by the Secretary of the Treasury acting directly or through any specifically designated person, agency, or instrumentality.

(c) *Address.* License applications, reports, and inquiries should be addressed to the appropriate section or individual within the Office of Foreign Assets Control, or to its Director, at the following address:

Office of Foreign Assets Control, U.S.  
Department of the Treasury, 1500

Pennsylvania Avenue, NW., Annex,  
Washington, DC 20220.

#### § 570.802 Decisions.

The Office of Foreign Assets Control will advise each applicant of the decision respecting filed applications. The decision of the Office of Foreign Assets Control acting on behalf of the Secretary of the Treasury with respect to an application shall constitute final agency action.

#### § 570.803 Amendment, modification, or revocation.

The provisions of this part and any rulings, licenses, whether general or specific, authorizations, instructions, orders, or forms issued hereunder may be amended, modified, or revoked at any time.

#### § 570.804 Rulemaking.

(a) All rules and other public documents are issued by the Secretary of the Treasury upon recommendation of the Director of the Office of Foreign Assets Control. In general, rulemaking by the Office of Foreign Assets Control involves foreign affairs functions of the United States, and for that reason is exempt from the requirements under the Administrative Procedure Act (5 U.S.C. 553) for notice of proposed rulemaking, opportunity for public comment, and delay in effective date. Wherever possible, however, it is the practice of the Office of Foreign Assets Control to receive written submissions or hold informal consultations with interested parties before the issuance of any rule or other public document.

(b) Any interested person may petition the Director of the Office of Foreign Assets Control in writing for the issuance, amendment, or repeal of any rule.

#### § 570.805 Delegation by the Secretary of the Treasury.

Any action which the Secretary of the Treasury is authorized to take pursuant to Executive Order No. 12723 and Executive Order No. 12725 may be taken by the Director, Office of Foreign Assets Control, or by any other person to whom the Secretary of the Treasury has delegated authority so to act.

#### § 570.806 Rules governing availability of information.

(a) The records of the Office of Foreign Assets Control which are required by 5 U.S.C. 552 to be made available to the public shall be made available in accordance with the definitions, procedures, payment of fees, and other provisions of the regulations on the Disclosure of Records of the Office of the Secretary and of other

bureaus and offices of the Department issued under 5 U.S.C. 552 and published as part 1 of this title 31 of the Code of Federal Regulations.

(b) Any form issued for use in connection with the Kuwaiti Assets Control Regulations may be obtained in person or by writing to the Office of Foreign Assets Control, U.S. Department of the Treasury, 1500 Pennsylvania Avenue, NW., Annex, Washington, DC 20220, or by calling (202) 566-2701.

#### Subpart I—Paperwork Reduction Act

#### § 570.901 [Reserved].

#### Appendix A to Part 570—Kuwaiti Governmental Entities

The Treasury Department has been asked about the status of various entities in which the Government of Kuwait or Kuwaiti nationals may have an interest for purposes of Executive Order Nos. 12722-12725. Based on information available to the Office of Foreign Assets Control, the following lists have been compiled.

The entities listed as "Controlled/Blocked" have been determined to be controlled by the Government of Kuwait and/or the Government of Iraq and should be regarded as blocked entities. This means U.S. persons are prohibited from engaging in transactions with these entities and all assets under U.S. jurisdiction owned or controlled by those entities are blocked. U.S. persons are not prohibited, however, from paying funds owed to these entities into blocked accounts held in U.S. financial institutions.

The entities listed as "Controlled/Licensed to Operate" should also be regarded as controlled by the Government of Kuwait, but as licensed to operate. This means the Office of Foreign Assets Control has determined that the entities are under the effective control of the recognized Government of Kuwait and U.S. persons are authorized to engage in transactions with them. These authorized transactions include entering into contracts, making and receiving payments, and conducting other commercial or financial transactions. If questions arise, U.S. persons should request from the entities concerned to see copies of the operating licenses.

The entities listed as "Not Controlled/No Restrictions" are not regarded by the Office of Foreign Assets Control as controlled by the Government of Kuwait. The names of these entities appear on the list solely for the purpose of clarification because requests regarding their status have been received. Some of the entities on this list may be subject to special Treasury Department licensing or reporting requirements.

*Warning:* These lists are subject to revision should new information become available, and are not inclusive. Additions to the lists are anticipated. The absence of a particular entity from any of the lists should not be regarded as indicative of whether the entity is owned or controlled by the Government of Kuwait or the Government of Iraq.



*Controlled/Blocked*

AlAhli Bank of Kuwait  
 AlAhli Insurance Company  
 Arab Fund for Economic and Social Development  
 Arab Trust Company  
 Bahrain Arab International Bank  
 Bank of Kuwait & Middle East  
 Burgan Bank  
 Central Bank of Kuwait  
 Commercial Bank of Kuwait  
 Commercial Facilities Company  
 The Gulf Bank  
 Gulf Insurance Company  
 Industrial Bank of Kuwait  
 International Financial Advisor  
 KREIC Singapore  
 Kuwait Cement Company  
 Kuwait Clearing Company  
 Kuwait Finance House  
 Kuwait Hotels Company  
 Kuwait Metal Pipe Industries Company  
 Kuwait Real Estate Bank  
 Kuwait Real Estate Investment Consortium (KREIC)  
 Kuwait Reinsurance Company  
 Kuwait Supply Company  
 Kuwait United Poultry Company  
 Mobile Telephone Systems  
 Mubarakiah Poultry and Feed Company  
 National Industries Company K.S.C.  
 National Real Estate Company  
 Public Warehousing Company  
 Rawdatain Water Bottling Company  
 Refrigeration Industries Company  
 Savings and Credit Bank  
 Securities Group Company  
 Securities House Company  
 United Fisheries of Kuwait  
 United Realty Company

Univest Invest Company  
 Warba Insurance Company

*Controlled/Licensed To Operate*

Credit des Bergues  
 Georgetown Industries, Inc. (including subsidiaries)  
 KFIC, Inc. (including subsidiaries)  
 Kuwait Airways Corporation  
 Kuwait Asia Bank  
 Kuwait Investment Office (including controlled entities)  
 Kuwait Investment Authority  
 Kuwait Maritime Transport Company  
 Kuwait & Middle East Financial Investment Company  
 Kuwait Petroleum Corporation (London) (including licensed affiliates)  
 Kuwait Petroleum—North Sea Holdings Ltd. (including subsidiaries)  
 Santa Fe International Corporation (including subsidiaries and affiliates)  
 Warfra Intervest Corporation (Cayman) (including subsidiaries and affiliates)

*Not Controlled/No Restrictions*

[Some of these entities may be subject to special Treasury Department licensing/reporting requirements.]

Alexandria Kuwait International Bank  
 Arab African International Bank  
 Arab Banking Corporation  
 Arab Financial Services Company  
 Arab Hellenic Bank  
 Arab Insurance Group  
 Arab Maritime Petroleum Transport  
 Arab Mining Company  
 Arab Petroleum Investments Corporation  
 Arab Turkish Bank  
 Bahrain Islamic Bank  
 Bahrain Islamic Investment Company

Bahrain Middle East Bank  
 Banco Arabe Espanol  
 Banco Atlantico  
 Bank of Bahrain and Kuwait  
 Bank of Oman, Bahrain & Kuwait  
 CHENI  
 Dao Heng Bank  
 FRAB Bank International  
 Gulf International Bank  
 Gulf Investment Corporation  
 Independent Petroleum Group  
 International Contracting Group  
 Jordan Fertilizer Industry  
 Jordan Kuwait Bank  
 Korea Kuwait Banking Corporation  
 Kuwait French Bank  
 Kuwait Investment Projects Company  
 Kuwait Lebanon Bank  
 Kuwait National Cinema Company  
 National Bank of Kuwait  
 National Investment Company  
 Oman Housing Bank  
 Pearl Holding Company  
 Swiss Kuwaiti Bank  
 The Arab Investment Company  
 UBAF Arab American Bank  
 United Arab Shipping Company  
 United Bank of Kuwait  
 United Gulf Bank  
 Yemen Kuwait Bank  
 Dated: November 21, 1990.

**R. Richard Newcomb,**

*Director, Office of Foreign Assets Control.*

Approved: November 27, 1990.

**John P. Simpson,**

*Acting Assistant Secretary (Enforcement).*

[FR Doc. 90-28319 Filed 11-28-90; 4:34 pm]

BILLING CODE 4810-25-M

Friday  
January 18, 1991

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**Part V**

**Department of the  
Treasury**

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**Office of Foreign Assets Control**

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**31. CFR. Part 575  
Iraqi Sanctions Regulations.**



## DEPARTMENT OF THE TREASURY

## Office of Foreign Assets Control

## 31 CFR Part 575

## Iraqi Sanctions Regulations

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

**ACTION:** Final rule.

**SUMMARY:** On August 2, 1990, upon Iraq's invasion of Kuwait, the President issued Executive Order No. 12722. In that order he declared a national emergency with respect to Iraq, invoking the authority, *inter alia*, of the International Emergency Economic Powers Act (50 U.S.C. 1701 *et seq.*), ordered specified sanctions against Iraq, and authorized the Secretary of the Treasury, in consultation with the Secretary of State, to take such actions, including the promulgation of rules and regulations, as might be necessary to carry out the purposes of the Order. Pursuant to this declaration of national emergency, the President also issued Executive Order No. 12723, at the request of the recognized Government of Kuwait, blocking all property and interests in property of the Government of Kuwait as a protective measure. On August 9, 1990, the President issued Executive Orders No. 12724 and No. 12725, imposing additional sanctions on Iraq, consistent with Resolution 661, dated August 6, 1990, of the United Nations Security Council, and imposing similar sanctions on Kuwait to ensure that no benefit from the United States flowed to the Government of Iraq in militarily-occupied Kuwait. In implementation of those Orders, the Treasury Department is issuing the Iraqi Sanctions Regulations ("Regulations").

The Regulations block all property and interests in property of the Government of Iraq or any person purporting to be the Government of Iraq, its agencies, instrumentalities, and controlled entities, including the Central Bank of Iraq, 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. The Regulations also generally prohibit: (a) Imports into the United States of goods or services from Iraq; (b) exports from the United States of goods, technology or services to Iraq or entities operated from Iraq; (c) any dealing by any U.S. person in Iraqi-origin goods or any other goods from Iraq or intended for Iraq; (d) transactions by U.S. persons relating to travel by U.S. citizens and permanent

resident aliens to Iraq, including their activities within Iraq; (e) transactions by U.S. persons relating to transportation to or from Iraq; transportation services to or from the United States by Iraqi persons, vessels, or aircraft; or the sale in the United States by any person holding authority under the Federal Aviation Act of any transportation by air which includes any stop in Iraq; (f) performance by U.S. persons of contracts in support of industrial, commercial, public utility, or governmental projects in Iraq; and (g) any transfer of funds by U.S. persons to the Government of Iraq or any person in Iraq.

**EFFECTIVE DATE:** January 18, 1991.

**FOR FURTHER INFORMATION:**

Contact William B. Hoffman, Chief Counsel, tel.: (202) 535-6020, or Steven I. Pinter, Chief of Licensing, tel.: (202) 535-9449, Office of Foreign Assets Control, Department of the Treasury, Washington, DC.

**SUPPLEMENTARY INFORMATION:** All General Licenses issued by the Office of Foreign Assets Control prior to January 18, 1991 may continue to be relied on to validate actions prior to this date during the period of their validity. Specific licenses issued prior to this date continue in effect according to their terms unless modified by the Office of Foreign Assets Control.

Authorizations contained in General Licenses issued prior to publication of these regulations can now be found in the following sections:

Issuance date	License number	Regulation section
Aug. 8, 1990.	General License No. 2.	§ 575.509
Aug. 8, 1990.	General License No. 3.	Amended
October 15, 1990.	General License No. 3, amended.	§ 575.512
Aug. 8, 1990.	General License No. 4.	Revoked 10/2/90
Aug. 15, 1990.	General License No. 6.	§ 575.513
Aug. 15, 1990.	General License No. 7.	Amended
Oct. 18, 1990.	General License No. 7, amended.	§ 575.510
Aug. 23, 1990.	General License No. 8.	§ 575.514
Aug. 27, 1990.	General License No. 9.	§ 575.515
Aug. 30, 1990.	General License No. 10.	§ 575.505
Sept. 1, 1990.	General License No. 11.	§ 575.508
Sept. 26, 1990.	General License No. 12.	§ 575.518
Oct. 3, 1990.	General License No. 13.	§ 570.517

Transactions otherwise prohibited under this part may be authorized by a general license contained in subpart E or by a specific license issued pursuant to the procedures described in § 575.801 of subpart H.

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 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. These regulations are being issued without prior notice and public procedure pursuant to the Administrative Procedure Act. For this reason, the collections of information contained in these regulations 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.*). Comments concerning the collection of information and the accuracy of estimated average annual burden, and suggestions for reducing this burden should be directed to OMB, Paperwork Reduction Project (1505-\*\*\*), Washington, DC 20503, with copies to the Office of Foreign Assets Control, Department of the Treasury, 1500 Pennsylvania Ave., NW.—Annex, Washington, DC 20220. Any such comments should be submitted not later than March 19, 1991. Notice of OMB action on these requests will be published in the Federal Register.

The collections of information in these regulations are contained in §§ 575.503, 575.509–575.512, 575.517, 575.518, 575.520, 575.521, subpart F, and §§ 575.703 and 575.801. This information is required by the Office of Foreign Assets Control for licensing, compliance, civil penalty and enforcement purposes. This information will be used to determine the eligibility of applicants for the benefits provided through specific licenses, to determine whether persons subject to the regulations are in compliance with applicable requirements, and to determine whether and to what extent civil penalty or other enforcement action is appropriate. The likely respondents and recordkeepers are individuals and business organizations.

Estimated total annual reporting and/or recordkeeping burden: 2000 hours.

The estimated annual burden per respondent/recordkeeper varies from 30



minutes to 10 hours, depending on individual circumstances, with an estimated average of 2 hours.

Estimated number of respondents and/or recordkeepers: 500.

Estimated annual frequency of responses: 1-12.

#### List of Subjects in 31 CFR Part 575

Banking and finance; Blocking of assets; Exports, Imports, Iraq, Kuwait, Loans, Penalties; Reporting and recordkeeping requirements.

For the reasons set forth in the preamble, 31 CFR part 575 is added as follows:

### PART 575—IRAQI SANCTIONS REGULATIONS

#### Subpart A—Relation to this Part to Other Laws and Regulations

Sec.

575.101 Relation of this part to other laws and regulations.

#### Subpart B—Prohibitions

- 575.201. Prohibited transactions involving property in which the Government of Iraq has an interest; transactions with respect to securities.
- 575.202. Effect of transfers violating the provisions of this part.
- 575.203. Holding of certain types of blocked property in interest-bearing accounts.
- 575.204. Prohibited importation of goods or services from Iraq.
- 575.205. Prohibited exportation and reexportation of goods; technology, or services to Iraq.
- 575.206. Prohibited dealing in property.
- 575.207. Prohibited transactions relating to travel to Iraq or to activities within Iraq.
- 575.208. Prohibited transportation-related transactions involving Iraq.
- 575.209. Prohibited performance of contracts.
- 575.210. Prohibited transfers of funds to the Government of Iraq or any person in Iraq.
- 575.211. Evasions; attempts; conspiracies.
- 575.212. Effective date.

#### Subpart C—General Definitions

- 575.301. Blocked account; blocked property.
- 575.302. Effective date.
- 575.303. Entity.
- 575.304. Entity of the Government of Iraq; Iraqi Government entity.
- 575.305. General license.
- 575.306. Government of Iraq.
- 575.307. Government of Kuwait.
- 575.308. Interest.
- 575.308a. Iraq; Iraqi.
- 575.310. Kuwait; Kuwaiti.
- 575.311. Iraqi origin.
- 575.312. Iraqi person.
- 575.313. License.
- 575.314. Person.
- 575.315. Property; property interest.
- 575.316. Specific license.
- 575.317. Transfer.
- 575.318. UNSC Resolution 661.
- 575.319. United States.
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- 575.801. Licensing.
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#### Subpart I—Paperwork Reduction Act

##### § 575.901 [Reserved]

Authority: 50 U.S.C. 1701 *et seq.*; 50 U.S.C. 1601 *et seq.*; 22 U.S.C. 287c; Public Law 101-513, 104 Stat. 2047-55 (Nov. 5, 1990); 3 U.S.C. 301; E.O. 12722, 55 FR 31863 (Aug. 3, 1990); E.O. 12724, 55 FR 33089 (Aug. 13, 1990).

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

##### § 575.101. Relation of this part to other laws and regulations.

(a) This part is separate from, and independent of, the other parts of this chapter. No license or authorization contained in or issued pursuant to those other parts authorizes any transaction prohibited by this part. No license or authorization contained in or issued pursuant to any other provision of law or regulation authorizes any transaction prohibited by this part.

(b) No license or authorization contained in or issued pursuant to this part relieves the involved parties from complying with any other applicable laws or regulations.

#### Subpart B—Prohibitions

##### § 575.201. Prohibited transactions involving property in which the Government of Iraq 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 Iraq 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 otherwise authorized by this part or by a specific license expressly referring to this section, the transfer (including the transfer on the books of any issuer or agent thereof), the endorsement or guaranty of signatures on, or any other dealing in any security (or evidence thereof) registered or inscribed in the name of the Government of Iraq and held within the possession or control of a U.S. person is prohibited, irrespective of the fact that at any time either at 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.

**§ 575.202 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 hereunder and involves any property in which the Government of Iraq 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 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 the Government of Iraq has an interest, or has had an interest since such date, unless the person with whom such property is held or maintained, prior to such date, had written notice of the transfer or by any written evidence had recognized such transfer.

(c) Unless otherwise provided, an appropriate license or other authorization issued by or pursuant to the direction or authorization of the Director of the Office of Foreign Assets Control before, during, or after a transfer shall validate such transfer or render it enforceable to the same extent that it would be valid or enforceable but for the provisions of the International Emergency Economic Powers Act, the United Nations Participation Act, 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 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 to the satisfaction of the Director of the Office of Foreign Assets Control 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 of a third party 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 hereunder, or

(ii) Such transfer was not licensed or authorized by the Director of the Office of Foreign Assets Control, or

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

the person with whom such property was held or maintained filed with the Office of Foreign Assets Control a report 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 evidence that the terms of paragraphs (d) (1) and (2) of this section have been satisfied.

(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 the Government of Iraq.

**§ 575.203 Holding of certain types of blocked property in interest-bearing accounts.**

(a) Any person, including a U.S. financial institution, currently holding property subject to § 575.201 which, as of the effective date or the date of receipt if subsequent to the effective date, is not being held in an interest-bearing account, or otherwise invested

in a manner authorized by the Office of Foreign Assets Control, must transfer such property to, or hold such property or cause such property to be held in, an interest-bearing account or interest-bearing status in a U.S. financial institution as of the effective date or the date of receipt if subsequent to the effective date of this section, unless otherwise authorized or directed by the Office of Foreign Assets Control. This requirement shall apply to currency, bank deposits, accounts, and any other financial assets, and any proceeds resulting from the sale of tangible or intangible property. If interest is credited to an account separate from that in which the interest-bearing asset is held, the name of the account party on both accounts must be the same and must clearly indicate the blocked Government of Iraq entity having an interest in the accounts.

(b) For purposes of this section, the term "interest-bearing account" means a blocked account in a U.S. financial institution earning interest at rates that are commercially reasonable for the amount of funds in the account. Except as otherwise authorized, the funds may not be invested or held in instruments the maturity of which exceeds 90 days.

(c) This section does not apply to blocked tangible property, such as chattels, nor does it create an affirmative obligation on the part of the holder of such blocked tangible property to sell or liquidate the property and put the proceeds in a blocked account. However, the Office of Foreign Assets Control may issue licenses permitting or directing sales of tangible property in appropriate cases.

**§ 575.204 Prohibited importation of goods or services from Iraq.**

Except as otherwise authorized, no goods or services of Iraqi origin may be imported into the United States, nor may any U.S. person engage in any activity that promotes or is intended to promote such importation.

**§ 575.205 Prohibited exportation and reexportation of goods, technology, or services to Iraq.**

Except as otherwise authorized, no goods, technology (including technical data or other information), or services may be exported from the United States, or, if subject to U.S. jurisdiction, exported or reexported from a third country to Iraq, to any entity owned or controlled by the Government of Iraq, or to any entity operated from Iraq, except donated foodstuffs in humanitarian circumstances, and donated supplies intended strictly for medical purposes,



the exportation of which has been specifically licensed pursuant to § 575.507, 575.517 or 575.518.

**§ 575.206 Prohibited dealing in property.**

Except as otherwise authorized, no U.S. person may deal in property of Iraqi origin exported from Iraq after August 6, 1990, property intended for exportation to Iraq, or property intended for exportation from Iraq to any other country, nor may any U.S. person engage in any activity that promotes or is intended to promote such dealing.

**§ 575.207 Prohibited transactions relating to travel to Iraq or to activities within Iraq.**

Except as otherwise authorized, no U.S. person may engage in any transaction relating to travel by any U.S. citizen or permanent resident alien to Iraq, or to activities by any U.S. citizen or permanent resident alien within Iraq, after the effective date, other than transactions:

(a) Necessary to effect the departure of a U.S. citizen or permanent resident alien from Kuwait or Iraq;

(b) Relating to travel and activities for the conduct of the official business of the United States Government or the United Nations; or

(c) Relating to journalistic activity by persons regularly employed in such capacity by a newsgathering organization. This section prohibits the unauthorized payment by a U.S. person of his or her own travel or living expenses to or within Iraq.

**§ 575.208 Prohibited transportation-related transactions involving Iraq.**

Except as otherwise authorized, the following are prohibited:

(a) Any transaction by a U.S. person relating to transportation to or from Iraq;

(b) The provision of transportation to or from the United States by any Iraqi person or any vessel or aircraft of Iraqi registration; or

(c) The sale in the United States by any person holding authority under the Federal Aviation Act of any transportation by air which includes any stop in Iraq.

(d) *Example.* Unless licensed or exempted, no U.S. person may insure, or provide ticketing, ground, port, refueling, bunkering, clearance, or freight forwarding services, with respect to any sea, ground, or air transportation the destination of which is Iraq, or which is intended to make a stop in Iraq.

**§ 575.209 Prohibited performance of contracts.**

Except as otherwise authorized, no U.S. person may perform any contract, including a financing contract, in

support of an industrial, commercial, public utility, or governmental project in Iraq.

**§ 575.210 Prohibited transfer of funds to the Government of Iraq or any person in Iraq.**

Except as otherwise authorized, no U.S. person may commit or transfer, directly or indirectly, funds or other financial or economic resources to the Government of Iraq or any person in Iraq.

**§ 575.211 Evasions; attempts; conspiracies.**

Any transaction for the purpose of, or which has the effect of, evading or avoiding, or which facilitates the evasion or avoidance of, any of the prohibitions set forth in this subpart, is hereby prohibited. Any attempt to violate the prohibitions set forth in this part is hereby prohibited. Any conspiracy formed for the purpose of engaging in a transaction prohibited by this part is hereby prohibited.

**§ 575.212 Effective dates.**

The effective dates of the prohibitions and directives contained in this subpart B are as follow:

(a) With respect to §§ 575.201, 575.202, 575.204, 575.205, 575.207, 575.208, 575.209, and 575.211, 5 a.m., Eastern Daylight Time ("e.d.t."), August 2, 1990;

(b) With respect to §§ 575.206, and 575.210, 8:55 p.m. e.d.t., August 9, 1990; and

(c) With respect to § 575.203, January 18, 1991.

**Subpart C—General Definitions**

**§ 575.301 Blocked account; blocked property.**

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

**§ 575.302 Effective date.**

The term "effective date" refers to the effective date of the applicable prohibition, as identified in § 575.212.

**§ 575.303 Entity.**

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

**§ 575.304 Entity of the Government of Iraq; Iraqi Government entity.**

The term "entity of the Government of Iraq" or "Iraqi Government entity" includes:

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

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

**§ 575.305 General license.**

The term "general license" means any license or authorization the terms of which are set forth in this part.

**§ 575.306 Government of Iraq.**

The term "Government of Iraq" includes:

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

(b) Any partnership, association, corporation, or other organization substantially owned or controlled by the foregoing;

(c) 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; and

(d) Any other person or organization determined by the Director of the Office of Foreign Assets Control to be included within this section.

**§ 575.307 Government of Kuwait.**

The term "Government of Kuwait" includes:

(a) The State and Government of Kuwait and any entity purporting to be the Government of Kuwait, as well as any political subdivision, agency, or instrumentality thereof, including the Central Bank of Kuwait;

(b) Any partnership, association, corporation, or other organization substantially owned or controlled by the foregoing;

(c) 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;

(d) Any other person or organization determined by the Director or the Office



of Foreign Assets Control to be included within this section.

**§ 575.308 Interest.**

Except as otherwise provided in this part, the term "interest" when used with respect to property (e.g., "an interest in property") means an interest of any nature whatsoever, direct or indirect.

**§ 575.309 Iraq; Iraq.**

The term "Iraq" means the country of Iraq and any territory under the jurisdiction or authority thereof, legal or illegal. The term "Iraqi" means pertaining to Iraq as defined in this section.

**§ 575.310 Kuwait; Kuwaiti.**

The term "Kuwait" means the country of Kuwait and any territory under the jurisdiction or authority thereof. The term "Kuwaiti" means pertaining to Kuwait as defined in this section.

**§ 575.311 Iraqi origin.**

The term "goods or services of Iraqi origin" includes:

(a) Goods produced, manufactured, grown, or processed within Iraq;

(b) Goods which have entered into Iraqi commerce;

(c) Services performed in Iraq or by a Iraqi national who is acting as an agent, employee, or contractor of the Government of Iraq, or of a business entity located in Iraq. Services of Iraqi origin are not imported into the United States when such services are provided in the United States by an Iraqi national employed in the United States.

**§ 575.312 Iraqi person.**

The term "Iraqi person" means an Iraqi citizen, any person organized under the laws of Iraq, or any person owned or controlled, directly or indirectly, by a Iraqi national or the Government of Iraq.

**§ 575.313 License.**

Except as otherwise specified, the term "license" means any license or authorization contained in or issued pursuant to this part.

**§ 575.314 Person.**

The term "person" means an individual, partnership, association, corporation, or other organization.

**§ 575.315 Property; property interest.**

The terms "property" and "property interest" include, but are not limited to, money, checks, drafts, bullion, bank deposits, savings accounts, debts, indebtedness, obligations, notes, debentures, stocks, bonds, coupons, any other financial instruments, 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, leaseholds, ground rents, real estate and any other interest therein, 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, services of any nature whatsoever, 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.

**§ 575.316 Special license.**

The term "specific license" means any license or authorization not set forth in this part but issued pursuant to this part in response to an application.

**§ 575.317 Transfer.**

The term "transfer" means 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, convey, 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 decrease of any foreign country; the fulfillment of any condition; the exercise of any power of appointment, power of attorney, or other power; or the acquisition, disposition, transportation, importation, exportation, or withdrawal of any security.

**§ 575.318 UNSC Resolution 661.**

The term "UNSC Resolution 661" means United Nations Security Council Resolution No. 661, adopted August 6, 1990, prohibiting certain transactions with respect to Iraq and Kuwait.

**§ 575.319 United States.**

The term "United States" means the United States, its territories and possessions, and all areas under the jurisdiction or authority thereof.

**§ 575.320 U.S. financial institution.**

The term "U.S. financial institution" means any U.S. person (including foreign branches) that is engaged in the business of accepting deposits, making, granting, transferring, holding, or brokering loans or credits, or purchasing or selling foreign exchange, securities, commodity futures or options, or procuring purchasers and sellers thereof, as principal or agent; including, but not limited to, depository institutions, banks, savings banks, trust companies, securities brokers and dealers, commodity futures and options brokers and dealers, forward contract and foreign exchange merchants, securities and commodities exchanges, clearing corporations, investment companies, employee benefit plans, and U.S. holding companies, U.S. affiliates, or U.S. subsidiaries of any of the foregoing. This term includes those branches, offices and agencies of foreign financial institutions which are located in the United States, but not such institutions' foreign branches, offices, or agencies.

**§ 575.321 United States person; U.S. person.**

The term "United States person" or "U.S. person" means any United States citizen; permanent resident alien; juridical person organized under the laws of the United States or any jurisdiction within the United States, including foreign branches; or any person in the United States.

**Subpart D—Interpretations**

**§ 575.401 Reference to amended sections.**

Except as otherwise specified, reference to any section of this part or to any regulation, ruling, order, instruction, direction, or license issued pursuant to this part shall be deemed to refer to the same as currently amended.

**§ 575.402 Effect of amendment.**

Any amendment, modification, or revocation of any section of this part or of any order, regulation, ruling, instruction, or license issued by or under the direction of the Director of the Office of Foreign Assets Control shall not,



unless otherwise specifically provided, be deemed to affect any act done or omitted to be done, or any civil or criminal suit or proceeding commenced or pending prior to such amendment, modification, or revocation. All penalties, forfeitures, and liabilities under any such order, regulation, ruling, instruction, or license shall continue and may be enforced as if such amendment, modification, or revocation had not been made.

**§ 575.403 Termination and acquisition of an interest of the Government of Iraq.**

(a) Whenever a transaction licensed or authorized by or pursuant to this part results in the transfer of property (including any property interest) from the Government of Iraq, such property shall no longer be deemed to be property in which the Government of Iraq 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 or attempted to be transferred to the Government of Iraq, such property shall be deemed to be property in which there exists an interest of the Government of Iraq.

**§ 575.404 Payments from blocked accounts to U.S. exporters and for 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 the effective date, except as authorized pursuant to this part.

**§ 575.405 Acquisition of instruments including bankers acceptances.**

No U.S. person may acquire or deal in any obligation, including bankers acceptances, where the documents evidencing the obligation indicate, or the U.S. person has actual knowledge, that the underlying transaction is in violation of §§ 575.201, 575.204, or § 575.205. This interpretation does not apply to obligations arising from an underlying transaction licensed or otherwise authorized pursuant to this part.

**§ 575.406 Extensions of credits or loans to Iraq.**

(a) The prohibition in § 575.210 applies to the unlicensed renewal of credits or loans in existence on the effective date, whether by affirmative action or operation of law.

(b) The prohibition in § 575.210 applies to credits to loans extended in any currency.

**§ 575.407 Payments in connection with certain authorized transactions.**

Payments are authorized in connection with transactions authorized in or pursuant to subpart E.

**§ 575.408 Offshore transactions.**

(a) The prohibitions contained in §§ 575.201 and 575.206 apply to transactions by U.S. persons in locations outside the United States with respect to property in which the U.S. person knows, or has reason to know, that the Government of Iraq has or has had an interest since the effective date.

(b) Prohibited transactions include, but are not limited to, importation into locations outside the United States of, or dealings within such locations in, goods or services of Iraqi origin.

(c) Examples. (1) A U.S. person may not, within the United States or abroad, purchase, sell, finance, insure, transport, act as a broker for the sale or transport of, or otherwise deal in, Iraqi crude oil or petroleum products refined in Iraq.

(2) A U.S. person may not, within the United States or abroad, conduct transactions of any nature whatsoever with an entity that the U.S. person knows or has reason to know is an Iraqi Government entity unless the entity is licensed by the Office of Foreign Assets Control to conduct such transactions with U.S. persons.

**§ 575.409 Transshipments through the United States prohibited.**

(a) The prohibitions in § 575.205 apply to the importation into the United States, for transshipment or transit, of goods which are intended or destined for Iraq, or an entity operated from Iraq.

(b) The prohibitions in § 575.204 apply to the importation into the United States, for transshipment or transit, of goods of Iraqi origin which are intended or destined for third countries.

(c) Goods in which the Government of Iraq has an interest which are imported into or transshipped through the United States are blocked pursuant to § 575.201.

**§ 575.410 Imports of Iraqi goods from third countries; transshipments.**

Importation into the United States from third countries of goods, including refined petroleum products, containing raw materials or components of Iraqi origin is prohibited. In light of the universal prohibition in UNSC Resolution 661 on the importation of goods exported from Iraq or Kuwait after August 6, 1990, substantial

transformation of Iraqi-origin goods in a third country does not exempt the third-country products from the prohibitions contained in this part.

**§ 575.411 Exports to third countries; transshipments.**

Exportation of goods or technology (including technical data and other information) from the United States to third countries is prohibited if the exporter knows, or has reason to know, that the goods or technology are intended for transshipment to Iraq (including passage through, or storage in, intermediate destinations). The exportation of goods and technology intended specifically for incorporation or substantial transformation into a third-country product is also prohibited if the particular product is to be used in Iraq, is being specifically manufactured to fill a Iraqi order, or if the manufacturer's sales of the particular product are predominantly to Iraq.

**§ 575.412 Release of Iraqi goods from bonded warehouse or foreign trade zone.**

Section 575.204 does not prohibit the release from a bonded warehouse or a foreign trade zone of goods of Iraqi origin imported into a bonded warehouse or a foreign trade zone either prior to the effective date or in a transaction authorized pursuant to this part after the effective date.

Note: Pursuant to § 575.201, property in which the Government of Iraq has an interest may not be released unless authorized or licensed by the Office of Foreign Assets Control.

**§ 575.413 Goods intended for export to Iraq.**

The prohibitions contained in § 575.201 do not apply to goods manufactured, consigned, or destined for export to Iraq and not subject to § 575.517, if the Government of Iraq has never held or received title to such goods on or after the effective date, and if any payment received from the Government of Iraq with respect to such goods is placed in a blocked account in a U.S. financial institution pursuant to § 575.503. The prohibitions of § 575.205 apply to goods subject to this section.

**§ 575.414 Imports of Iraqi goods and purchases of goods from Iraq.**

The prohibitions contained in § 575.201 shall not apply to the importation of Iraqi-origin goods and services described in § 575.204 if the importation of such goods is permitted by an authorization or license issued pursuant to this part. However, any payments in connection with such



importation are subject to the prohibitions contained in §§ 575.201 and 575.210.

**§ 575.415 Setoffs prohibited.**

A setoff against a blocked account, whether by a U.S. bank or other U.S. person, is a prohibited transfer under § 575.201 if effected after the effective date.

**§ 575.416 Travel transactions for journalistic activity in Iraq.**

(a) Section 575.207 does not prohibit travel transactions in Iraq by persons regularly employed in journalistic activity by recognized newsgathering organizations.

(b) For purposes of this part:

(1) A person is considered regularly employed as a journalist if he or she is employed in a constant or regular manner by a recognized newsgathering organization. Free-lance journalists should have an assignment from a recognized newsgathering organization requiring travel to Iraq, or be able to demonstrate that publication by a recognized newsgathering organization of a work requiring such travel is likely. The latter may be demonstrated by providing a resume listing previously-published free-lance works or copies of previously-published works.

(2) "Recognized newsgathering organizations" include those entities regularly and principally engaged in collecting news for publication in the public press, transmission by wire services, or broadcast by radio or television.

(c) Authorized travel transactions are limited to those incident to travel for the purpose of collecting and disseminating information for a recognized newsgathering organization, and do not include travel transactions related to any other activity in Iraq.

**§ 575.417 [Reserved]**

**§ 575.418 Transactions incidental to a licensed transaction.**

(a) Any transaction ordinarily incident to a licensed transaction and necessary to give effect thereto is also authorized, except a transaction by an unlicensed, blocked person or involving an unlicensed debit to a blocked account.

(b) Example. A license authorizing the Government of Iraq to complete a securities sale also authorizes all activities by other parties required to complete the sale, including transactions by the buyer, brokers, transfer agents, banks, etc.

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

**§ 575.501 Effect of license or authorization.**

(a) No license or other authorization contained in this part, or otherwise issued by or under the direction of the Director of the Office of Foreign Assets Control, shall be deemed to authorize or validate any transaction effected prior to the issuance of the license, unless specifically provided in such license or authorization.

(b) No regulation, ruling, instruction, or license authorizes any transaction prohibited under this part unless the regulation, ruling, instruction, or license is issued by the Office of Foreign Assets Control and specifically refers to this part. No regulation, ruling, instruction, or license referring to this part shall be deemed to authorize any transaction prohibited by any provision of this chapter unless the regulation, ruling, instruction or license specifically refers to such provision.

(c) Any regulation, ruling, instruction, or license authorizing any transaction otherwise prohibited under this part has the effect of removing a prohibition or prohibitions contained in Subpart B from the transaction, but only to the extent specifically stated by its terms. Unless the regulation, ruling, instruction, or license otherwise specifies, such an authorization does not create any right, duty, obligation, claim, or interest in, or with respect to, any property which would not otherwise exist under ordinary principles of law.

**§ 575.502 Exclusion from licenses and authorizations.**

The Director of the Office of Foreign Assets Control reserves the right to exclude any person, property, or transaction from the operation of any license, or from the privileges therein conferred, or to restrict the applicability thereof with respect to particular persons, property, transactions, or classes thereof. Such action shall be binding upon all persons receiving actual or constructive notice of such exclusion or restriction.

**§ 575.503 Payments and transfers to blocked accounts in U.S. financial institutions.**

(a) Any payment of funds or transfer of credit or other assets, including any payment or transfer by any U.S. person outside the United States, to a blocked account in a U.S. financial institution located in the United States in the name of the Government of Iraq is hereby authorized, including incidental foreign exchange transactions, 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 Iraq to any other country or person.

(b) This section authorizes transfer of the funds of a blocked demand deposit account to a blocked interest-bearing account under the same name or designation as was the demand deposit account, as required pursuant to § 575.203 or at the instruction of the depositor, at any time. If such transfer is to a blocked account in a different U.S. financial institution such transfer must be made to a blocked account in a U.S. financial institution located in the United States, and the transferee financial institution must furnish within 10 business days of the date of transfer, the notification described in paragraph (h) of this section to the Office of Foreign Assets Control, Blocked Assets Section.

(c) This section does not authorize any transfer from a blocked account within the United States to an account held outside the United States.

(d) This section does not authorize any payment or transfer to any blocked account held in a name other than that of the Government of Iraq where such government is the ultimate beneficiary of such payment or transfer.

(e) 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.

(f) This section does not authorize the crediting of the proceeds of the sale of securities or other assets, held in a blocked account or a sub-account thereof, or the income derived from such securities or assets, 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 or assets were or are held.

(g) This section does not authorize any payment or transfer from a blocked account in a U.S. financial institution 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.

(h) The authorization in paragraph (a) of this section is subject to the condition that written notification from the U.S. financial institution receiving an authorized payment or transfer is furnished to the Office of Foreign Assets Control, Blocked Assets Section, within



10 business days from the date of payment or transfer. This notification shall confirm that the payment or transfer has been deposited in a blocked account under the regulations in this part, and shall provide the account number, the name and address of the Government of Iraq entity in whose name the account is held, the name and address of the transferee U.S. financial institution, and the amount of the payment or transfer.

(i) This section authorizes the transfer of assets between blocked accounts in U.S. financial institutions at the instruction of the depositor for purposes of investment and reinvestment of assets in which the Government of Iraq has an interest, as authorized in § 575.512. If such transfer is to a blocked account in a different U.S. financial institution, the transferee financial institution must furnish within 10 business days of the date of transfer, the notification described in paragraph (h) of this section to the Office of Foreign Assets Control, Blocked Assets Section.

#### § 575.504 [Reserved]

#### § 575.505 Completion of certain transactions related to bankers acceptances authorized.

(a) Persons other than the Government of Iraq are authorized to buy, sell, and satisfy obligations with respect to bankers acceptances, and to pay under deferred payment undertakings, involving an interest of the Government of Iraq as long as the bankers acceptances were created or the deferred payment undertakings were incurred prior to the effective date.

(b) Persons other than the Government of Iraq are authorized to buy, sell, and satisfy obligations with respect to bankers acceptances, and to pay under deferred payment undertakings, involving the importation or exportation of goods to or from Iraq that do not involve an interest of the Government of Iraq as long as the bankers acceptances or the deferred payment undertakings were accepted prior to the effective date.

(c) Nothing in this section shall authorize or permit a debit to a blocked account. Specific licenses for the debiting of a blocked account may be issued on a case-by-case basis.

#### § 575.506 Payment by the Government of Iraq of obligations to persons within the United States authorized.

(a) The transfer of funds after the effective date by, through, or to any U.S. financial institution or other U.S. person solely for the purpose of payment of obligations of the Government of Iraq to persons or accounts within the United

States is authorized, provided that the obligation arose prior to the effective date, and the payment requires 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 any person, provided that any such payment to the Government of Iraq must be to a blocked account in a U.S. financial institution.

(c) The authorization in this section is subject to the condition that written notification from the U.S. financial institution or U.S. person transferring or receiving funds is furnished to the Office of Foreign Assets Control, Blocked Assets Section, within 10 business days from the date of transfer or receipt. The notification shall provide the account number, name and address of the transferor and/or transferee U.S. financial institution or person, and the account number, name and address of the person into whose account payment is made.

#### § 575.507 Certain exports to Iraq authorized.

(a) All transactions ordinarily incident to the exportation of any item, commodity, or product from the United States to or destined for Iraq are authorized if:

(1) such exports would ordinarily be authorized under one of the following regulations administered by the Department of Commerce: 15 CFR 371.8—General license BAGGAGE (accompanied and unaccompanied baggage); 15 CFR 371.13—General license GUS (shipments to personnel and agencies of the U.S. Government); or

(2) such exports are for the official use of the United Nations, its personnel and agencies (excluding its relief or developmental agencies).

(b) All transactions related to exportation or reexportation not otherwise authorized in this part, are prohibited unless licensed pursuant to the procedures described in § 575.801 by the Office of Foreign Assets Control.

#### § 575.508 Import of household and personal effects from Iraq authorized.

The importation of household and personal effects of Iraqi origin, including baggage and articles for family use, of persons arriving in the United States directly or indirectly from Iraq is authorized. Articles included in such effects may be imported without limitation provided they were actually used by such persons or their family members abroad, are not intended for

any other person or for sale, and are not otherwise prohibited from importation.

#### § 575.509 Payments and transfers authorized for shipments of oil under contract and en route to the United States prior to the effective date.

(a) Oil of Iraqi origin or oil in which the Government of Iraq has an interest may be imported into the United States only if:

(1) Prior to the effective date, the oil was loaded for ultimate delivery to the United States on board a vessel in Iraq, Kuwait, or a third country;

(2) The oil was imported into the United States before 11:59 p.m. Eastern Daylight Time, October 1, 1990; and

(3) The bill of lading accompanying the oil was issued prior to the effective date.

(b) Any payment owed or balance not paid to or for the benefit of the Government of Iraq prior to the effective date for oil imported pursuant to paragraph (a) must be paid into a blocked account in a U.S. financial institution.

(c) Transactions conducted pursuant to this section must be reported in writing to the Office of Foreign Assets Control, Blocked Assets Section, no later than 10 days after the date of importation.

Note: Transactions authorized by this provision have been completed prior to January 18, 1991. The text of this license is included for the convenience of the user.

#### § 575.510 Payments and transfers authorized for goods and services exported to Iraq prior to the effective date.

(a) Specific licenses may be issued on a case-by-case basis to permit payment involving an irrevocable letter of credit issued or confirmed by a U.S. bank, or a letter of credit reimbursement confirmed by a U.S. bank, from a blocked account or otherwise, of amounts owed to or for the benefit of a person with respect to goods or services exported prior to the effective date directly or indirectly to Iraq or Kuwait, or to third countries for an entity operated from Iraq or Kuwait, or for the benefit of the Government of Iraq, where the license application presents evidence satisfactory to the Office of Foreign Assets Control that:

(1) The exportation occurred prior to the effective date (such evidence may include, e.g., the bill of lading, the air waybill, the purchaser's written confirmation of completed services, customs documents, and insurance documents); and

(2) If delivery or performance occurred after the effective date, due diligence was exercised to divert delivery of the goods from Iraq and to



effect final delivery of the goods to a non-prohibited destination, or to prevent performance of the services.

(b) Specific license applications must also contain the following information:

(1) The name and address of any Iraqi broker, purchasing agent, or other participant in the sale of goods or services exported to Iraq; and an explanation of the facts and circumstances surrounding the entry into and execution of the transaction; and

(2) a notarized statement by the applicant certifying that no ownership interest greater than five (5) percent is held by the Government of Iraq or an Iraqi person in the beneficiary of the letters of credit, or if such interest exists, the name, address and ownership interest of the Government of Iraq entity or Iraqi person holding such interest.

(c) This section does not authorize exportation or the performance of services after the effective date pursuant to a contract entered into or partially performed prior to the effective date.

(d) Transactions conducted under specific licenses granted pursuant to this section must be reported in writing to the Office of Foreign Assets Control, Blocked Assets Section, no later than 10 days after the date of payment.

(e) Separate criteria may be applied to the issuance of licenses authorizing payment from an account of or held by a blocked U.S. bank owned or controlled by the Government of Iraq.

**§ 575.511 Extensions or renewals authorized.**

(a) The extension or renewal, at the request of the account party, of a letter of credit or a standby letter of credit issued or confirmed by a U.S. financial institution is authorized.

(b) Transactions conducted pursuant to this section must be reported to the Office of Foreign Assets Control, Blocked Assets Section, within 10 days after completion of the transaction.

**§ 575.512 [Reserved]**

**§ 575.513 Transactions related to telecommunications authorized.**

All transactions of U.S. common carriers with respect to the receipt and transmission of telecommunications involving Iraq are authorized, provided that any payment owed to the Government of Iraq or persons in Iraq is paid into a blocked account in a U.S. financial institution.

**§ 575.514 Transactions related to mail authorized.**

All transactions by U.S. persons, including payment and transfers to common carriers, incident to the receipt

or transmission of mail between the United States and Iraq are authorized, provided that mail is limited to personal communications not involving a transfer of anything of value and not exceeding 12 ounces.

**§ 575.515 [Reserved]**

**§ 575.516 [Reserved]**

**§ 575.517 Procedures established for export transactions initiated prior to effective date.**

Goods awaiting exportation to Iraq on the effective date and seized or detained by the U.S. Customs Service on the effective date or thereafter may be released to the exporter, provided the following documents are filed with Customs officials at the port where such goods are located:

(a) A copy of the contract governing the exportation (sale or other transfer) of the goods to Iraq or, if no contract exists, a written explanation of the circumstances of exportation, including in either case a description of the manner and terms of payment received or to be received by the exporter (or other person) for, or by reason of, the exportation of the goods;

(b) An invoice, bill of lading, or other documentation fully describing the goods; and

(c) A statement by the exporter substantially in the following form:

Any amount received from or on behalf of the Government of Iraq by reason of the attempted exportation of the goods released to [name of exporter] by the U.S. Customs Service on [date], and fully described in the attached documents, has been or will be placed into a blocked account in a U.S. bank and the Office of Foreign Assets Control, Blocked Assets Section, will be immediately notified. [Name of exporter] agrees to fully indemnify the U.S. Government for any amount ultimately determined by a court of competent jurisdiction to be due or payable to or for the benefit of any person by reason of the failure of [name of exporter] to properly pay into a blocked account any amount received for the goods from or on behalf of the Government of Iraq. [Name of exporter] also agrees to waive all claims (1) against any payments received and placed into a blocked account, except as may be later authorized by law, regulations, or license, and (2) against the U.S. Government with regard to the disposition of the amounts placed into a blocked account.

The statement should be dated and signed by the exporter or by a person authorized to sign on the exporter's behalf. The Customs Service may release the goods to the exporter upon receipt of the documentation and statement described above, provided it is satisfied that all customs laws and regulations have been complied with,

including the execution of such hold harmless assurances as it shall determine to be appropriate. The documentation and statement received by Customs will be forwarded to the Office of Foreign Assets Control for review and appropriate action.

**§ 575.518 Certain standby letters of credit and performance bonds.**

(a) Notwithstanding any other provision of law, payment into a blocked account in a U.S. financial institution by an issuing or confirming bank under a standby letter of credit in favor of a beneficiary that is the Government of Iraq or a person in Iraq is prohibited by § 575.201 and not authorized, notwithstanding the provisions of § 575.503, if:

(1) The account party is a U.S. person; and

(2)(a) a specific license has been issued pursuant to the provisions of paragraph (b) of this section, or

(b) 10 business days have not expired after notice to the account party pursuant 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 Iraqi beneficiary 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) 10 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



Director of the Office of Foreign Assets Control 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 U.S. financial institution 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 an Iraqi beneficiary 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 to the instruments covered by this section if the instruments and payments thereunder are subsequently unblocked.

(g) The section does not authorize any U.S. person to reimburse a non-U.S. bank for payment to a Iraqi beneficiary under a standby letter of credit, except by payments into a blocked account in accordance with § 575.503 or paragraph (b) or (c) of this section.

(h) A person receiving a specific license under paragraph (b) or (c) of this section shall certify to the Office of Foreign Assets Control within 5 business days after receipt of that license that it has established the blocked account on its books as provided 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.

(i) 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 a contract, or any similar obligation in the nature of a performance bond;

(2) The term "account party" shall mean the person for whose account the standby letter of credit is opened; and

(3) The term "Iraqi beneficiary" shall mean a beneficiary that is

- (i) A person in Iraq,
- (ii) An entity operated from Iraq, or
- (iii) The Government of Iraq.

**§ 575.519 Certain imports for diplomatic or official personnel authorized.**

All transactions ordinarily incident to the importation of any goods or services into the United States destined for official or personal use by personnel employed by the diplomatic missions of the Government of Iraq to the United States and to international organizations located in the United States are

authorized, not for resale, and unless the importation is otherwise prohibited by law.

**§ 575.520 Donations of food to relieve human suffering authorized.**

(a) Specific licenses may be issued on a case-by-case basis to permit exportation to Iraq of donated food intended to relieve human suffering.

(b) In general, specific licenses will only be granted for donations of food to be provided through the United Nations in accordance with United Nations Security Council Resolutions 661 and 666 and in cooperation with the International Committee of the Red Cross or other appropriate humanitarian agencies for distribution by them or under their supervision, or in such other manner as may be approved under United Nations Security Council Resolution 666 and any other applicable Security Council resolutions, in order to ensure that such donations reach the intended beneficiaries.

(c) Applications for specific licenses pursuant to paragraph (a) of this section shall be made in advance of the proposed exportation, and provide the following information:

(1) The nature, quantity, value, and intended use of the donated food; and

(2) The terms and conditions of distribution, including the intended method of compliance with such terms and conditions of distribution as may have been adopted by the United Nations Security Council or a duly authorized body subordinate thereto to govern the shipment of foodstuffs under applicable United Nations Security Council resolutions, including Resolutions 661 and 666.

**§ 575.521 Donations of medical supplies authorized.**

(a) Specific licenses may be issued on a case-by-case basis to permit exportation to Iraq of donated supplies intended strictly for medical purposes, in accordance with the provisions of United Nations Security Council Resolutions 661 and 666 and other applicable Security Council resolutions.

(b) In general, specific licenses will only be granted for the exportation of medical supplies through the International Committee of the Red Cross or other appropriate humanitarian agencies for distribution by them or under their supervision, or in such other manner as may be approved under applicable Security Council resolutions, in order to ensure that such supplies reach the intended recipient.

(c) Applications for specific licenses pursuant to paragraph (a) shall be made

in advance of the proposed exportation, and provide the following information:

(1) The nature, quantity, value, and intended use of the medical supplies;

(2) The terms and conditions of distribution, including the intended method of compliance with such terms and conditions of distribution as may have been adopted by the United Nations Security Council or a duly authorized body subordinate thereto to govern the shipment of medical supplies under applicable Security Council resolutions.

**Subpart F—Reports**

**§ 575.601 Required records.**

Every person engaging in any transaction subject to the provisions of this part shall keep a full and accurate record of each such transaction in which that person engages, regardless of whether such transaction is effected pursuant to license or otherwise, and such record shall be available for examination for at least 2 years after the date of such transaction.

**§ 575.602 Reports to be furnished on demand.**

Every person is required to furnish under oath, in the form of reports or otherwise, from time to time and at any time as may be required, complete information relative to any transaction, regardless of whether such transaction is effected pursuant to license or otherwise, subject to the provisions of this part. Such reports may be required to include the production of any books of account, contracts, letters or other papers, connected with any such transaction or property, in the custody or control of the person required to make such reports. Reports with respect to transactions may be required either before or after such transactions are completed. The Director of Foreign Assets Control may, through any person or agency, conduct investigations, hold hearings, administer oaths, examine witnesses, receive evidence, take depositions, and require by subpoena the attendance and testimony of witnesses and the production of all books, papers, and documents relating to any matter under investigation, regardless of whether any report has been required or filed in connection therewith.

**§ 575.603 Report on certain correspondent bank accounts.**

(a) U.S. financial institutions are required to file a monthly report concerning any bank account held by them in the name of a bank in which the Government of Iraq holds an equity



interest of 10% or more (*i.e.*, a correspondent bank account).

(b) The report, consisting of a copy of a monthly bank statement for the account, must:

(1) Include a summary of the average balance in the account for the period covered by the report,

(2) List the actual date on which account statements are made available to account holders, and

(3) State the exact location at which documents showing debits from and credits to the account may be reviewed and the name and telephone number of a person responsible for the content of the report.

(The report should not include copies of documents showing debits and credits.)

(c) A report filed pursuant to this section must arrive at the Office of Foreign Assets Control, Compliance Section, no later than the last business day of the month following the activity summarized in the report. The report may be sent by facsimile to (202) 377-7222 or mailed to the following address: Compliance Unit—603, Office of Foreign Assets Control, U.S. Department of the Treasury, 1500 Pennsylvania Avenue, NW.—2131 Annex, Washington, DC 20220.

## Subpart G—Penalties

### § 575.701 Penalties.

(a) Section 586E of the Iraq Sanctions Act of 1990, Public Law 101-513, 104 Stat. 2049, provides that, notwithstanding section 206 of the International Emergency Economic Powers Act (50 U.S.C. 1705) and section 5(b) of the United Nations Participation Act of 1945 (22 U.S.C. 287c(b))—

(1) A civil penalty of not to exceed \$250,000 may be imposed on any person who, after the enactment of this Act, violates or evades or attempts to violate or evade Executive Order Number 12722, 12723, 12724, 12725, or any license, order, or regulation issued under any such Execution Order;

(2) Whoever after the date of enactment of this Act willfully violates or evades or attempts to violate or evade Executive Order Number 12722, 12723, 12724, or 12725 or any license, order, or regulation issued under any such Executive Order—

(i) shall, upon conviction, be fined not more than \$1,000,000 if a person other than a natural person; or

(ii) if a natural person, shall, upon conviction, be fined not more than \$1,000,000, be imprisoned for not more than 12 years, or both.

(3) Any officer, director, or agent of any corporation who knowingly

participates in a violation, evasion, or attempt described in paragraph (a)(2) of this section may be punished by imposition of the fine, imprisonment (or both) specified in paragraph (a)(2)(ii) of this section.

(b) Attention is directed to the United Nations Participation Act, 22 U.S.C. 287c(b), which provides that any person who willfully violates or evades or attempts to violate or evade any order, rule, or regulation issued by the President pursuant to the authority granted in that section shall, upon conviction, be fined not more than \$10,000 or, if a natural person, be imprisoned for not more than ten years, or both; and the officer, director or agent of any corporation who knowingly participates in such violation or evasion shall be punished by a similar fine, imprisonment or both, and any property, funds, securities, papers, or other articles or documents, or any vessel, together with tackle, apparel, furniture, and equipment, or vehicle, or aircraft, concerned in such violation shall be forfeited to the United States.

(c) Attention is directed to 18 U.S.C. 1001, which provides that 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 representation 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.

(d) Violations of this part may also be subject to relevant provisions of the Customs laws and other applicable laws.

### § 575.702 Prepenalty notice.

(a) *When required.* If the Director of the Office of Foreign Assets Control has reasonable cause to believe that there has occurred a violation of any provision of this part or a violation 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, and the Director determines that further proceedings are warranted, he shall issue to the person concerned a notice of his intent to impose a monetary penalty. The prepenalty notice shall be issued whether or not another agency has taken any action with respect to this matter.

(b) *Contents—(1) Facts of violation.* The prepenalty notice shall describe the violation, specify the laws and regulations allegedly violated, and state the amount of the proposed monetary penalty.

(2) *Right to make presentations.* The prepenalty notice also shall inform the person of his right to make a written presentation within 30 days of mailing of the notice as to why a monetary penalty should not be imposed, or, if imposed, why it should be in a lesser amount than proposed.

### § 575.703 Presentation responding to prepenalty notice.

(a) *Time within which to respond.* The named person shall have 30 days from the date of mailing of the prepenalty notice to make a written presentation to the Director.

(b) *Form and contents of written presentation.* The written presentation need not be in any particular form, but shall contain information sufficient to indicate that it is in response to the prepenalty notice. It should contain responses to the allegations in the prepenalty notice and set forth the reasons why the person believes the penalty should not be imposed or, if imposed, why it should be in a lesser amount than proposed.

### § 575.704 Penalty notice.

(a) *No Violation.* If, after considering and presentations made in response to the prepenalty notice and any relevant facts, the Director determines that there was no violation by the person named in the prepenalty notice, he promptly shall notify the person in writing of the determination and that no monetary penalty will be imposed.

(b) *Violation.* If, after considering any presentations made in response to the prepenalty notice, the Director determines that there was a violation by the person named in the prepenalty notice, he promptly shall issue a written notice of the imposition of the monetary penalty to that person.

### § 575.705 Referral to United States Department of Justice.

In the event that the person named does not pay the penalty imposed pursuant to this subpart or make payment arrangements acceptable to the Director within 30 days of the mailing of the written notice of the imposition of the penalty, the matter shall be referred to the United States Department of Justice for appropriate action to recover the penalty in a civil suit in a Federal district court.



**Subpart H—Procedures****§ 575.801 Licensing.**

(a) *General Licenses.* General licenses have been issued authorizing under appropriate terms and conditions certain types of transactions which are subject to the prohibitions contained in Subpart B of this part. All such licenses in effect on the date of publication are set forth in subpart E of this part. It is the policy of the Office of Foreign Assets Control not to grant applications for specific licenses authorizing transactions to which the provisions of an outstanding general license are applicable. Persons availing themselves of certain general licenses may be required to file reports and statements in accordance with the instructions specified in those licenses. Failure to file such reports or statements will nullify the authority of the general license.

(b) *Specific licenses—(1) General course of procedure.* Transactions subject to the prohibitions contained in subpart B of this part which are not authorized by general license may be effected only under specific licenses.

(2) *Applications for specific licenses.* Applications for specific licenses to engage in any transactions prohibited by or pursuant to this part may be filed by letter with the Office of Foreign Assets Control. Any person having an interest in a transaction or proposed transaction may file an application for a license authorizing such transaction, but the applicant for a specific license is required to make full disclosure of all parties in interest to the transaction so that a decision on the application may be made with full knowledge of all relevant facts and so that the identity and location of the persons who know about the transaction may be easily ascertained in the event of inquiry.

(3) *Information to be supplied.* The applicant must supply all information specified by relevant instructions and/or forms, and must fully disclose the names of all the parties who are concerned with or interested in the proposed transaction. If the application is filed by an agent, the agent must disclose the name of his principal(s). Such documents as may be relevant shall be attached to each application as a part of such application except that documents previously filed with the Office of Foreign Assets Control may, where appropriate, be incorporated by reference. Applicants may be required to furnish such further information as is deemed necessary to a proper determination by the Office of Foreign Assets Control. Any applicant or other

party in interest desiring to present additional information or discuss or argue the application may do so at any time before or after decision. Arrangements for oral presentation shall be made with the Office of Foreign Assets Control.

(4) *Effect of denial.* The denial of a license does not preclude the reopening of an application or the filing of a further application. The applicant or any other party in interest may at any time request explanation of the reasons for a denial by correspondence or personal interview.

(5) *Reports under specific licenses.* As a condition for the issuance of any license, the licensee may be required to file reports with respect to the transaction covered by the license, in such form and at such times and places as may be prescribed in the license or otherwise.

(6) *Issuance of license.* Licenses will be issued by the Office of Foreign Assets Control acting on behalf of the Secretary of the Treasury or licenses may be issued by the Secretary of the Treasury acting directly or through any specifically designated person, agency, or instrumentality.

(c) *Address.* License applications, reports, and inquiries should be addressed to the appropriate section or individual within the Office of Foreign Assets Control, or to its Director, at the following address: Office of Foreign Assets Control, U.S. Department of the Treasury, 1500 Pennsylvania Avenue, NW., Annex, Washington, DC 20220.

**§ 575.802 Decisions.**

The Office of Foreign Assets Control will advise each applicant of the decision respecting filed applications. The decision of the Office of Foreign Assets Control acting on behalf of the Secretary of the Treasury with respect to an application shall constitute final agency action.

**§ 575.803 Amendment, modification, or revocation.**

The provisions of this part and any rulings, licenses, whether general or specific, authorizations, instructions, orders, or forms issued hereunder may be amended, modified, or revoked at any time.

**§ 575.804 Rulemaking.**

(a) All rules and other public documents are issued by the Secretary of the Treasury upon recommendation of the Director of the Office of Foreign Assets Control. In general, rulemaking by the Office of Foreign Assets Control involves foreign affairs functions of the

United States, and for that reason is exempt from the requirements under the Administrative Procedure Act (5 U.S.C. 553) for notice of proposed rulemaking, opportunity for public comment, and delay in effective date. Wherever possible, however, it is the practice of the Office of Foreign Assets Control to receive written submissions or hold informal consultations with interested parties before the issuance of any rule or other public document.

(b) Any interested person may petition the Director of the Office of Foreign Assets Control in writing for the issuance, amendment, or repeal of any rule.

**§ 575.805 Delegation by the Secretary of the Treasury.**

Any action which the Secretary of the Treasury is authorized to take pursuant to Executive Order No. 12723 and Executive Order No. 12725 may be taken by the Director, Office of Foreign Assets Control, or by any other person to whom the Secretary of the Treasury has delegated authority so to act.

**§ 575.806 Rules governing availability of information.**

(a) The records of the Office of Foreign Assets Control which are required by 5 U.S.C. 552 to be made available to the public shall be made available in accordance with the definitions, procedures, payment of fees, and other provisions of the regulations on the Disclosure of Records of the Office of the Secretary and of other bureaus and offices of the Department issued under 5 U.S.C. 552 and published as part 1 of this title 31 of the Code of Federal Regulations, 32 FR 9562 (July 1, 1967).

(b) Any form issued for use in connection with the Iraqi Sanctions Regulations may be obtained in person or by writing to the Office of Foreign Assets Control, U.S. Department of the Treasury, 1500 Pennsylvania Avenue, NW., Annex, Washington, DC 20220, or by calling (202) 566-2701.

**Subpart I—Paperwork Reduction Act****§ 575.901 [Reserved]**

Dated: January 14, 1991.

R. Richard Newcomb,

Director, Office of Foreign Assets Control.

Approved: January 15, 1991.

Peter K. Nunez,

Assistant Secretary

(Enforcement).

[FR Doc. 91-1461 Filed 1-17-91; 8:45 am]

BILLING CODE 4810-25-M



MR. PRESIDENT:

Counsel concurs.

THE WHITE HOUSE

WASHINGTON

February 8, 1991

91 FEB -8 PM 12:17

MEMORANDUM FOR PHILLIP D. BRADY

FROM: C. BOYDEN GRAY *CBH*

SUBJECT: Semiannual Report to Congress on Iraq

Pursuant to your request, I have reviewed the above-referenced matter and have no legal objection to the report. I note, however, that a comparison of the text you provided me with an advance copy provided my office by the Treasury Department revealed several serious typographical errors and omissions. The errors we detected are indicated on the attached text, but I recommend that the Clerk's Office review the text again in order to ensure that there are no additional errors.

Thank you for bringing this matter to my attention.

Attachment  
Semiannual Report to Congress on Iraq



THE WHITE HOUSE  
WASHINGTON



Date: 2/7

TO: *Steve Rademaker*

FROM: **JOHN S. GARDNER**  
Special Assistant to the President  
and Assistant Staff Secretary

*Please obtain Counsel clearance /  
comments on this ASAP (it's already  
overdue).*

*Thanks  
J.S.*



THE WHITE HOUSE

WASHINGTON

PB  
0855

February 6, 1991

ACTION

MEMORANDUM FOR THE PRESIDENT

THROUGH: THE EXECUTIVE CLERK

FROM: BRENT SCOWCROFT *RS for*

SUBJECT: Semiannual Report to Congress on Iraq

Purpose

To obtain your approval of the semiannual report to Congress on the Iraqi emergency and the economic sanctions imposed on Iraq and occupied Kuwait which remain in force because of the current state of U.S./Iraqi relations.

Background

The International Emergency Economic Powers Act requires that you submit a report to Congress every six months on the Iraqi emergency, which was declared last August, and on the economic sanctions imposed against Iraq and occupied Kuwait in response to the Iraqi invasion of Kuwait on August 2, 1990.

Treasury Secretary Brady, supported by State and Justice, has forwarded the current report (Tabs A & B), which is due to the Congress this month, for your signature. This initial report summarizes Administration actions and developments concerning the Iraqi emergency and the imposition of economic sanctions for the past six months. It also contains information on Administration expenses attributable to the Iraqi emergency.

RECOMMENDATION

That you sign the report to Congress at Tab A.

Attachments

Tab A Report to Congress

Tab B Letter from Treasury Secretary

cc Vice President  
Chief of Staff



**TO THE CONGRESS OF THE UNITED STATES:**

1. On August 2, 1990, in Executive Order No. 12722, I declared a national emergency to deal with the threat to the national security and foreign policy of the United States caused by Iraq's invasion of Kuwait. (55 Red. Reg. 31803.) In that Order, I ordered the immediate blocking of all property and interests in property of the Government of Iraq (including the Central Bank of Iraq) then or thereafter located in the United States or within the possession or control of a U.S. person. I also prohibited the importation of goods or services ~~to~~ Iraqi origin into the United States and the exportation of goods, technology and services to Iraq from the United States. In addition, I prohibited travel-related transactions and transportation transactions from or to Iraq, and the performance of any contract in support of any industrial, commercial, or governmental project in Iraq. U.S. persons were also prohibited from granting or extending credit or loans to the Government of Iraq.

At the same time, at the request of the Government of Kuwait, I issued Executive Order No. 12723 (55 FR 31805), blocking all property of the Government of Kuwait then or thereafter in the United States or in the possession or control of a U.S. persons.



Subsequently, on August 9, 1990, I issued Executive Orders Nos. 12274 and 12275 (55 FR 33089), to ensure that the sanctions imposed by the United States were consistent with United Nations Security Council Resolution No. 661 of August 6, 1990. Under these Orders, additional steps were taken with regard to Iraq and sanctions were applied to Kuwait as well to insure that no benefit to Iraq resulted from the military occupation of Kuwait.

2. The declaration of national emergency on August 2, 1990, was made pursuant to the authority vested in me as President by the Constitution and laws of the United States, including the International Emergency Economic Powers Act (50 U.S.C. 1701 et seq.), the National Emergencies Act (50 U.S.C. 1601 et seq.), and section 301 of title 3 of the United States Code. I reported the declaration to the Congress on August 2, 1990, pursuant to section 204 (b) of the International Emergency Economic Powers Act (50 U.S.C. 1703 (b)). The additional sanctions of August 9, 1990, were imposed pursuant to the authority vested in me by the Constitution and laws of the United States, including the statutes cited above and the United Nations Participation Act (22 U.S.C. 287c). The present report is submitted pursuant to 50 U.S.C. 1641 (c) and 1703 (c). This report discusses only Administration actions and expenses directly related *To the national emergency with respect to Iraq declared* in Executive Order No. 12722, as implemented pursuant to that order and Executive Orders No. 12723, 12724, and 12725.



3. The Office of Foreign Assets Control of the Department of the Treasury ("FAC"), after consultation with other Federal agencies, issued the Kuwaiti Assets Control Regulations, 31 C.F.R. Part 570 (55 FR 49857, November 30, 1990), and the Iraqi Sanctions Regulations, 31 C.F.R. Part 575 (56 FR 2112, January 18, 1991), to implement the prohibitions contained in Executive Orders No. 12272-12275.

Prior to the issuance of the final regulations, FAC issued a number of general licenses to address emergency situations affecting U.S. persons and the legitimate Government of Kuwait. Those general licenses have been incorporated, as appropriate, into the Kuwaiti Assets Control Regulations and the Iraqi Sanctions Regulations as general licenses, which permit transactions that would otherwise be prohibited by the Executive orders and regulations. U.S. persons, including U.S. financial institutions, are authorized to complete certain securities, foreign exchange, and similar transactions on behalf of the Government of Kuwait that were entered into prior to August 2, 1990. Similarly, certain import and export transactions commenced prior to August 2, 1990, were allowed to be completed, provided that any payments owed to Iraq or Kuwait were paid into a blocked account in a U.S. financial institution. The regulations also allow for the investment and reinvestment of blocked Kuwaiti and Iraqi assets. Consistent with United Nations Security Council Resolutions 661 and 666, the regulations also



outline licensing procedures permitting the donation to Iraq or Kuwait of food in humanitarian circumstances, and of medical supplies, where it is demonstrated to FAC that the proposed export transaction meets the requirements for exemption under United Nations Security Council Resolution 661.

With this report I am enclosing a copy of the Treasury Department's Kuwaiti Assets Control Regulations and Iraqi Sanctions Regulations.

4. Worldwide outrage over the invasion of Kuwait by Saddam Hussein has resulted in the imposition of sanctions by nearly every country of the world. To an extent unprecedented in the history of peacetime economic sanctions, the community of nations has worked together to make the sanctions effective in isolating Saddam Hussein and in cutting him off from the support he needs in order to continue his illegal occupation of Kuwait. This cooperation has occurred through the United Nations Sanctions Committee, established by United Nations Security Council Resolution 661, diplomatic channels, and day-to-day working contact among the national authorities responsible for implementing and administering the sanctions.

5. As of January 24, 1991, FAC had issued 158 specific licenses to Kuwaiti governmental entities operating assets or direct investments in the United States, enabling continued operation and the preservation of Kuwaiti government assets in



the United States, as well as addressing certain expenditures by or on behalf of the Government of Kuwait in exile. In addition, 68 specific licenses were issued regulating transactions involving the Government of Iraq or its assets. Authorizations were granted enabling the Iraqi Embassy to conduct diplomatic representation in the United States. Specific licenses were also issued to non-Iraqi entities determining or authorizing the disposition of pre-embargo imports and exports on the high seas, authorizing the payment under confirmed letters of credit for pre-embargo exports, and permitting the conduct of procedural transactions such as the filing of law suits and payment for legal representation. In all cases involving Iraqi property, steps were taken to ensure that no financial benefit accrued to Iraq as a result of a licensing decision. In order to ensure compliance with the terms and conditions of licenses, reporting requirements have been imposed which are closely monitored. Licensed accounts are regularly audited by FAC compliance personnel and by deputized auditors from other regulatory agencies. Compliance analyses are prepared monthly for major licensed Kuwaiti governmental entities.

6. Upon issuance of Executive Orders 12722 and 12723 on August 2, 1990, FAC initiated an intensive effort to identify and enforce the blocked status of all property within the United States in which the Government of Iraq has an interest. On



Sunday, August 5, 1990, in a nationwide law enforcement effort coordinated by FAC, notices of blocking were served on agents of Iraqi Airways, Inc. at four locations -- two in New York, one in Southfield, Michigan, and one in Los Angeles, California -- and all operations of Iraqi Airways in the United States were shut down.

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FAC is continuing to coordinate enforcement actions and investigate reports of violations of the sanctions against Iraq and occupied Kuwait. These efforts will continue to ensure that no activities in violation of the sanctions are allowed to confer any benefit on Iraq.

The enforcement efforts of the United States Government complement the efforts worldwide to enforce sanctions against Iraq. The United States has utilized a wide variety of diplomatic, administrative, and enforcement tool to deter circumvention of the global trade and financial embargoes, established under United Nations Security Council resolutions. The enforcement efforts of the United States have been augmented through ongoing contacts with the United Nations, the Organization of Economic Cooperation and Development, the European Community and member states' central banks through the Bank for International Settlements as well as with representatives of individual governments.

7. The expenses incurred by the Federal Government in the six-month period from August 2, 1990, through February 1, 1991, that are directly attributable to the exercise of the authorities conferred by the declaration of a national emergency with respect to Iraq (including sanctions against Iraq and occupied Kuwait) are estimated at \$1,226,338.80, most of which represents wage and salary costs for Federal personnel. Personnel costs were largely



centered in the Department of the Treasury (particularly in FAC, the U.S. Customs Service, Office of the Assistant Secretary for Enforcement, the Office of the Assistant Secretary for International Affairs, and the Office of the General Counsel), the Department of the State, the Federal Reserve Board, the National Security Council, the Department of Agriculture, and the Department of Transportation.

8. The invasion of Kuwait and the continuing illegal occupation of that country by Saddam Hussein continue to pose an unusual and extraordinary threat to the national security and foreign policy of the United States. The United States remains committed to a multilateral resolution of this crisis through its actions implementing the binding decisions of the United Nations Security Council with respect to Iraq and Kuwait. I shall continue to exercise the powers at my disposal to apply economic sanctions against Iraq and occupied Kuwait as long as these measures are appropriate, and will continue to report periodically to the Congress on significant developments, pursuant to 50 U.S.C. 1703 (c).

The White House

February \_\_, 1991



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8. The invasion of Kuwait and the continuing illegal occupation of that country by Saddam Hussein continue to pose an unusual and extraordinary threat to the national security and foreign policy of the United States. The United States remains committed to a multilateral resolution of this crisis through its actions implementing the binding decisions of the United Nations Security Council with respect to Iraq and Kuwait. I shall continue to exercise the powers at my disposal to apply economic sanctions against Iraq and occupied Kuwait as long as these measures are appropriate, and will continue to report periodically to the Congress on significant developments, pursuant to 50 U.S.C. 1703 (c).

The White House

February \_\_, 1991

SAVOY CHARLES  
NSC, X 3552

JANICE 3595  
BRODERICK

351

LETTERS TO THE PRESIDENT OF THE SENATE AND  
SPEAKER OF THE HOUSE

~~TO THE CONGRESS OF THE UNITED STATES:~~

1. On August 2, 1990, in Executive Order No. 12722, I declared a national emergency to deal with the threat to the national security and foreign policy of the United States caused by Iraq's invasion of Kuwait. (55 ~~FR~~ Reg. 31803.) In that

✓ ~~/~~ order, I ordered the immediate blocking of all property and interests in property of the Government of Iraq (including the Central Bank of Iraq) then or thereafter located in the United States or within the possession or control of a U.S. person. I

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 Nos. 12724 and 12725 (55 FR 33089), to ensure that the sanctions  
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 these orders, additional steps were taken with regard to Iraq and  
 sanctions were applied to Kuwait as well to insure that no  
 benefit to Iraq resulted from the military occupation of Kuwait.

2. The declaration of <sup>THE</sup> national emergency on August 2, 1990,  
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 the Constitution and laws of the United States, including the  
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✓ <sup>6</sup> 7. The expenses incurred by the Federal Government in the ~~six~~ month period from August 2, 1990, through February 1, 1991, that are directly attributable to the exercise of the authorities conferred by the declaration of a national emergency with respect to Iraq (including sanctions against Iraq and occupied Kuwait) are estimated at \$1,226,338.80, most of which represents wage and salary costs for Federal personnel. Personnel costs were largely



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8. The invasion of Kuwait and the continuing illegal occupation of that country by Saddam Hussein continue to pose an unusual and extraordinary threat to the national security and foreign policy of the United States. The United States remains committed to a multilateral resolution of this crisis through its actions implementing the binding decisions of the United Nations Security Council with respect to Iraq and Kuwait. I shall continue to exercise the powers at my disposal to apply economic sanctions against Iraq and occupied Kuwait as long as these measures are appropriate, and will continue to report periodically to the Congress on significant developments, pursuant to 50 U.S.C. 1703(c).

The White House

February \_\_, 1991

TO THE CONGRESS OF THE UNITED STATES:

1. On August 2, 1990, in Executive Order No. 12722, I declared a national emergency to deal with the threat to the national security and foreign policy of the United States caused by Iraq's invasion of Kuwait. (55 ~~Red. Reg.~~ <sup>FR</sup> 31803.) In that Order, I ordered the immediate blocking of all property and interests in property of the Government of Iraq (including the Central Bank of Iraq) then or thereafter located in the United States or within the possession or control of a U.S. person. I also prohibited the importation of goods or services to Iraqi origin into the United States and the exportation of goods, technology and services to Iraq from the United States. In addition, I prohibited travel-related transactions and transportation transactions from or to Iraq, and the performance of any contract in support of any industrial, commercial, or governmental project in Iraq. U.S. persons were also prohibited from granting or extending credit or loans to the Government of Iraq.

At the same time, at the request of the Government of Kuwait, I issued Executive Order No. 12723 (55 FR 31805), blocking all property of the Government of Kuwait then or thereafter in the United States or in the possession or control of a U.S. persons.



Subsequently, on August 9, 1990, I issued Executive Orders Nos. <sup>724</sup>12274 and <sup>725</sup>12275 (55 FR 33089), to ensure that the sanctions imposed by the United States were consistent with United Nations Security Council Resolution No. 661 of August 6, 1990. Under these Orders, additional steps were taken with regard to Iraq, and sanctions were applied to Kuwait as well to insure that no benefit to Iraq resulted from the military occupation of Kuwait.

2. The declaration of <sup>the</sup> national emergency on August 2, 1990, was made pursuant to the authority vested in me as President by the Constitution and laws of the United States, including the International Emergency Economic Powers Act (50 U.S.C. 1701 et seq.), the National Emergencies Act (50 U.S.C. 1601 et seq.), and section 301 of title 3 of the United States Code. I reported the declaration to the Congress on August <sup>3</sup>~~2~~, 1990, pursuant to section 204 (b) of the International Emergency Economic Powers Act (50 U.S.C. 1703 (b)). The additional sanctions of August 9, 1990, were imposed pursuant to the authority vested in me by the Constitution and laws of the United States, including the statutes cited above and the United Nations Participation Act (22 U.S.C. 287c). The present report is submitted pursuant to 50 U.S.C. 1641 (c) and 1703 (c). This report discusses only Administration actions and expenses directly related in Executive Order No. 12722, as implemented pursuant to that order and Executive Orders No. <sup>5</sup>12723, 12724, and 12725.

3. The Office of Foreign Assets Control of the Department of the Treasury ("FAC"), after consultation with other Federal agencies, issued the Kuwaiti Assets Control Regulations, 31 C.F.R. Part 570 (55 FR 49857, November 30, 1990), and the Iraqi Sanctions Regulations, 31 C.F.R. Part 575 (56 FR 2112, January 18, 1991), to implement the prohibitions contained in Executive Orders No. <sup>722 725</sup> ~~12272-12275~~. ✓✓

Prior to the issuance of the final regulations, FAC issued a number of general licenses to address emergency situations affecting U.S. persons and the legitimate Government of Kuwait. Those general licenses have been incorporated, as appropriate, into the Kuwaiti Assets Control Regulations and the Iraqi Sanctions Regulations as general licenses, which permit transactions that would otherwise be prohibited by the Executive orders and regulations. U.S. persons, including U.S. financial *institutions, are authorized to complete certain securities,* foreign exchange, and similar transactions on behalf of the Government of Kuwait that were entered into prior to August 2, 1990. Similarly, certain import and export transactions commenced prior to August 2, 1990, were allowed to be completed, provided that any payments owed to Iraq or Kuwait were paid into a blocked account in a U.S. financial institution. The regulations also allow for the investment and reinvestment of blocked Kuwaiti and Iraqi assets. Consistent with United Nations Security Council Resolutions 661 and 666, the regulations also



outline licensing procedures permitting the donation to Iraq or Kuwait of food in humanitarian circumstances, and of medical supplies, where it is demonstrated to FAC that the proposed export transaction meets the requirements for exemption under United Nations Security Council Resolution 661.

With this report I am enclosing a copy of the *Dept of the Treasury* Treasury Department's Kuwaiti Assets Control Regulations and Iraqi Sanctions Regulations.

4. Worldwide outrage over the invasion of Kuwait by Saddam Hussein has resulted in the imposition of sanctions by nearly every country of the world. To an extent unprecedented in the history of peacetime economic sanctions, the community of nations has worked together to make the sanctions effective in isolating Saddam Hussein and in cutting him off from the support he needs in order to continue his illegal occupation of Kuwait. This cooperation has occurred through the United Nations Sanctions Committee, established by United Nations Security Council Resolution 661, diplomatic channels, and day-to-day working contact among the national authorities responsible for implementing and administering the sanctions.

5. As of January 24, 1991, FAC had issued 158 specific licenses to Kuwaiti governmental entities operating assets or direct investments in the United States, enabling continued operation and the preservation of Kuwaiti government assets in

the United States, as well as addressing certain expenditures by or on behalf of the Government of Kuwait in exile. In addition, 68 specific licenses were issued regulating transactions involving the Government of Iraq or its assets. Authorizations were granted enabling the Iraqi Embassy to conduct diplomatic representation in the United States. Specific licenses were also issued to non-Iraqi entities determining or authorizing the disposition of pre-embargo imports and exports on the high seas, authorizing the payment under confirmed letters of credit for pre-embargo exports, and permitting the conduct of procedural transactions such as the filing of law suits and payment for legal representation. In all cases involving Iraqi property, steps were taken to ensure that no financial benefit accrued to Iraq as a result of a licensing decision. In order to ensure compliance with the terms and conditions of licenses, reporting requirements have been imposed <sup>that</sup> which are closely monitored. Licensed accounts are regularly audited by FAC compliance personnel and by deputized auditors from other regulatory agencies. Compliance analyses are prepared monthly for major licensed Kuwaiti governmental entities.

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✓ Sunday, August 5, 1990, in a nationwide law enforcement effort coordinated by FAC, notices of blocking were served on agents of Iraqi Airways, Inc. (2) at four locations -- two in New York, one in Southfield, Michigan, and one in Los Angeles, California -- and all operations of Iraqi Airways in the United States were shut down.

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FAC is continuing to coordinate enforcement actions and investigate reports of violations of the sanctions against Iraq and occupied Kuwait. These efforts will continue to ensure that no activities in violation of the sanctions are allowed to confer any benefit on Iraq.

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The White House

February \_\_, 1991

UNCLASSIFIED  
ACTION DATA SUMMARY REPORT

RECORD ID: 9100855

DOC ACTION OFFICER

CAO ASSIGNED ACTION REQUIRED

001 HAASS  
002 SCOWCROFT  
003 PRESIDENT  
003

Z 91020408 PREPARE MEMO FOR SCOWCROFT  
Z 91020612 FWD TO PRES FOR SIG  
Z 91020619 FOR SIGNATURE  
X 91021209 PRES SGD PER WH EXEC CLERK

UNCLASSIFIED



Semi Annual Rpt to Cong on  
drag

National Security Council  
The White House

PROOFED BY: hms LOG # 0853  
URGENT NOT PROOFED: \_\_\_\_\_ SYSTEM PRS NSC INT  
BYPASSED WW DESK: \_\_\_\_\_ DOCLOG 24 A/O \_\_\_\_\_

	SEQUENCE TO	HAS SEEN	DISPOSITION
<u>Sub</u> Ken Hill	<u>1</u>	<u>K</u>	<u>A</u>
Bill Sittmann	<u>2</u>	<u>[Signature]</u>	
Bob Gates	<u>3</u>	<u>[Signature]</u>	
Brent Scowcroft			
Bill Sittmann			
Situation Room			
West Wing Desk	<u>4</u>	<u>WA 2/6</u>	<u>D</u>
NSC Secretariat	<u>5</u>		<u>N/R</u>

A = Action I = Information D = Dispatch R = Retain N = No further Action

cc: VP Sununu Other \_\_\_\_\_

Should be seen by: \_\_\_\_\_  
(Date/Time)

COMMENTS

DISPATCH INSTRUCTIONS:

2/12/91

THE WHITE HOUSE

WASHINGTON

0855

February 6, 1991

ACTION

MEMORANDUM FOR THE PRESIDENT

THROUGH: THE EXECUTIVE CLERK  
FROM: BRENT SCOWCROFT *Rg for*  
SUBJECT: Semiannual Report to Congress on Iraq

Purpose

To obtain your approval of the semiannual report to Congress on the Iraqi emergency and the economic sanctions imposed on Iraq and occupied Kuwait which remain in force because of the current state of U.S./Iraqi relations.

Background

The International Emergency Economic Powers Act requires that you submit a report to Congress every six months on the Iraqi emergency, which was declared last August, and on the economic sanctions imposed against Iraq and occupied Kuwait in response to the Iraqi invasion of Kuwait on August 2, 1990.

Treasury Secretary Brady, supported by State and Justice, has forwarded the current report (Tabs A & B), which is due to the Congress this month, for your signature. This initial report summarizes Administration actions and developments concerning the Iraqi emergency and the imposition of economic sanctions for the past six months. It also contains information on Administration expenses attributable to the Iraqi emergency.

RECOMMENDATION

That you sign the report to Congress at Tab A.

Attachments

Tab A Report to Congress  
Tab B Letter from Treasury Secretary

cc Vice President  
Chief of Staff



**TO THE CONGRESS OF THE UNITED STATES:**

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The White House

February \_\_, 1991





## THE SECRETARY OF THE TREASURY

WASHINGTON

February 1, 1991

The President  
The White House  
Washington, D.C. 20500

Dear Mr. President:

On August 2, 1990, you declared an emergency with respect to Iraq pursuant to the International Emergency Economic Powers Act, and imposed sanctions against Iraq and occupied Kuwait. Under the International Emergency Economic Powers Act, the President is required to submit a report to the Congress concerning the Iraqi emergency every six months. A proposed initial report, which summarizes Administration actions and developments concerning the Iraqi emergency during the past six months, is enclosed. Only matters related to the economic sanctions against Iraq and occupied Kuwait are discussed.

The enclosed report also contains information on Administration expenses attributable to the Iraqi emergency, as required under the National Emergencies Act.

I recommend that you sign and transmit the proposed report to the Congress.

Sincerely,

Nicholas F. Brady

Enclosure

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**Friday**  
**November 30, 1990**

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**Part VII**

**Department of the  
Treasury**

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**Office of Foreign Assets Control**

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**31 CFR Part 570**

**Kuwaiti Assets Control Regulations; Final  
Rule**



## DEPARTMENT OF THE TREASURY

## Office of Foreign Assets Control

## 31 CFR Part 570

## Kuwait Assets Control Regulations -

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

**ACTION:** Final rule.

**SUMMARY:** On August 2, 1990, upon Iraq's invasion of Kuwait, the President issued Executive Order No. 12722. In that order he declared a national emergency with respect to Iraq, involving the authority, *inter alia*, of the International Emergency Economic Powers Act (50 U.S.C. 1701 *et seq.*), ordered specified sanctions against Iraq, and authorized the Secretary of the Treasury, in consultation with the Secretary of State, to take such actions, including the promulgation of rules and regulations, as might be necessary to carry out the purposes of the Order. Pursuant to this declaration of national emergency, the President also issued Executive Order No. 12723, at the request of the recognized Government of Kuwait, blocking all property and interests in property of the Government of Kuwait as a protective measure. On August 9, 1990, the President issued Executive Orders No. 12724 and No. 12725, imposing additional sanctions on Iraq, consistent with Resolution 661, dated August 6, 1990, of the United Nations Security Council, and imposing similar sanctions on Kuwait to ensure that no benefit from the United States flowed to the Government of Iraq in militarily-occupied Kuwait. In implementation of those Orders, the Treasury Department is issuing the Kuwaiti Assets Control Regulations ("Regulations").

The Regulations block all property and interests in property of the Government of Kuwait or any person purporting to be the Government of Kuwait, its agencies instrumentalities, and controlled entities, including the Central Bank of Kuwait, 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. The Regulations also generally prohibit: (a) Imports into the United States of goods or services from Kuwait; (b) exports from the United States of goods, technology or services to Kuwait or entities operated from Kuwait; (c) any dealing by any U.S. person in Kuwait-origin goods or any other goods from Kuwait or intended for Kuwait; (d) transactions by U.S. persons

relating to travel by U.S. citizens and permanent resident aliens to Kuwait, including their activities within Kuwait; (e) transactions by U.S. persons relating to transportation to or from Kuwait; transportation services to or from the United States by Kuwaiti persons, vessels, or aircraft; or the sale in the United States by any person holding authority under the Federal Aviation Act of any transportation by air which includes any stop in Kuwait; (f) performance by U.S. persons of contracts in support of industrial, commercial, public utility, or governmental projects in Kuwait; and (g) any transfer of funds by U.S. persons to the Government of Kuwait or any person in Kuwait.

**EFFECTIVE DATE:** November 30, 1990.

**FOR FURTHER INFORMATION CONTACT:** William B. Hoffman, Chief Counsel, Tel.: (202) 535-6020, or Steven L. Pinter, Chief of Licensing, Tel.: (202) 535-9449, Office of Foreign Assets Control, Department of the Treasury, Washington, DC.

**SUPPLEMENTARY INFORMATION:** All General Licenses issued by the Office of Foreign Assets Control prior to November 30, 1990, may continue to be relied on to validate actions prior to this date during the period of their validity. Specific licenses issued prior to this date continue in effect according to their terms unless modified by the Office of Foreign Assets Control.

Authorizations contained in General Licenses issued prior to publication of these regulations can now be found in the following sections:

Issuance date	License No.	Regulation Section
8/02/90	General License No. 1.....	Amended
8/15/90	General License No. 1, amended.	Section 570.504
8/08/90	General License No. 2.....	Section 570.508
8/08/90	General License No. 3.....	Amended
10/15/90	General License No. 3, amended.	Section 570.512
8/08/90	General License No. 4.....	Revoked 10/2/90
8/13/90	General License No. 5.....	Section 570.504
8/15/90	General License No. 6.....	Section 570.513
8/15/90	General License No. 7.....	Amended
10/18/90	General License No. 7, amended.	Section 570.510
8/23/90	General License No. 8.....	Section 570.514
8/27/90	General License No. 9.....	Section 570.517
8/30/90	General License No. 10.....	Section 570.505
9/01/90	General License No. 11.....	Section 570.508
9/26/90	General License No. 12.....	Section 570.520

Transactions otherwise prohibited under this part may be authorized by a general license contained in subpart E or by a specific license issued pursuant to the procedures described in § 570.801 of subpart H.

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 respect to foreign affairs function of the United States, they are not subject to Executive Order 12291 of February 17, 1981, dealing with Federal regulations.

These regulations are being issued without prior notice and public procedure pursuant to the Administrative Procedure Act. For this reason, the collections of information contained in these regulations 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.*). Comments concerning the collection of information and the accuracy of estimated average annual burden, and suggestions for reducing this burden should be directed to OMB, Paperwork Reduction Project (1505-\*\*\*\*), Washington, DC 20503, with copies of the Office of Foreign Assets Control, Department of the Treasury, 1500 Pennsylvania Ave., NW.—Annex, Washington, DC 20220. Any such comments should be submitted not later than January 29, 1991. Notice of OMB action on these requests will be published in the Federal Register.

The collections of information in these regulations are contained in §§ 570.503, 570.509-570.512, 570.515, 570.517, 570.518, 570.520, 570.521, subpart F, and §§ 570.703, and 570.801. This information is required by the Office of Foreign Assets Control for licensing, compliance, civil penalty and enforcement purposes. This information will be used to determine the eligibility of applicants for the benefits provided through specific licenses, to determine whether persons subject to the regulations are in compliance with applicable requirements, and to determine whether and to what extent civil penalty or other enforcement action is appropriate. The likely respondents and recordkeepers are individuals and business organizations.

*Estimated total annual reporting and/or recordkeeping burden:* 2000 hours.

The estimated annual burden per respondent/recordkeeper varies from 30 minutes to 10 hours, depending on individual circumstances, with an estimated average of 2 hours.

*Estimated number of respondents and/or recordkeepers:* 1000.

*Estimated annual frequency of responses:* 1-12.

**List of Subjects in 31 CFR Part 570**

Iraq, Kuwait, Banks banking, finance, Blocking of assets, Imports, Exports, Loan programs, Penalties, Reporting and recordkeeping requirements.

For the reasons set forth in the preamble, part 570 is added to chapter V as follows:

**PART 570—KUWAITI ASSETS CONTROL REGULATIONS**

Authority: 50 U.S.C. 1701 *et seq.*; 50 U.S.C. 1601 *et seq.*; 22 U.S.C. 287c; Pub. L. 101-513, 104 Stat. 2047-55 (Nov. 5, 1990); 3 U.S.C. 301; E.O. 12722, 55 FR 31803 (Aug. 3, 1990); E.O. 12723, 55 FR 31805 (Aug. 3, 1990); E.O. 12725, 55 FR 33091 (Aug. 13, 1990).

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

Sec.

- 570.101 *Relation of this part to other laws and regulations.*

**Subpart B—Prohibitions**

- 570.201 *Prohibited transactions involving property in which the Government of Kuwait has an interest; transactions with respect to securities.*
- 570.202 *Effect of transfers violating the provisions of this part.*
- 570.203 *Holding of certain types of blocked property in interest-bearing accounts.*
- 570.204 *Prohibited importation of goods or services from Kuwait.*
- 570.205 *Prohibited exportation and exportation of goods, technology, or services to Kuwait.*
- 570.206 *Prohibited dealing in property.*
- 570.207 *Prohibited transactions relating to travel to Kuwait or to activities within Kuwait.*
- 570.208 *Prohibited transportation-related transactions involving Kuwait.*
- 570.209 *Prohibited performance of contracts.*
- 570.210 *Prohibited transfers of funds to the Government of Kuwait or any person in Kuwait.*
- 570.211 *Evasions; attempts; conspiracies.*
- 570.212 *Effective date.*

**Subpart C—General Definitions**

- 570.301 *Blocked account; blocked property.*
- 570.302 *Effective date.*
- 570.303 *Entity.*
- 570.304 *Entity of the Government of Kuwait; Kuwaiti government entity.*
- 570.305 *General license.*
- 570.306 *Government of Iraq.*
- 570.307 *Government of Kuwait.*
- 570.308 *Interest.*
- 570.309 *Iraq; Iraqi.*
- 570.310 *Kuwait; Kuwaiti.*
- 570.311 *Kuwaiti origin.*
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- 570.313 *License.*
- 570.314 *Person.*
- 570.315 *Property; property interest.*
- 570.316 *Specific license.*
- 570.317 *Transfer.*
- 570.318 *UNSC Resolution 661.*
- 570.319 *United States.*
- 570.320 *U.S. financial institution.*

- 570.321 *United States person; U.S. person.*

**Subpart D—Interpretations**

- 570.401 *Reference to amended sections.*
- 570.402 *Effect of amendment.*
- 570.403 *Termination and acquisition of an interest of the Government of Kuwait.*
- 570.404 *Payments from blocked accounts to U.S. exporters and for other obligations prohibited.*
- 570.405 *Acquisition of instruments including bankers acceptances.*
- 570.406 *Extensions of credit or loans to Kuwait.*
- 570.407 *Payments in connection with certain authorized transactions.*
- 570.408 *Offshore transactions.*
- 570.409 *Transshipments through the United States prohibited.*
- 570.410 *Imports of Kuwaiti goods from third countries.*
- 570.411 *Exports to third countries.*
- 570.412 *Release of Kuwaiti goods from bonded warehouse or foreign trade zone.*
- 570.413 *Goods intended for export to Kuwait.*
- 570.414 *Imports of Kuwaiti goods and purchases of goods from Kuwait.*
- 570.415 *Setoffs prohibited.*
- 570.416 *Travel transactions for journalistic activity in Kuwait.*
- 570.417 *Transactions among licensed entities.*
- 570.418 *Transactions incidental to a licensed transaction.*

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

- 570.501 *Effect of license or authorization.*
- 570.502 *Exclusion from licenses and authorizations.*
- 570.503 *Payments and transfers to blocked accounts in U.S. financial institutions.*
- 570.504 *Completion of certain foreign exchange, securities, and commodities transactions.*
- 570.505 *Completion of certain transactions related to bankers acceptances authorized.*
- 570.506 *Payment by the Government of Kuwait of obligations to persons within the United States authorized.*
- 570.507 *Certain exports to Kuwait authorized.*
- 570.508 *Import of household and personal effects from Kuwait authorized.*
- 570.509 *Payment and transfers authorized for shipments of oil under contract and en route to the United States prior to the effective date.*
- 570.510 *Payment and transfers authorized for goods and services exported to Kuwait prior to the effective date.*
- 570.511 *Extensions and renewals authorized.*
- 570.512 *Investment and reinvestment of Government of Kuwait funds held in blocked accounts.*
- 570.513 *Transactions related to telecommunications authorized.*
- 570.514 *Transactions related to mail authorized.*
- 570.515 *Fees for professional services authorized.*
- 570.516 *Certain transactions with respect to patents, trademarks, and copyrights authorized.*

- 570.517 *Procedures established for export transactions initiated prior to effective date.*
- 570.518 *Certain standby letters of credit and performance bonds.*
- 570.519 *Certain imports for diplomatic or official personnel authorized.*
- 570.520 *Donations of food to relieve human suffering authorized.*
- 570.521 *Certain exportations of medical supplies authorized.*

**Subpart F—Reports**

- 570.601 *Required records.*
- 570.602 *Reports to be furnished on demand.*
- 570.603 *Reports on certain correspondent bank accounts.*

**Subpart G—Penalties**

- 570.701 *Penalties.*
- 570.702 *Prepenalty notice.*
- 570.703 *Presentation responding to prepenalty notice.*
- 570.704 *Penalty notice.*
- 570.705 *Referral to United States Department of Justice.*

**Subpart H—Procedures**

- 570.801 *Licensing.*
- 570.802 *Decisions.*
- 570.803 *Amendment, modification, or revocation.*
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- 570.805 *Delegation by the Secretary of the Treasury.*
- 570.806 *Rules governing availability of information.*

**Subpart I—Paperwork Reduction Act**

- 570.901 [Reserved].

**Appendix A to Part 570—Kuwaiti Governmental Entities****Subpart A—Relation of This Part To Other Laws and Regulations****§ 570.101 Relation of this part to other laws and regulations.**

(a) This part is separate from, and independent of, the other parts of this chapter. No license or authorization contained in or issued pursuant to those other parts authorizes any transaction prohibited by this part. No license or authorization contained in or issued pursuant to any other provision of law or regulation authorizes any transaction prohibited by this part.

(b) No license or authorization contained in or issued pursuant to this part relieves the involved parties from complying with any other applicable laws or regulations.

**Subpart B—Prohibitions****§ 570.201 Prohibited transactions involving property in which the Government of Kuwait 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 Government of Kuwait 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 otherwise authorized by this part or by a specific license expressly referring to this section, the transfer (including the transfer on the books of any issuer or agent thereof), the endorsement or guaranty of signatures on, or any other dealing in any security (or evidence thereof) registered or inscribed in the name of the Government of Kuwait and held within the possession or control of a U.S. person is prohibited, irrespective of the fact that at any time either at 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.

(c) A transfer of property to or from the Government of Kuwait and not involving a U.S. person shall be recognized for purposes of this section if the transfer complied with all applicable United Nations Security Council resolutions as implemented in the country of transfer as to the property transferred, and was otherwise lawful in the country of transfer.

(d) *Example:* If a U.S. person acquires a security which had been sold on August 9, 1990, by the Government of Kuwait to a citizen of the United Kingdom, the security would not be considered property in which the Government of Kuwait has an interest if the August 9 transfer was lawful in the United Kingdom. The United Kingdom implemented UNSC Resolution 661 prior to August 9, 1990, with respect to transfers of securities to and from the Government of Kuwait.

**§ 570.202 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 hereunder and involves any property in which the Government of Kuwait 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 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 the Government of Kuwait has an interest, or has had an interest since such date, unless the person with whom such property is held or maintained, prior to such date, had written notice of the transfer or by any written evidence had recognized such transfer.

(c) Unless otherwise provided, an appropriate license or other authorization issued or pursuant to the direction or authorization of the Director of the Office of Foreign Assets Control before, during, or after a transfer shall validate such transfer or render it enforceable to the same extent that it would be valid or enforceable but for the provisions of the International Emergency Economic Power Act, the United Nations Participation 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 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 to the satisfaction of the Director of the Office of Foreign Assets Control each of the following:

(1) Such transfer did not present 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 of a third party 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 hereunder, or

(ii) Such transfer was not licensed or authorized by the Director of the Office of Foreign Assets Control, or

(iii) If a license did purport to cover the transfer, such license had been obtained by misrepresentation of a third party or the withholding of material

facts or was otherwise fraudulently obtained;

the person with whom such property was held or maintained filed with the Office of Foreign Assets Control a report 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 evidence that the terms of paragraphs (d) (1) and (2) of this section have been satisfied.

(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 the Government of Kuwait.

**§ 570.203 Holding of certain types of blocked property in interest-bearing accounts.**

(a) Any person, including a U.S. financial institution, currently holding property subject to § 570.201 which, as of the effective date or the date of receipt if subsequent to the effective date, is not being held in an interest-bearing account, or otherwise invested in a manner authorized by the Office of Foreign Assets Control, must transfer such property to, or hold such property or cause such property to be held in, an interest-bearing account or interest-bearing status in a U.S. financial institution as of the effective date or the date of receipt if subsequent to the effective date of this section, unless otherwise authorized or directed by the Office of Foreign Assets Control. This requirement shall apply to currency and any other financial assets, bank deposits, accounts, and any proceeds resulting from the sale of tangible or intangible property. If interest is credited to an account separate from that in which the interest-bearing asset is held, the name of the account party on both accounts must be the same and must clearly indicate the blocked Government of Kuwait entity having an interest in the accounts.

(b) For purposes of this section, the term "interest-bearing account" means a blocked account in a U.S. financial institution earning interest at rates that are commercially reasonable for the amount of funds in the account. Except as otherwise authorized, the funds may not be invested or held in instruments the maturity of which exceeds 90 days, unless such investments are readily marketable and are purchased at the direction of the Government of Kuwait.

(c) This section does not apply to blocked tangible property, such as

chattels, nor does it create an affirmative obligation on the part of the holder of such blocked tangible property to sell or liquidate the property and put the proceeds in a blocked account. However, the Office of Foreign Assets Control may issue licenses permitting or directing sales of tangible property in appropriate cases.

**§ 570.204 Prohibited importation of goods or services from Kuwait.**

Except as otherwise authorized, no goods or services of Kuwaiti origin may be imported into the United States, nor may any U.S. person engage in any activity that promotes or is intended to promote such importation.

**§ 570.205 Prohibited exportation and reexportation of goods, technology, or services to Kuwait.**

Except as otherwise authorized, no goods, technology (including technical data or other information), or services may be exported from the United States, or, if subject to U.S. jurisdiction, exported or reexported from a third country to Kuwait, to any entity owned or controlled by the Government of Kuwait, or to any entity operated from Kuwait, except donated foodstuffs in humanitarian circumstances, and donated supplies intended strictly for medical purposes, the exportation of which has been specifically licensed pursuant to §§ 570.507, 570.519, 570.520 or 570.521.

**§ 570.208 Prohibited dealing in property.**

Except as otherwise authorized, no U.S. person may deal in property of Kuwaiti origin exported from Kuwait or Iraq after August 6, 1990, property intended for exportation to Kuwait, or property intended for exportation from Kuwait to any other country, nor may any U.S. person engage in any activity that promotes or is intended to promote such dealing.

**§ 570.207 Prohibited transactions relating to travel to Kuwait or to activities within Kuwait.**

Except as otherwise authorized, no U.S. person may engage in any transaction relating to travel by any U.S. citizen or permanent resident alien to Kuwait, or to activities by any U.S. citizen or permanent resident alien within Kuwait, after the effective date, other than transactions:

- (a) Necessary to effect the departure of a U.S. citizen or permanent resident alien from Kuwait or Iraq;
- (b) Relating to travel and activities for the conduct of the official business of

the United States Government or the United Nations; or

(c) Relating to journalistic activity by persons regularly employed in such capacity by a newsgathering organization.

This section prohibits the unauthorized payment by a U.S. person of his or her own travel or living expenses to or within Kuwait.

**§ 570.208 Prohibited transportation-related transactions involving Kuwait.**

Except as otherwise authorized, the following are prohibited:

(a) Any transaction by a U.S. person relating to transportation to or from Kuwait;

(b) The provision of transportation to or from the United States by any Kuwaiti person or any vessel or aircraft of Kuwaiti registration; or

(c) The sale in the United States by any person holding authority under the Federal Aviation Act of any transportation by air which includes any stop in Kuwait.

(d) *Example:* Unless licensed or exempted, no U.S. person may insure, or provide ticketing, ground, port, refueling, bunkering, clearance, or freight forwarding services, with respect to any sea, ground, or air transportation the destination of which is Kuwait, or which is intended to make a stop in Kuwait.

**§ 570.209 Prohibited performance of contracts.**

Except as otherwise authorized, no U.S. person may perform any contract, including a financing contract, in support of an industrial, commercial, public utility, or governmental project in Kuwait.

**§ 570.210 Prohibited transfer of funds to the Government of Kuwait or any person in Kuwait.**

Except as otherwise authorized, no U.S. person may commit or transfer, directly or indirectly, funds or other financial or economic resources to the Government of Kuwait or any person in Kuwait.

**§ 570.211 Evasions; attempts; conspiracies.**

Any transaction for the purpose of, or which has the effect of, evading or avoiding, or which facilitates the evasion or avoidance of, any of the prohibitions set forth in this subpart, is hereby prohibited. Any attempt to violate the prohibitions set forth in this part is hereby prohibited. Any conspiracy formed for the purpose of engaging in a transaction prohibited by this part is hereby prohibited.

**§ 570.212 Effective date.**

The effective dates of the prohibitions and directives contained in this subpart B are as follows:

(a) With respect to §§ 570.201, 574.202, and 570.211, 5 a.m., Eastern Daylight Time ("EDT"), August 2, 1990;

(b) With respect to §§ 570.204, 570.205, 570.206, 570.207, 570.208, 570.209, and 570.210, 8:55 p.m. EDT, August 9, 1990; and

(c) With respect to § 570.203, November 30, 1990.

**Subpart C—General Definitions**

**§ 570.301 Blocked account; blocked property.**

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

**§ 570.302 Effective date.**

The term *effective date* refers to the effective date of the applicable prohibition, as identified in § 570.212.

**§ 570.303 Entity.**

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

**§ 570.304 Entity of the Government of Kuwait; Kuwaiti Government entity.**

The term *entity of the Government of Kuwait or Kuwaiti Government entity* includes:

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

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

**§ 570.305 General license.**

The term *general license* means any license or authorization the terms of which are set forth in this part.

**§ 570.306 Government of Iraq.**

The term *Government of Iraq* includes:

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



(b) Any partnership, association, corporation, or other organization substantially owned or controlled by the foregoing;

(c) 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; and

(d) Any other person or organization determined by the Director of the Office of Foreign Assets Control to be included within this section.

#### § 570.307 Government of Kuwait.

The term *Government of Kuwait* includes:

(a) The state and the Government of Kuwait and any entity purporting to be the Government of Kuwait, as well as any political subdivision, agency, or instrumentality thereof, including the Central Bank of Kuwait;

(b) Any partnership, association, corporation, or other organization substantially owned or controlled by the foregoing;

(c) 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; and

(d) Any other person or organization determined by the Director of the Office of Foreign Assets Control to be included within this section.

#### § 570.308 Interest.

Except as otherwise provided in this part, the term *interest* when used with respect to property (e.g., "an interest in property") means an interest of any nature whatsoever, direct or indirect.

#### § 570.309 Iraq; Iraqi.

The term *Iraq* means the country of Iraq and any territory under the jurisdiction or authority thereof, legal or illegal. The term "Iraqi" means pertaining to Iraq as defined in this section.

#### § 570.310 Kuwait; Kuwaiti.

The term *Kuwait* means the country of Kuwait and any territory under the jurisdiction or authority thereof. The term "Kuwaiti" means pertaining to Kuwait as defined in this section.

#### § 570.311 Kuwaiti origin.

The term *goods or services of Kuwaiti origin* includes:

(a) Goods produced, manufactured, grown, or processed within Kuwait;

(b) Goods which have entered into Kuwaiti commerce;

(c) Services performed in Kuwait or by a Kuwaiti national who is acting as an agent, employee, or contractor of the Government of Kuwait, or of a business entity located in Kuwait. Services of Kuwaiti origin are not imported into the United States when such services are provided in the United States by a Kuwaiti national employed in the United States.

#### § 570.312 Kuwaiti person.

The term *Kuwaiti person* means any Kuwaiti citizen, any person organized under the laws of Kuwait, or any person owned or controlled, directly or indirectly, by a Kuwaiti national or the Government of Kuwait.

#### § 570.313 License.

Except as otherwise specified, the term *license* means any license or authorization contained in or issued pursuant to this part.

#### § 570.314 Person.

The term *person* means an individual, partnership, association, corporation, or other organization.

#### § 570.315 Property; property interest.

The terms *property* and *property interest* include, but are not limited to, money, checks, drafts, bullion, bank deposits, savings accounts, debts, indebtedness, obligations, notes, debentures, stocks, bonds, coupons, any other financial instruments, banker's 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, vendor's sales agreements, land contracts, leaseholds, ground rents, real estate and any other interest therein, 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, services of any nature whatsoever, 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.

#### § 570.316 Specific license.

The term *specific license* means any license or authorization not set forth in this part but issued pursuant to this part in response to an application.

#### § 570.317 Transfer.

The term *transfer* means 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, convey, 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, the exercise of any power of appointment, power of attorney, or other power; or the acquisition, disposition, transportation, importation, exportation, or withdrawal of any security.

#### § 570.318 UNSC Resolution 661.

The term *UNSC Resolution 661* means United Nations Security Council Resolution No. 661, adopted August 6, 1990, prohibiting certain transactions with respect to Iraq and Kuwait.

#### § 570.319 United States.

The term *United States* means the United States, its territories and possessions, and all areas under the jurisdiction or authority thereof.

#### § 570.320 U.S. financial institution.

The term *U.S. financial institution* means any U.S. person (including foreign branches) that is engaged in the business of accepting deposits, making, granting, transferring, holding, or brokering loans or credits, or purchasing or selling foreign exchange, securities, commodity futures or options, or procuring purchasers and sellers thereof, as principal or agent; including, but not limited to, depository institutions, banks, savings banks, trust companies, securities brokers and dealers, commodity futures and options brokers and dealers, forward contract and foreign exchange merchants, securities and commodities exchanges, clearing corporations, investment companies,

employee benefit plans, and U.S. holding companies, U.S. affiliates, or U.S. subsidiaries of any of the foregoing. This term includes those branches, offices and agencies of foreign financial institutions which are located in the United States, but not such institutions' foreign branches, offices, or agencies.

**§ 570.321 United States person; U.S. person.**

The term *United States person* or *U.S. person* means any United States citizen; permanent resident alien; juridical person organized under the laws of the United States or any jurisdiction within the United States; including foreign branches; or any person in the United States.

**Subpart D—Interpretations**

**§ 570.401 Reference to amended sections.**

Except as otherwise specified, reference to any section of this part or to any regulation, ruling, order, instruction, direction, or license issued pursuant to this part shall be deemed to refer to the same as currently amended.

**§ 570.402 Effect of amendment.**

Any amendment, modification, or revocation of any section of this part or of any order, regulation, ruling, instruction, or license issued by or under the direction of the Director of the Office of Foreign Assets Control shall not, unless otherwise specifically provided, be deemed to affect any act done or omitted to be done, or any civil or criminal suit or proceeding commenced or pending prior to such amendment, modification, or revocation. All penalties, forfeitures, and liabilities under any such order, regulation, ruling, instruction, or license shall continue and may be enforced as if such amendment, modification, or revocation had not been made.

**§ 570.403 Termination and acquisition of an interest of the Government of Kuwait.**

(a) Whenever a transaction licensed or authorized by or pursuant to this part results in the transfer of property (including any property interest) from the Government of Kuwait, such property shall no longer be deemed to be property in which the Government of Kuwait 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 or attempted to be transferred to the Government of

Kuwait, such property shall be deemed to be property in which there exists an interest of the Government of Kuwait.

**§ 570.404 Payments from blocked accounts to U.S. exporters and for 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 the effective date, except as authorized pursuant to this part.

**§ 570.405 Acquisition of instruments including bankers acceptances.**

No U.S. person may acquire or deal in any obligation, including bankers acceptances, where the documents evidencing the obligation indicate, or the U.S. person has actual knowledge, that the underlying transaction is in violation of §§ 570.201, 570.204, or 570.205. This interpretation does not apply to obligations arising from an underlying transaction licensed or otherwise authorized pursuant to this part.

**§ 570.406 Extensions of credits or loans to Kuwait.**

(a) The prohibition in § 570.210 applies to the unlicensed renewal of credits or loans in existence on the effective date, whether by affirmative action or operation of law.

(b) The prohibition in § 570.210 applies to credits or loans extended in any currency.

**§ 570.407 Payments in connection with certain authorized transactions.**

Payments are authorized in connection with transactions authorized in or pursuant to Subpart E.

**§ 570.408 Offshore transactions.**

(a) The prohibitions contained in §§ 570.201 and 570.206 apply to transactions by U.S. persons in locations outside the United States with respect to property which the U.S. person knows, or has reason to know, that the Government of Kuwait has or has had an interest since the effective date.

(b) Prohibited transactions include, but are not limited to, importation into locations outside the United States of, or dealings within such locations in, goods or services of Kuwaiti origin.

(c) *Examples:* (1) A U.S. person may not, within the United States or abroad, purchase, sell, finance, insure, transport, act as a broker for the sale or transport of, or otherwise deal in, Kuwaiti crude oil or petroleum products refined in Kuwait.

(2) A U.S. person may not, within the United States or abroad, conduct transactions of any nature whatsoever

with an entity that he knows or has reason to know is a Kuwaiti Government entity unless the entity is licensed by the Office of Foreign Assets Control to conduct such transactions with U.S. persons.

**§ 570.409 Transshipments through the United States prohibited.**

(a) The prohibitions in § 570.205 apply to the importation into the United States, for transshipment or transit, of goods which are intended or destined for Kuwait, or an entity operated from Kuwait.

(b) The prohibitions in § 570.204 apply to the importation into the United States, for transshipment or transit, of goods of Kuwaiti origin which are intended or destined for third countries.

(c) Goods in which the Government of Kuwait has an interest which are imported into or transshipped through the United States are blocked pursuant to § 570.201.

**§ 570.410 Imports of Kuwaiti goods from third countries.**

(a) Importation into the United States from third countries of goods, including refined petroleum products, containing raw materials or components of Kuwaiti origin is prohibited unless those raw minerals or components were exported from Iraq or Kuwait prior to the effective date. In light of the universal prohibition in UNSC Resolution 661 on the importation of goods exported from Iraq or Kuwait after August 6, 1990, substantial transformation of Kuwaiti-origin goods in a third country does not exempt the third-country products from the prohibitions contained in this part.

(b) Importation into the United States of goods of Kuwaiti origin which were exported from Kuwait or Iraq on or after the effective date is prohibited pursuant to § 570.204.

**§ 570.411 Exports to third countries.**

(a) Exportation of goods or technology (including technical data and other information) from the United States to third countries is prohibited if the exporter knows, or has reason to know, that the goods or technology are intended for transshipment to Kuwait (including passage through, or storage in, intermediate destinations) without coming to rest in the third country and without being substantially transformed or incorporated into manufactured products in a third country. The exportation of goods and technology intended specifically for incorporation or substantial transformation into a third-country product is also prohibited if the particular product is to be used in Kuwait, is being specifically



manufactured to fill a Kuwaiti order, or if the manufacturer's sales of the particular product are predominantly to Kuwait.

(b) Exportation of goods or technology from the United States to third countries is not prohibited where the exporter has reasonable cause to believe that:

(1) The goods will come to rest in a third country for purposes other than reexportation to Kuwait; or

(2) The technology will come to rest in a third country for purposes other than reexport to Kuwait.

**§ 570.412 Release of Kuwaiti goods from bonded warehouse or foreign trade zone.**

Section 570.204 does not prohibit the release from a bonded warehouse or a foreign trade zone of goods of Kuwaiti origin imported into a bonded warehouse or a foreign trade zone either prior to the effective date or in a transaction authorized pursuant to this part after the effective date.

**Note:** Pursuant to § 570.201, property in which the Government of Kuwait has an interest may not be released unless authorized or licensed by the Office of Foreign Assets Control.

**§ 570.413 Goods intended for export to Kuwait.**

The prohibitions contained in § 570.201 do not apply to goods manufactured, consigned, or destined for export to Kuwait and not subject to § 575.518, if the Government of Kuwait has never held or received title to such goods on or after the effective date, and if any payment received from the Government of Kuwait with respect to such goods is placed in a blocked account in a U.S. financial institution pursuant to § 575.503.

**§ 570.414 Imports of Kuwait goods and purchases of goods from Kuwait.**

The prohibitions contained in § 570.201 shall not apply to the importation of Kuwaiti-origin goods and services described in § 570.204 if the importation of such goods is permitted by an authorization or license issued pursuant to this part. However, any payments in connection with such importation are subject to the prohibitions contained in §§ 570.201 and 570.210.

**§ 570.415 Setoffs prohibited.**

A setoff against a blocked account, whether by a U.S. bank or other U.S. person, is a prohibited transfer under § 570.201 if effected after the effective date.

**§ 570.416 Travel transactions for journalistic activity in Kuwait.**

(a) Section 570.207 does not prohibit travel transactions in Kuwait by persons regularly employed in journalistic activity by recognized newsgathering organizations.

(b) For purposes of this part:

(1) A person is considered regularly employed as a journalist if he or she is employed in a constant or regular manner by a recognized newsgathering organization. Free-lance journalists should have an assignment from a recognized newsgathering organization requiring travel to Kuwait, or be able to demonstrate that publication by a recognized newsgathering organization of a work requiring such travel is likely. The latter may be demonstrated by providing a resume listing previously-published free-lance works or copies of previously-published works.

(2) "Recognized newsgathering organizations" include those entities regularly and principally engaged in collecting news for publication in the public press, transmission by wire services, or broadcast by radio or television.

(c) Authorized travel transactions are limited to those incident to travel for the purpose of collecting and disseminating information for a recognized newsgathering organization, and do not include travel transactions related to any other activity in Kuwait.

**§ 570.417 Transactions among licensed entities.**

If two U.S. persons controlled by the Government of Kuwait have been granted specific licenses pursuant to this part authorizing them to engage in transactions with U.S. persons, they may also engage in transactions with each other. If an entity owned or controlled by the Government of Kuwait, but which is not a U.S. person, has been granted a specific license authorizing the entity to engage in transactions with a U.S. person, that entity may engage in transactions with a U.S. person controlled by the Government of Kuwait which has been licensed to operate, provided such transactions come within the scope of authorized transactions included in the U.S. person's operating license.

**§ 570.418 Transactions incidental to a licensed transaction.**

(a) Any transaction ordinarily incident to a licensed transaction and necessary to give effect thereto is also authorized, except a transaction by an unlicensed, blocked person or involving an unlicensed debit to a blocked account.

(b) *Example:* A license authorizing the Government of Kuwait to complete a securities sale also authorizes all activities by other parties required to complete the sale, including transactions by the buyer, brokers, transfer agents, banks, etc.

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

**§ 570.501 Effect of license or authorization**

(a) No license or other authorization contained in this part, or otherwise issued by or under the direction of the Director of the Office of Foreign Assets Control, shall be deemed to authorize or validate any transaction effected prior to the issuance of the license, unless specifically provided in such license or authorization.

(b) No regulation, ruling, instruction, or license authorizes any transaction prohibited under this part unless the regulation, ruling, instruction, or license is issued by the Office of Foreign Assets Control and specifically refers to this part. No regulation, ruling, instruction, or license referring to this part shall be deemed to authorize any transaction prohibited by any provision of this chapter unless the regulation, ruling, instruction or license specifically refers to such provision.

(c) Any regulation, ruling, instruction, or license authorizing any transaction otherwise prohibited under this part has the effect of removing a prohibition or prohibitions contained in subpart B from the transaction, but only to the extent specifically stated by its terms. Unless the regulation, ruling, instruction, or license otherwise specifies, such an authorization does not create any right, duty, obligation, claim, or interest in, or with respect to, any property which would not otherwise exist under ordinary principles of law.

**§ 570.502 Exclusion from licenses and authorizations.**

The Director of the Office of Foreign Assets Control reserves the right to exclude any person, property, or transaction from the operation of any license, or from the privileges therein conferred, or to restrict the applicability thereof with respect to particular persons, property, transactions, or classes thereof. Such action shall be binding upon all persons receiving actual or constructive notice of such exclusion or restriction.



**§ 570.503 Payments and transfers to blocked accounts in U.S. financial institutions.**

(a) Any payment of funds or transfer of credit or other assets, including any payment or transfer by any U.S. person outside the United States, to a blocked account in a U.S. financial institution in the name of the Government of Kuwait is hereby authorized, including incidental foreign exchange transactions, 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 Kuwait to any other country or person.

(b) This section does not authorize any payment or transfer to any blocked account held in a name other than that of the Government of Kuwait where such government is the ultimate beneficiary of such payment or transfer.

(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 or other assets, held in a blocked account or a sub-account thereof, or the income derived from such securities or assets, 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 or assets were or are held.

(e) This section does not authorize any payment or transfer from a blocked account in a U.S. financial institution 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) of this section is subject to the condition that written notification from the U.S. financial institution receiving an authorized payment or transfer is furnished to the Office of Foreign Assets Control, Blocked Assets Section, within 10 business days from the date of payment or transfer. This notification shall confirm that the payment or transfer has been deposited in a blocked account under the regulations in this part, and shall provide the account number, the name and address of the Government of Kuwait entity in whose name the account is held, the name and address of the transferee U.S. financial institution, and the amount of the payment or transfer.

(g) This section authorizes transfer of the funds of a blocked demand deposit account to a blocked interest-bearing account under the same name or designation as was the demand deposit account, as required pursuant to § 570.203 or at the instruction of the depositor, at any time. If such transfer is to a blocked account in a different U.S. financial institution, the transferee financial institution must furnish, within 10 business days of the date of transfer, the notification described in paragraph (f) of this section to the Office of Foreign Assets Control, Blocked Assets Section.

(h) This section authorizes the transfer of assets between blocked accounts in U.S. financial institutions at the instruction of the depositor for purposes of investment and reinvestment of assets in which the Government of Kuwait has an interest, as authorized in § 570.512. If such transfer is to a blocked account in a different U.S. financial institution, the transferee financial institution must furnish, within 10 business days of the date of transfer, the notification described in paragraph (f) of this section to the Office of Foreign Assets Control, Blocked Assets Section.

**§ 570.504 Completion of certain foreign exchange, securities, and commodities transactions.**

(a) U.S. financial institutions are authorized to perform and complete in accordance with its terms or, in agreement with the Government of Kuwait, to close out, offset, or liquidate, individually or on a net basis with subcontracts or other contracts, any contract with or on behalf of the Government of Kuwait, except as otherwise noted in paragraph (d) below, for foreign exchange, securities, currency, and interest rate transactions (including, without limitation, spot, forward, option, swap, and futures transactions), and commodity option, swap, and futures transactions (including the posting or payment of margin or settlement variation with respect to transactions described above), provided the contract was entered into prior to the effective date and any of the following requirements is met:

(1) Any funds, currency, securities, or other assets to be paid or delivered to the Government of Kuwait are credited to a blocked account in the name of the entity of the Government of Kuwait with which, or on whose behalf, the transaction was executed; or

(2) Any funds, currency, securities, or other assets to be paid or delivered to the Government of Kuwait are credited to a blocked account in the name of the entity of the Government of Kuwait and

in the financial institution and location designated in the original payment instructions or terms of settlement or delivery for that contract; provided that the country in which payment, settlement, or delivery occurs has in place an arrangement satisfactory to the Office of Foreign Assets Control for ensuring that Government of Kuwait assets in such accounts are blocked or restricted; or

(3) All funds, currency, securities, or other assets due to the Government of Kuwait in connection with such transaction were paid or delivered to the Government of Kuwait prior to the effective date.

(b) All transactions by U.S. persons incidental to the transactions authorized in paragraph (a) are also authorized.

(c) This section does not authorize the crediting of the funds, currency, securities, or other assets received by, or for the benefit of, the Government of Kuwait in a transaction authorized in paragraph (a) to a blocked account or sub-account for the Government of Kuwait under any name or designation which differs from the name or designation of the specific blocked account or sub-account in which the assets utilized by, or on behalf of, the Government of Kuwait in such transaction, were originally held.

**§ 570.505 Completion of certain transactions related to bankers acceptances authorized.**

(a) Persons other than the Government of Kuwait are authorized to buy, sell, and satisfy obligations with respect to bankers acceptances, and to pay under deferred payment undertakings, involving an interest of the Government of Kuwait as long as the bankers acceptances were created or the deferred payment undertakings were incurred prior to the effective date.

(b) Persons other than the Government of Kuwait are authorized to buy, sell, and satisfy obligations with respect to bankers acceptances, and to pay under deferred payment undertakings, involving the importation or exportation of goods to or from Kuwait that do not involve an interest of the Government of Kuwait as long as the bankers acceptances or the deferred payment undertakings were accepted prior to the effective date.

(c) Nothing in this section shall authorize or permit a debit to a blocked account. Specific licenses for the debiting of a blocked account may be issued on a case-by-case basis.



**§ 570.506 Payment by the Government of Kuwait of obligations to persons within the United States authorized.**

(a) The transfer of funds after the effective date by, through, or to any U.S. financial institution or other U.S. person solely for the purpose of payment of obligations of the Government of Kuwait to persons or accounts within the United States is authorized, provided that the obligation arose prior to the effective date, and the payment requires 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 any person, provided that any such payment to the Government of Kuwait must be to a blocked account in a U.S. financial institution.

**§ 570.507 Certain exports to Kuwait authorized.**

(a) All transactions ordinarily incident to the exportation of any item, commodity, or product from the United States to or destined for Kuwait are authorized if:

(1) Such exports would ordinarily be authorized under one of the following regulations administered by the Department of Commerce: 15 CFR 371.6—General license BAGGAGE (accompanied and unaccompanied baggage); 15 CFR 371.13—General license GUS (shipments to personnel and agencies of the U.S. Government); or,

(2) Such exports are for the official use of the United Nations, its personnel and agencies (excluding its relief or developmental agencies).

(b) All transactions related to exportation or reexportation not otherwise authorized in this part are prohibited unless licensed pursuant to the procedures described in § 570.801 by the Office of Foreign Assets Control.

**§ 570.508 Import of household and personal effects from Kuwait authorized.**

The importation of household and personal effects of Kuwaiti origin, including baggage and articles for family use, of persons arriving in the United States directly or indirectly from Kuwait is authorized. Articles included in such effects may be imported without limitation provided they were actually used by such persons or their family members abroad, are not intended for any other person or for sale, and are not otherwise prohibited from importation.

**§ 570.509 Payments and transfers authorized for shipments of oil under contract and en route to the United States prior to the effective date.**

(a) Oil of Kuwaiti origin or oil in which the Government of Kuwait has an interest may be imported into the United States only if:

(1) Prior to the effective date, the oil was loaded for ultimate delivery to the United States on board a vessel in Iraq, Kuwait, or a third country;

(2) The oil was imported into the United States before 11:59 p.m. Eastern Daylight Time, October 1, 1990; and

(3) The bill of lading accompanying the oil was issued prior to the effective date.

(b) Any payment owed or balance not paid to or for the benefit of the Government of Kuwait prior to the effective date for oil imported pursuant to paragraph (a) must be paid into a blocked account in a U.S. financial institution.

(c) Transactions conducted pursuant to this section must be reported in writing to the Office of Foreign Assets Control, Blocked Assets Section, no later than 10 days after the date of importation.

*Note.*—Transactions authorized by this provision have been completed prior to November 30, 1990. The text of this section is included for the convenience of the user.

**§ 570.510 Payments and transfers authorized for goods and services exported to Kuwait prior to the effective date.**

(a) Specific licenses may be issued on a case-by-case basis to permit payment under a financing arrangement requiring payment by a U.S. financial institution, from a blocked account or otherwise, of amounts owed to or for the benefit of a person with respect to goods or services exported prior to the effective date directly or indirectly to Kuwait, or to third countries for an entity operated from Kuwait, or for the benefit of the Government of Kuwait, where the license application presents evidence satisfactory to the Office of Foreign Assets Control that:

(1) The exportation occurred prior to the effective date (such evidence may include, e.g., the bill of lading, the air waybill, the purchaser's written confirmation of completed services, customs documents, and insurance documents); and

(2) If delivery or performance occurred after the effective date, due diligence was exercised to divert delivery of the goods for Kuwait and to effect final delivery of the goods to a non-prohibited destination, or to prevent performance of the services.

(b) This section does not authorize exportation or the performance of services after the effective date pursuant to a contract entered into or partially performed prior the effective date.

(c) Transactions conducted under specific licenses granted pursuant to this section must be reported in writing to the Office of Foreign Assets Control, Blocked Assets Section, no later than 10 days after the date of payment.

(d) Separate criteria may be applied to the issuance of licenses authorizing payment from an account of or held by a blocked U.S. bank owned or controlled by the Government of Kuwait.

**§ 570.511 Extensions and renewals authorized.**

(a) The extension or renewal, at the request of the account party, of a letter of credit or a standby letter of credit issued or confirmed by a U.S. financial institution is authorized.

(b) Transactions conducted pursuant to this section must be reported to the Office of Foreign Assets Control, Blocked Assets Section, within 10 days after completion of the transaction.

**§ 570.512 Investment and reinvestment of Government of Kuwait funds held in blocked accounts.**

(a) U.S. financial institutions are hereby authorized to invest and reinvest assets held in blocked accounts in the name of the Government of Kuwait, subject to the following conditions:

(1) The assets representing such investments and reinvestments are credited to a blocked account or sub-account which is in the name of the Government of Kuwait and which is located in the United States or within the possession or control of a U.S. person;

(2) The proceeds of such investments and reinvestments are not credited 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 funds or securities were held; and

(3) No immediate financial or economic benefit accrues to the Government of Iraq, or a person in Kuwait.

(b)(1) U.S. persons seeking to avail themselves of this authorization must register with the Office of Foreign Assets Control, Blocked Assets Section, before undertaking transactions authorized under this section.

(2) Transactions conducted pursuant to this section must be reported to the Office of Foreign Assets Control,



Blocked Assets Section, within 10 days after completion of the transaction.

**§ 570.513 Transactions related to telecommunications authorized.**

All transactions of U.S. common carriers with respect to the receipt and transmission of telecommunications involving Kuwait are authorized, provided that any payment owed to the Government of Kuwait or persons in Kuwait is paid into a blocked account in a U.S. financial institution.

**§ 570.514 Transactions related to mail authorized.**

All transactions by U.S. persons, including payment and transfers to common carriers, incident to the receipt or transmission of mail between the United States and Kuwait are authorized, provided that mail is limited to items not exceeding 12 ounces.

**§ 570.515 Fees for professional services authorized.**

Specific licenses may be issued on a case-by-case basis to permit payment to U.S. persons providing professional services to the Government of Kuwait including, but not limited to, legal, accounting, and investment advisory services.

**§ 570.516 Certain transactions with respect to patents, trademarks, and copyrights authorized.**

Transactions related to the registration and renewal in the United States Patent and Trademark Office or the United States Copyright Office of patents, trademarks, and copyrights in which the Government of Kuwait or a person in Kuwait has an interest are authorized.

**§ 570.517 Procedures established for export transactions initiated prior to effective date.**

(a) Goods awaiting exportation to Kuwait on the effective date and seized or detained by the U.S. Customs Service on the effective date or thereafter may be released to the exporter, provided the following documents are filed with Customs officials at the port where such goods are located:

(1) A copy of the contract governing the exportation (sale or other transfer) of the goods to Kuwait or, if no contract exists, a written explanation of the circumstances of exportation, including in either case a description of the manner and terms of payment received, or to be received by the exporter (or other person) for, or by reason of, the exportation of the goods;

(2) An invoice, bill of lading, or other documentation fully describing the goods; and

(3) A statement by the exporter substantially in the following form:

Any amount received from or on behalf of the Government of Kuwait by reason of the attempted exportation of the goods released to [name of exporter] by the U.S. Customs Service on [date], and fully described in the attached documents, has been or will be placed into a blocked account in a U.S. bank and the Office of Foreign Assets Control. Blocked Assets Section, will be immediately notified. [Name of exporter] agrees to fully indemnify the U.S. Government for any amount ultimately determined by a court of competent jurisdiction to be due or payable to or for the benefit of any person by reason of the failure of [name of exporter] to properly pay into a blocked account any amount received for the goods from or on behalf of the Government of Kuwait. [Name of exporter] also agrees to waive all claims

(1) against any payments received and placed into a blocked account, except as may be later authorized by law, regulations, or license, and (2) against the U.S. Government with regard to the disposition of amounts placed into a blocked account. The statement should be dated and signed by the exporter or by a person authorized to sign on the exporter's behalf. The Customs Service may release the goods to the exporter upon receipt of the documentation and statement described above, provided it is satisfied that all customs laws and regulations have been complied with, including the execution of such hold harmless assurances as it shall determine to be appropriate. The documentation and statement received by Customs will be forwarded to the Office of Foreign Assets Control for review and appropriate action.

**§ 570.518 Certain standby letters of credit and performance bonds.**

(a)(1) Notwithstanding any other provision of law, payment into a blocked account in a U.S. financial institution by an issuing or confirming bank under a standby letter of credit in favor of a Kuwaiti beneficiary is prohibited by § 570.201 and not authorized, notwithstanding the provisions of § 570.503, if:

(i) A specific license has been issued pursuant to the provisions of paragraph (b) of this section, or

(ii) 10 business days have not expired after notice to the account party pursuant to paragraph (b) of this section.

(2) Nothing in this section shall affect the obligation of an issuing or confirming bank to make payment into a blocked account on behalf of an entity owned or controlled by the Government of Kuwait pursuant to a standby letter of credit if such entity is:

(i) Licensed by the Office of Foreign Assets Control to transact business with U.S. persons, or

(ii) Listed in appendix A to this part as "Not Controlled/Not Restricted" or "Controlled/Licensed to Operate."

(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 Kuwaiti beneficiary 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) 10 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 Director of the Office of Foreign Assets Control 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 U.S. financial institution 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 a Kuwaiti beneficiary 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 to the instruments covered by this section if



the instruments and payments thereunder are subsequently unblocked.

(g) The section does not authorize any U.S. person to reimburse a non-U.S. bank for payment to a Kuwaiti beneficiary under a standby letter of credit, except by payments into a blocked account in accordance with § 570.503 or paragraph (b) or (c) of this section.

(h) A person receiving a specific license under paragraph (b) or (c) of this section shall certify to the Office of Foreign Assets Control within 5 business days after receipt of that license that it has established the blocked account on its books as provided 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.

(i) 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, a contract, or any similar obligation in the nature of a performance bond;

(2) The term "account party" shall mean the person for whose account the standby letter of credit is opened; and

(3) The term "Kuwaiti beneficiary" shall mean a beneficiary that is

(i) A person in Kuwait,

(ii) An entity operated from Kuwait, or

(iii) The Government of Kuwait.

**§ 570.519 Certain imports for diplomatic or official personnel authorized.**

All transactions ordinarily incident to the importation of any goods or services into the United States destined for official or personal use by diplomatic and support personnel employed by the recognized Government of Kuwait are authorized, unless the importation is otherwise prohibited by law.

**§ 570.520 Donations of food to relieve human suffering authorized.**

(a) Specific licenses may be issued on a case-by-case basis to permit exportation to Kuwait of donated food intended to relieve human suffering.

(b) In general, specific licenses will only be granted for donations of food to be provided through the United Nations in accordance with United Nations Security Council Resolutions 661 and 668 and in cooperation with the International Committee of the Red Cross or other appropriate humanitarian agencies for distribution by them or under their supervision, or in such other manner as may be approved under

United Nations Security Council Resolution 668 and any other applicable Security Council resolutions, in order to ensure that such donations reach the intended beneficiaries.

(c) Applications for specific licenses pursuant to paragraph (a) shall be made in advance of the proposed exportation, and provide the following information:

(1) The nature, quantity, value, and intended use of the donated food; and

(2) The terms and conditions of distribution, including the intended method of compliance with such terms and conditions of distribution as may have been adopted by the United Nations Security Council or a duly authorized body subordinate thereto to govern the shipment of foodstuffs under applicable United Nations Security Council resolutions, including Resolutions 661 and 668.

**§ 570.521 Certain exportations of medical supplies authorized.**

(a) Specific licenses may be issued on a case-by-case basis to permit exportation to Kuwait of supplies intended strictly for medical purposes, in accordance with the provisions of United Nations Security Council Resolutions 661 and 668, and other applicable Security Council resolutions.

(b) In general, specific licenses will only be granted for the exportation of medical supplies through the International Committee of the Red Cross or other appropriate humanitarian agencies for distribution by them or under their supervision, or in such other manner as may be approved under applicable Security Council resolutions, in order to ensure that such supplies reach the intended recipient.

(c) Applications for specific licenses pursuant to paragraph (a) shall be made in advance of the proposed exportation, and provide the following information:

(1) The nature, quantity, value, and intended use of the medical supplies;

(2) The terms and conditions of distribution, including the intended method of compliance with such terms and conditions of distribution as may have been adopted by the United Nations Security Council or a duly authorized body subordinate thereto to govern the shipment of medical supplies under applicable Security Council resolutions.

**Subpart F—Reports**

**§ 570.601 Required records.**

Every person engaging in any transaction subject to the provisions of this part shall keep a full and accurate record of each such transaction in which that person engages, regardless of

whether such transaction is effected pursuant to license or otherwise, and such record shall be available for examination for at least 2 years after the date of such transaction.

**§ 570.602 Reports to be furnished on demand.**

Every person is required to furnish under oath, in the form of reports or otherwise, from time to time and at any time as may be required, complete information relative to any transaction, regardless of whether such transaction is effected pursuant to license or otherwise, subject to the provisions of this part. Such reports may be required to include the production of any books of account, contracts, letters or other papers, connected with any such transaction or property, in the custody or control of the person required to make such reports. Reports with respect to transactions may be required either before or after such transactions are completed. The Director of Foreign Assets Control may, through any person or agency, conduct investigations, hold hearings, administer oaths, examine witnesses, receive evidence, take depositions, and require by subpoena the attendance and testimony of witnesses and the production of all books, papers, and documents relating to any matter under investigation, regardless of whether any report has been required or filed in connection therewith.

**§ 570.603 Report on certain correspondent bank accounts.**

(a) U.S. financial institutions are required to file a monthly report concerning any bank account held by them in the name of a bank in which the Government of Kuwait holds an equity interest of 10% or more (*i.e.*, a correspondent bank account).

(b) The report, consisting of a copy of a monthly bank statement for the account, must:

(1) Include a summary of the average balance in the account for the period covered by the report,

(2) List the actual date on which account statements are made available to account holders, and

(3) State the exact location at which documents showing debits from and credits to the account may be reviewed and the name and telephone number of a person responsible for the content of the report.

(The report should not include copies of documents showing debits and credits.)

(c) A report filed pursuant to this section must arrive at the Office of Foreign Assets Control, Compliance

Section, no later than the last business day of the month following the activity summarized in the report. The report may be sent by facsimile to (202) 377-7222 or mailed to the following address: Compliance Unit—603, Office of Foreign Assets Control, U.S. Department of the Treasury, 1500 Pennsylvania Avenue, NW—2131 Annex, Washington, DC 20220.

## Subpart G—Penalties

### § 570.701 Penalties.

(a) Section 586E of the Iraq Sanctions Act of 1990, contained in the Foreign Operations Authorization and Appropriation Act of 1990, dated November 5, 1990, 104 Stat. 1979, provides that notwithstanding section 206 of the International Emergency Economic Powers Act (50 U.S.C. 1705) and section 5(b) of the United Nations Participation Act of 1945 (22 U.S.C. 287c(b))—

(1) A civil penalty of not to exceed \$250,000 may be imposed on any person who, after the enactment of this Act, violates or evades or attempts to violate or evade Executive Order Number 12722, 12723, 12724, 12725, or any license, order, or regulation issued under such Executive Order;

(2) Whoever after the date of enactment of the Iraq Sanctions Act willfully violates or evades or attempts to violate or evade Executive Order Number 12722, 12723, 12724, or 12725 or any license, order, or regulation issued under any such Executive Order—

(i) Shall, upon conviction, be fined not more than \$1,000,000 if a person other than a natural person; or

(ii) If a natural person, shall upon conviction, be fined not more than \$1,000,000 be imprisoned for not more than 12 years, or both.

Any officer, director, or agent of any corporation who knowingly participates in a violation, evasion, or attempt described in paragraph (a)(2) of this section may be punished by imposition of the fine, imprisonment (or both) specified in paragraph (a)(2)(ii) of this section.

(b) Attention is 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 representation 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.

(c) Violations of this part may also be subject to relevant provisions of the Customs laws and other applicable laws.

### § 570.702 Prepenalty notice.

(a) *When required:* If the Director of the Office of Foreign Assets Control has reasonable cause to believe that there has occurred a violation of any provision of this part or a violation 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, and the Director determines that further proceedings are warranted, he shall issue to the person concerned a notice of his intent to impose a monetary penalty. The prepenalty notice shall be issued whether or not another agency has taken any action with respect to this matter.

#### (b) Contents.

(1) *Facts of violation.* The prepenalty notice shall describe the violation, specify the laws and regulations allegedly violated, and state the amount of the proposed monetary penalty.

(2) *Right to make presentations.* The prepenalty notice also shall inform the person of his right to make a written presentation within 30 days of mailing of the notice as to why a monetary penalty should not be imposed, or, if imposed, why it should be in a lesser amount than proposed.

### § 570.703 Presentation responding to prepenalty notice.

(a) *Time within which to respond.* The named person shall have 30 days from the date of mailing of the prepenalty notice to make a written presentation to the Director.

(b) *Form and contents of written presentation.* The written presentation need not be in any particular form, but shall contain information sufficient to indicate that it is in response to the prepenalty notice. It should contain responses to the allegations in the prepenalty notice and set forth the reasons why the person believes the penalty should not be imposed or, if imposed, why it should be in a lesser amount than proposed.

### § 570.704 Penalty notice.

(a) *No violation.* If, after considering any presentations made in response to the prepenalty notice and any relevant facts, the Director determines that there was no violation by the person named in the prepenalty notice, he promptly shall

notify the person in writing of that determination and that no monetary penalty will be imposed.

(b) *Violation.* If, after considering any presentations made in response to the prepenalty notice, the Director determines that there was a violation by the person named in the prepenalty notice, he promptly shall issue a written notice of the imposition of the monetary penalty to that person.

### § 570.705 Referral to United States Department of Justice.

In the event that the person named does not pay the penalty imposed pursuant to this subpart or make payment arrangements acceptable to the Director within 30 days of the mailing of the written notice of the imposition of the penalty, the matter shall be referred to the United States Department of Justice for appropriate action to recover the penalty in a civil suit in a Federal district court.

## Subpart H—Procedures

### § 570.801 Licensing.

(a) *General licenses.* General licenses have been issued authorizing under appropriate terms and conditions certain types of transactions which are subject to the prohibitions contained in subpart B of this part. All such licenses in effect on the date of publication are set forth in subpart E of this part. It is the policy of the Office of Foreign Assets Control not to grant applications for specific licenses authorizing transactions to which the provisions of an outstanding general license are applicable. Persons availing themselves of certain general licenses may be required to file reports and statements in accordance with the instructions specified in those licenses. Failure to file such reports or statements will nullify the authority of the general license.

#### (b) Specific licenses.

(1) *General course of procedure.* Transactions subject to the prohibitions contained in subpart B of this part which are not authorized by general license may be effected only under specific licenses.

(2) *Applications for specific licenses.* Applications for specific licenses to engage in any transactions prohibited by or pursuant to this part may be filed by letter or on an application form with the Office of Foreign Assets Control. Any person having an interest in a transaction or proposed transaction may file an application for a license authorizing such transaction, but the applicant for a specific license is



required to make full disclosure of all parties in interest to the transaction so that a decision on the application may be made with full knowledge of all relevant facts and so that the identity and location of the persons who know about the transaction may be easily ascertained in the event of inquiry.

(3) *Information to be supplied.* The applicant must supply all information specified by relevant instructions and/or forms, and must fully disclose the names of all the parties who are concerned with or interested in the proposed transaction. If the application is filed by an agent, the agent must disclose the name of his principal(s). Such documents as may be relevant shall be attached to each application as a part of such application except that documents previously filed with the Office of Foreign Assets Control may, where appropriate, be incorporated by reference. Applicants may be required to furnish such further information as is deemed necessary to a proper determination by the Office of Foreign Assets Control. If an applicant or other party in interest desires to present additional information or discuss or argue the application, he may do so at any time before or after decision. Arrangements for oral presentation should be made with the Office of Foreign Assets Control.

(4) *Effect of denial.* The denial of a license does not preclude the reopening of an application or the filing of a further application. The applicant or any other party in interest may at any time request explanation of the reasons for a denial by correspondence or personal interview.

(5) *Reports under specific licenses.* As a condition for the issuance of any license, the licensee may be required to file reports with respect to the transaction covered by the license, in such form and at such times and places as may be prescribed in the license or otherwise.

(6) *Issuance of license.* Licenses will be issued by the Office of Foreign Assets Control acting on behalf of the Secretary of the Treasury or licenses may be issued by the Secretary of the Treasury acting directly or through any specifically designated person, agency, or instrumentality.

(c) *Address.* License applications, reports, and inquiries should be addressed to the appropriate section or individual within the Office of Foreign Assets Control, or to its Director, at the following address:

Office of Foreign Assets Control, U.S.  
Department of the Treasury, 1500

Pennsylvania Avenue, NW., Annex,  
Washington, DC 20220.

#### § 570.802 Decisions.

The Office of Foreign Assets Control will advise each applicant of the decision respecting filed applications. The decision of the Office of Foreign Assets Control acting on behalf of the Secretary of the Treasury with respect to an application shall constitute final agency action.

#### § 570.803 Amendment, modification, or revocation.

The provisions of this part and any rulings, licenses, whether general or specific, authorizations, instructions, orders, or forms issued hereunder may be amended, modified, or revoked at any time.

#### § 570.804 Rulemaking.

(a) All rules and other public documents are issued by the Secretary of the Treasury upon recommendation of the Director of the Office of Foreign Assets Control. In general, rulemaking by the Office of Foreign Assets Control involves foreign affairs functions of the United States, and for that reason is exempt from the requirements under the Administrative Procedure Act (5 U.S.C. 553) for notice of proposed rulemaking, opportunity for public comment, and delay in effective date. Wherever possible, however, it is the practice of the Office of Foreign Assets Control to receive written submissions or hold informal consultations with interested parties before the issuance of any rule or other public document.

(b) Any interested person may petition the Director of the Office of Foreign Assets Control in writing for the issuance, amendment, or repeal of any rule.

#### § 570.805 Delegation by the Secretary of the Treasury.

Any action which the Secretary of the Treasury is authorized to take pursuant to Executive Order No. 12723 and Executive Order No. 12725 may be taken by the Director, Office of Foreign Assets Control, or by any other person to whom the Secretary of the Treasury has delegated authority so to act.

#### § 570.806 Rules governing availability of information.

(a) The records of the Office of Foreign Assets Control which are required by 5 U.S.C. 552 to be made available to the public shall be made available in accordance with the definitions, procedures, payment of fees, and other provisions of the regulations on the Disclosure of Records of the Office of the Secretary and of other

bureaus and offices of the Department issued under 5 U.S.C. 552 and published as part 1 of this title 31 of the Code of Federal Regulations.

(b) Any form issued for use in connection with the Kuwaiti Assets Control Regulations may be obtained in person or by writing to the Office of Foreign Assets Control, U.S. Department of the Treasury, 1500 Pennsylvania Avenue, NW., Annex, Washington, DC 20220, or by calling (202) 566-2701.

### Subpart I—Paperwork Reduction Act

#### § 570.901 [Reserved].

### Appendix A to Part 570—Kuwaiti Governmental Entities

The Treasury Department has been asked about the status of various entities in which the Government of Kuwait or Kuwaiti nationals may have an interest for purposes of Executive Order Nos. 12722-12725. Based on information available to the Office of Foreign Assets Control, the following lists have been compiled.

The entities listed as "Controlled/Blocked" have been determined to be controlled by the Government of Kuwait and/or the Government of Iraq and should be regarded as blocked entities. This means U.S. persons are prohibited from engaging in transactions with these entities and all assets under U.S. jurisdiction owned or controlled by those entities are blocked. U.S. persons are not prohibited, however, from paying funds owed to these entities into blocked accounts held in U.S. financial institutions.

The entities listed as "Controlled/Licensed to Operate" should also be regarded as controlled by the Government of Kuwait, but as licensed to operate. This means the Office of Foreign Assets Control has determined that the entities are under the effective control of the recognized Government of Kuwait and U.S. persons are authorized to engage in transactions with them. These authorized transactions include entering into contracts, making and receiving payments, and conducting other commercial or financial transactions. If questions arise, U.S. persons should request from the entities concerned to see copies of the operating licenses.

The entities listed as "Not Controlled/No Restrictions" are not regarded by the Office of Foreign Assets Control as controlled by the Government of Kuwait. The names of these entities appear on the list solely for the purpose of clarification because requests regarding their status have been received. Some of the entities on this list may be subject to special Treasury Department licensing or reporting requirements.

*Warning:* These lists are subject to revision should new information become available, and are not inclusive. Additions to the lists are anticipated. The absence of a particular entity from any of the lists should not be regarded as indicative of whether the entity is owned or controlled by the Government of Kuwait or the Government of Iraq.

*Controlled/Blocked*

AlAhli Bank of Kuwait  
 AlAhli Insurance Company  
 Arab Fund for Economic and Social Development  
 Arab Trust Company  
 Bahrain Arab International Bank  
 Bank of Kuwait & Middle East  
 Burgan Bank  
 Central Bank of Kuwait  
 Commercial Bank of Kuwait  
 Commercial Facilities Company  
 The Gulf Bank  
 Gulf Insurance Company  
 Industrial Bank of Kuwait  
 International Financial Advisor  
 KREIC Singapore  
 Kuwait Cement Company  
 Kuwait Clearing Company  
 Kuwait Finance House  
 Kuwait Hotels Company  
 Kuwait Metal Pipe Industries Company  
 Kuwait Real Estate Bank  
 Kuwait Real Estate Investment Consortium (KREIC)  
 Kuwait Reinsurance Company  
 Kuwait Supply Company  
 Kuwait United Poultry Company  
 Mobile Telephone Systems  
 Mubarakiah Poultry and Feed Company  
 National Industries Company K.S.C.  
 National Real Estate Company  
 Public Warehousing Company  
 Rawdatain Water Bottling Company  
 Refrigeration Industries Company  
 Savings and Credit Bank  
 Securities Group Company  
 Securities House Company  
 United Fisheries of Kuwait  
 United Realty Company

Univest Invest Company  
 Warba Insurance Company

*Controlled/Licensed To Operate*

Credit des Bergues  
 Georgetown Industries, Inc. (including subsidiaries)  
 KFIC, Inc. (including subsidiaries)  
 Kuwait Airways Corporation  
 Kuwait Asia Bank  
 Kuwait Investment Office (including controlled entities)  
 Kuwait Investment Authority  
 Kuwait Maritime Transport Company  
 Kuwait & Middle East Financial Investment Company  
 Kuwait Petroleum Corporation (London) (including licensed affiliates)  
 Kuwait Petroleum—North Sea Holdings Ltd. (including subsidiaries)  
 Santa Fe International Corporation (including subsidiaries and affiliates)  
 Warfra Intervest Corporation (Cayman) (including subsidiaries and affiliates)

*Not Controlled/No Restrictions*

[Some of these entities may be subject to special Treasury Department licensing/reporting requirements.]

Alexandria Kuwait International Bank  
 Arab African International Bank  
 Arab Banking Corporation  
 Arab Financial Services Company  
 Arab Hellenic Bank  
 Arab Insurance Group  
 Arab Maritime Petroleum Transport  
 Arab Mining Company  
 Arab Petroleum Investments Corporation  
 Arab Turkish Bank  
 Bahrain Islamic Bank  
 Bahrain Islamic Investment Company

Bahrain Middle East Bank  
 Banco Arabe Espanol  
 Banco Atlantico  
 Bank of Bahrain and Kuwait  
 Bank of Oman, Bahrain & Kuwait  
 CHENI  
 Dao Heng Bank  
 FRAB Bank International  
 Gulf International Bank  
 Gulf Investment Corporation  
 Independent Petroleum Group  
 International Contracting Group  
 Jordan Fertilizer Industry  
 Jordan Kuwait Bank  
 Korea Kuwait Banking Corporation  
 Kuwait French Bank  
 Kuwait Investment Projects Company  
 Kuwait Lebanon Bank  
 Kuwait National Cinema Company  
 National Bank of Kuwait  
 National Investment Company  
 Oman Housing Bank  
 Pearl Holding Company  
 Swiss Kuwaiti Bank  
 The Arab Investment Company  
 UBAF Arab American Bank  
 United Arab Shipping Company  
 United Bank of Kuwait  
 United Gulf Bank  
 Yemen Kuwait Bank  
 Dated: November 21, 1990.

**R. Richard Newcomb,**

*Director, Office of Foreign Assets Control.*

Approved: November 27, 1990.

**John P. Simpson,**

*Acting Assistant Secretary (Enforcement).*

[FR Doc. 90-28319 Filed 11-28-90; 4:34 pm]

BILLING CODE 4810-25-M



Friday  
January 18, 1991

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**Part V**

**Department of the  
Treasury**

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**Office of Foreign Assets Control**

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**31. CFR. Part. 575  
Iraqi Sanctions Regulations.**

## DEPARTMENT OF THE TREASURY

## Office of Foreign Assets Control

## 31 CFR Part 575

## Iraqi Sanctions Regulations

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

**ACTION:** Final rule.

**SUMMARY:** On August 2, 1990, upon Iraq's invasion of Kuwait, the President issued Executive Order No. 12722. In that order he declared a national emergency with respect to Iraq, invoking the authority, *inter alia*, of the International Emergency Economic Powers Act (50 U.S.C. 1701 *et seq.*), ordered specified sanctions against Iraq, and authorized the Secretary of the Treasury, in consultation with the Secretary of State, to take such actions, including the promulgation of rules and regulations, as might be necessary to carry out the purposes of the Order. Pursuant to this declaration of national emergency, the President also issued Executive Order No. 12723, at the request of the recognized Government of Kuwait, blocking all property and interests in property of the Government of Kuwait as a protective measure. On August 9, 1990, the President issued Executive Orders No. 12724 and No. 12725, imposing additional sanctions on Iraq, consistent with Resolution 661, dated August 6, 1990, of the United Nations Security Council, and imposing similar sanctions on Kuwait to ensure that no benefit from the United States flowed to the Government of Iraq in militarily-occupied Kuwait. In implementation of those Orders, the Treasury Department is issuing the Iraqi Sanctions Regulations ("Regulations").

The Regulations block all property and interests in property of the Government of Iraq or any person purporting to be the Government of Iraq, its agencies, instrumentalities, and controlled entities, including the Central Bank of Iraq, 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. The Regulations also generally prohibit: (a) Imports into the United States of goods or services from Iraq; (b) exports from the United States of goods, technology or services to Iraq or entities operated from Iraq; (c) any dealing by any U.S. person in Iraqi-origin goods or any other goods from Iraq or intended for Iraq; (d) transactions by U.S. persons relating to travel by U.S. citizens and permanent

resident aliens to Iraq, including their activities within Iraq; (e) transactions by U.S. persons relating to transportation to or from Iraq; transportation services to or from the United States by Iraqi persons, vessels, or aircraft; or the sale in the United States by any person holding authority under the Federal Aviation Act of any transportation by air which includes any stop in Iraq; (f) performance by U.S. persons of contracts in support of industrial, commercial, public utility, or governmental projects in Iraq; and (g) any transfer of funds by U.S. persons to the Government of Iraq or any person in Iraq.

**EFFECTIVE DATE:** January 18, 1991.

**FOR FURTHER INFORMATION:**

Contact William B. Hoffman, Chief Counsel, tel.: (202) 535-6020, or Steven I. Pinter, Chief of Licensing, tel.: (202) 535-9449, Office of Foreign Assets Control, Department of the Treasury, Washington, DC.

**SUPPLEMENTARY INFORMATION:** All General Licenses issued by the Office of Foreign Assets Control prior to January 18, 1991 may continue to be relied on to validate actions prior to this date during the period of their validity. Specific licenses issued prior to this date continue in effect according to their terms unless modified by the Office of Foreign Assets Control.

Authorizations contained in General Licenses issued prior to publication of these regulations can now be found in the following sections:

Issuance date	License number	Regulation section
Aug. 8, 1990.	General License No. 2.	§ 575.509
Aug. 8, 1990.	General License No. 3.	Amended
October 15, 1990.	General License No. 3, amended.	§ 575.512
Aug. 8, 1990.	General License No. 4.	Revoked 10/2/90
Aug. 15, 1990.	General License No. 6.	§ 575.513
Aug. 15, 1990.	General License No. 7.	Amended
Oct. 18, 1990.	General License No. 7, amended.	§ 575.510
Aug. 23, 1990.	General License No. 8.	§ 575.514
Aug. 27, 1990.	General License No. 9.	§ 575.515
Aug. 30, 1990.	General License No. 10.	§ 575.505
Sept. 1, 1990.	General License No. 11.	§ 575.508
Sept. 26, 1990.	General License No. 12.	§ 575.518
Oct. 3, 1990.	General License No. 13.	§ 570.517

Transactions otherwise prohibited under this part may be authorized by a general license contained in subpart E or by a specific license issued pursuant to the procedures described in § 575.801 of subpart H.

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 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. These regulations are being issued without prior notice and public procedure pursuant to the Administrative Procedure Act. For this reason, the collections of information contained in these regulations 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.*). Comments concerning the collection of information and the accuracy of estimated average annual burden, and suggestions for reducing this burden should be directed to OMB, Paperwork Reduction Project (1505-\*\*\*\*), Washington, DC 20503, with copies to the Office of Foreign Assets Control, Department of the Treasury, 1500 Pennsylvania Ave., NW.—Annex, Washington, DC 20220. Any such comments should be submitted not later than March 19, 1991. Notice of OMB action on these requests will be published in the Federal Register.

The collections of information in these regulations are contained in §§ 575.503, 575.509-575.512, 575.517, 575.518, 575.520, 575.521, subpart F, and §§ 575.703 and 575.801. This information is required by the Office of Foreign Assets Control for licensing, compliance, civil penalty and enforcement purposes. This information will be used to determine the eligibility of applicants for the benefits provided through specific licenses, to determine whether persons subject to the regulations are in compliance with applicable requirements, and to determine whether and to what extent civil penalty or other enforcement action is appropriate. The likely respondents and recordkeepers are individuals and business organizations.

Estimated total annual reporting and or recordkeeping burden: 2000 hours.

The estimated annual burden per respondent/recordkeeper varies from 3



minutes to 10 hours, depending on individual circumstances, with an estimated average of 2 hours.

Estimated number of respondents and/or recordkeepers: 500.

Estimated annual frequency of responses: 1-12.

#### List of Subjects in 31 CFR Part 575

Banking and finance, Blocking of assets, Exports, Imports, Iraq, Kuwait, Loans, Penalties, Reporting and recordkeeping requirements.

For the reasons set forth in the preamble, 31 CFR part 575 is added as follows:

### PART 575—IRAQI SANCTIONS REGULATIONS

#### Subpart A—Relation to this Part to Other Laws and Regulations

Sec.

575.101 Relation of this part to other laws and regulations.

#### Subpart B—Prohibitions

- 575.201 Prohibited transactions involving property in which the Government of Iraq has an interest; transactions with respect to securities.
- 575.202 Effect of transfers violating the provisions of this part.
- 575.203 Holding of certain types of blocked property in interest-bearing accounts.
- 575.204 Prohibited importation of goods or services from Iraq.
- 575.205 Prohibited exportation and reexportation of goods, technology, or services to Iraq.
- 575.206 Prohibited dealing in property.
- 575.207 Prohibited transactions relating to travel to Iraq or to activities within Iraq.
- 575.208 Prohibited transportation-related transactions involving Iraq.
- 575.209 Prohibited performance of contracts.
- 575.210 Prohibited transfers of funds to the Government of Iraq or any person in Iraq.
- 575.211 Evasions; attempts; conspiracies.
- 575.212 Effective date.

#### Subpart C—General Definitions

- 575.301 Blocked account; blocked property.
- 575.302 Effective date.
- 575.303 Entity.
- 575.304 Entity of the Government of Iraq; Iraqi Government Entity.
- 575.305 General license.
- 575.306 Government of Iraq.
- 575.307 Government of Kuwait.
- 575.308 Interest.
- 575.309 Iraq; Iraqi.
- 575.310 Kuwait; Kuwaiti.
- 575.311 Iraqi origin.
- 575.312 Iraqi person.
- 575.313 License.
- 575.314 Person.
- 575.315 Property; property interest.
- 575.316 Specific license.
- 575.317 Transfer.
- 575.318 UNSC Resolution 661.
- 575.319 United States.
- 575.320 U.S. financial institution.

575.321 United States person; U.S. person.

#### Subpart D—Interpretations

- 575.401 Reference to amended sections.
- 575.402 Effect of amendment.
- 575.403 Termination and acquisition of an interest of the Government of Iraq.
- 575.404 Payments from blocked accounts to U.S. exporters and for other obligations prohibited.
- 575.405 Acquisition of instruments including bankers acceptances.
- 575.406 Extensions of credits or loans to Iraq.
- 575.407 Payments in connection with certain authorized transactions.
- 575.408 Offshore transactions.
- 575.409 Transshipments through the United States prohibited.
- 575.410 Imports of Iraqi goods from third countries; transshipments.
- 575.411 Exports to third countries; transshipments.
- 575.412 Release of Iraqi goods from bonded warehouse or foreign-trade zone.
- 575.413 Goods intended for export to Iraq.
- 575.414 Imports of Iraqi goods and purchases of goods from Iraq.
- 575.415 Setoffs prohibited.
- 575.416 Travel transactions for journalistic activity in Iraq.
- 575.417 [Reserved].
- 575.418 Transactions incidental to a licensed transaction.

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

- 575.501 Effect of license or authorization.
- 575.502 Exclusion from license and authorizations.
- 575.503 Payments and transfers to blocked accounts in U.S. financial institutions.
- 575.504 [Reserved].
- 575.505 Completion of certain transactions related to bankers acceptances authorized.
- 575.506 Payment by the Government of Iraq of obligations to persons within the United States authorized.
- 575.507 Certain exports to Iraq authorized.
- 575.508 Import of household and personal effects from Iraq authorized.
- 575.509 Payment and transfers authorized for shipments of oil under contract and en route to the United States prior to the effective date.
- 575.510 Payment and transfers authorized for goods and services exported to Iraq prior to the effective date.
- 575.511 Extensions or renewals authorized.
- 575.512 [Reserved].
- 575.513 Transactions related to telecommunications authorized.
- 575.514 Transactions related to mail authorized.
- 575.515 [Reserved].
- 575.516 [Reserved].
- 575.517 Procedures established for export transactions initiated prior to the effective date.
- 575.518 Certain standby letters of credit and performance bonds.
- 575.519 Certain imports for diplomatic or official personnel authorized.
- 575.520 Donations of food to relieve human suffering authorized.

575.521 Donations of medical supplies authorized.

#### Subpart F—Reports

- 575.601 Required records.
- 575.602 Reports to be furnished on demand.
- 575.603 Reports on certain correspondent bank accounts.

#### Subpart G—Penalties

- 575.701 Penalties.
- 575.702 Prepenalty notice.
- 575.703 Presentation responding to prepenalty notice.
- 575.704 Penalty notice.
- 575.705 Referral to United States Department of Justice.

#### Subpart H—Procedures

- 575.801 Licensing.
- 575.802 Decisions.
- 575.803 Amendment, modification, or revocation.
- 575.804 Rulemaking.
- 575.805 Delegation by the Secretary of the Treasury.
- 575.806 Rules governing availability of information.

#### Subpart I—Paperwork Reduction Act

##### § 575.901 [Reserved]

Authority: 50 U.S.C. 1701 et seq.; 50 U.S.C. 1601 et seq.; 22 U.S.C. 287 et seq.; Public Law 101-513, 104 Stat. 2047-65 (Nov. 5, 1990); 3 U.S.C. 301; E.O. 12722-55 FR 31863 (Aug. 3, 1990); E.O. 12724-55 FR 33089 (Aug. 13, 1990).

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

##### § 575.101 Relation of this part to other laws and regulations.

(a) This part is separate from, and independent of, the other parts of this chapter. No license or authorization contained in or issued pursuant to those other parts authorizes any transaction prohibited by this part. No license or authorization contained in or issued pursuant to any other provision of law or regulation authorizes any transaction prohibited by this part.

(b) No license or authorization contained in or issued pursuant to this part relieves the involved parties from complying with any other applicable laws or regulations.

#### Subpart B—Prohibitions

##### § 575.201 Prohibited transactions involving property in which the Government of Iraq 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 Iraq 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 otherwise authorized by this part or by a specific license expressly referring to this section, the transfer (including the transfer on the books of any issuer or agent thereof), the endorsement or guaranty of signatures on, or any other dealing in any security (or evidence thereof) registered or inscribed in the name of the Government of Iraq and held within the possession or control of a U.S. person is prohibited, irrespective of the fact that at any time either at 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.

**§ 575.202 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 hereunder and involves any property in which the Government of Iraq 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 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 the Government of Iraq has an interest, or has had an interest since such date, unless the person with whom such property is held or maintained, prior to such date, had written notice of the transfer or by any written evidence had recognized such transfer.

(c) Unless otherwise provided, an appropriate license or other authorization issued by or pursuant to the direction or authorization of the Director of the Office of Foreign Assets Control before, during, or after a transfer shall validate such transfer or render it enforceable to the same extent that it would be valid or enforceable but for the provisions of the International Emergency Economic Powers Act, the United Nations Participation Act, 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 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 to the satisfaction of the Director of the Office of Foreign Assets Control 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 of a third party 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 hereunder, or

(ii) Such transfer was not licensed or authorized by the Director of the Office of Foreign Assets Control, or

(iii) If a license did purport to cover the transfer, such license had been obtained by misrepresentation of a third party or the withholding of material facts or was otherwise fraudulently obtained; the person with whom such property was held or maintained filed with the Office of Foreign Assets Control a report 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 evidence that the terms of paragraphs (d) (1) and (2) of this section have been satisfied.

(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 the Government of Iraq.

**§ 575.203 Holding of certain types of blocked property in interest-bearing accounts.**

(a) Any person, including a U.S. financial institution, currently holding property subject to § 575.201 which, as of the effective date or the date of receipt if subsequent to the effective date, is not being held in an interest-bearing account, or otherwise invested

in a manner authorized by the Office of Foreign Assets Control, must transfer such property to, or hold such property or cause such property to be held in, an interest-bearing account or interest-bearing status in a U.S. financial institution as of the effective date or the date of receipt if subsequent to the effective date of this section, unless otherwise authorized or directed by the Office of Foreign Assets Control. This requirement shall apply to currency, bank deposits, accounts, and any other financial assets, and any proceeds resulting from the sale of tangible or intangible property. If interest is credited to an account separate from that in which the interest-bearing asset is held, the name of the account party to both accounts must be the same and must clearly indicate the blocked Government of Iraq entity having an interest in the accounts.

(b) For purposes of this section, the term "interest-bearing account" means a blocked account in a U.S. financial institution earning interest at rates that are commercially reasonable for the amount of funds in the account. Except as otherwise authorized, the funds may not be invested or held in instruments the maturity of which exceeds 90 days.

(c) This section does not apply to blocked tangible property, such as chattels, nor does it create an affirmative obligation on the part of the holder of such blocked tangible property to sell or liquidate the property and put the proceeds in a blocked account. However, the Office of Foreign Assets Control may issue licenses permitting or directing sales of tangible property in appropriate cases.

**§ 575.204 Prohibited importation of goods or services from Iraq.**

Except as otherwise authorized, no goods or services of Iraqi origin may be imported into the United States, nor may any U.S. person engage in any activity that promotes or is intended to promote such importation.

**§ 575.205 Prohibited exportation and reexportation of goods, technology, or services to Iraq.**

Except as otherwise authorized, no goods, technology (including technical data or other information), or services may be exported from the United States or, if subject to U.S. jurisdiction, exported or reexported from a third country to Iraq, to any entity owned or controlled by the Government of Iraq, or to any entity operated from Iraq, except donated foodstuffs in humanitarian circumstances, and donated supplies intended strictly for medical purposes.



the exportation of which has been specifically licensed pursuant to § 575.507, 575.517 or 575.518.

**§ 575.206 Prohibited dealing in property.**

Except as otherwise authorized, no U.S. person may deal in property of Iraqi origin exported from Iraq after August 6, 1990, property intended for exportation to Iraq, or property intended for exportation from Iraq to any other country, nor may any U.S. person engage in any activity that promotes or is intended to promote such dealing.

**§ 575.207 Prohibited transactions relating to travel to Iraq or to activities within Iraq.**

Except as otherwise authorized, no U.S. person may engage in any transaction relating to travel by any U.S. citizen or permanent resident alien to Iraq, or to activities by any U.S. citizen or permanent resident alien within Iraq, after the effective date, other than transactions:

(a) Necessary to effect the departure of a U.S. citizen or permanent resident alien from Kuwait or Iraq;

(b) Relating to travel and activities for the conduct of the official business of the United States Government or the United Nations; or

(c) Relating to journalistic activity by persons regularly employed in such capacity by a newsgathering organization.

This section prohibits the unauthorized payment by a U.S. person of his or her own travel or living expenses to or within Iraq.

**§ 575.208 Prohibited transportation-related transactions involving Iraq.**

Except as otherwise authorized, the following are prohibited:

(a) Any transaction by a U.S. person relating to transportation to or from Iraq;

(b) The provision of transportation to or from the United States by any Iraqi person or any vessel or aircraft of Iraqi registration; or

(c) The sale in the United States by any person holding authority under the Federal Aviation Act of any transportation by air which includes any stop in Iraq.

(d) *Example.* Unless licensed or exempted, no U.S. person may insure, or provide ticketing, ground, port, refueling, bunkering, clearance, or freight forwarding services, with respect to any sea, ground, or air transportation the destination of which is Iraq, or which is intended to make a stop in Iraq.

**§ 575.209 Prohibited performance of contracts.**

Except as otherwise authorized, no U.S. person may perform any contract, including a financing contract, in

support of an industrial, commercial, public utility, or governmental project in Iraq.

**§ 575.210 Prohibited transfer of funds to the Government of Iraq or any person in Iraq.**

Except as otherwise authorized, no U.S. person may commit or transfer, directly or indirectly, funds or other financial or economic resources to the Government of Iraq or any person in Iraq.

**§ 575.211 Evasions; attempts; conspiracies.**

Any transaction for the purpose of, or which has the effect of, evading or avoiding, or which facilitates the evasion or avoidance of, any of the prohibitions set forth in this subpart, is hereby prohibited. Any attempt to violate the prohibitions set forth in this part is hereby prohibited. Any conspiracy formed for the purpose of engaging in a transaction prohibited by this part is hereby prohibited.

**§ 575.212 Effective dates.**

The effective dates of the prohibitions and directives contained in this subpart B are as follow:

(a) With respect to §§ 575.201, 575.202, 575.204, 575.205, 575.207, 575.208, 575.209, and 575.211, 5 a.m., Eastern Daylight Time ("e.d.t."), August 2, 1990;

(b) With respect to §§ 575.206, and 575.210, 8:55 p.m. e.d.t., August 9, 1990; and

(c) With respect to § 575.203, January 18, 1991.

**Subpart C—General Definitions**

**§ 575.301 Blocked account; blocked property.**

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

**§ 575.302 Effective date.**

The term "effective date" refers to the effective date of the applicable prohibition, as identified in § 575.212.

**§ 575.303 Entity.**

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

**§ 575.304 Entity of the Government of Iraq; Iraqi Government entity.**

The term "entity of the Government of Iraq" or "Iraqi Government entity" includes:

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

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

**§ 575.305 General license.**

The term "general license" means any license or authorization the terms of which are set forth in this part.

**§ 575.306 Government of Iraq.**

The term "Government of Iraq" includes:

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

(b) Any partnership, association, corporation, or other organization substantially owned or controlled by the foregoing;

(c) 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; and

(d) Any other person or organization determined by the Director of the Office of Foreign Assets Control to be included within this section.

**§ 575.307 Government of Kuwait.**

The term "Government of Kuwait" includes:

(a) The State and Government of Kuwait and any entity purporting to be the Government of Kuwait, as well as any political subdivision, agency, or instrumentality thereof, including the Central Bank of Kuwait;

(b) Any partnership, association, corporation, or other organization substantially owned or controlled by the foregoing;

(c) 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;

(d) Any other person or organization determined by the Director or the Office

of Foreign Assets Control to be included within this section.

**§ 575.308 Interest.**

Except as otherwise provided in this part, the term "interest" when used with respect to property (e.g., "an interest in property") means an interest of any nature whatsoever, direct or indirect.

**§ 575.309 Iraq; Iraq.**

The term "Iraq" means the country of Iraq and any territory under the jurisdiction or authority thereof, legal or illegal. The term "Iraqi" means pertaining to Iraq as defined in this section.

**§ 575.310 Kuwait; Kuwaiti.**

The term "Kuwait" means the country of Kuwait and any territory under the jurisdiction or authority thereof. The term "Kuwaiti" means pertaining to Kuwait as defined in this section.

**§ 575.311 Iraqi origin.**

The term "goods or services of Iraqi origin" includes:

- (a) Goods produced, manufactured, grown, or processed within Iraq;
- (b) Goods which have entered into Iraqi commerce;
- (c) Services performed in Iraq or by a Iraqi national who is acting as an agent, employee, or contractor of the Government of Iraq, or of a business entity located in Iraq. Services of Iraqi origin are not imported into the United States when such services are provided in the United States by an Iraqi national employed in the United States.

**§ 575.312 Iraqi person.**

The term "Iraqi person" means an Iraqi citizen, any person organized under the laws of Iraq, or any person owned or controlled, directly or indirectly, by a Iraqi national or the Government of Iraq.

**§ 575.313 License.**

Except as otherwise specified, the term "license" means any license or authorization contained in or issued pursuant to this part.

**§ 575.314 Person.**

The term "person" means an individual, partnership, association, corporation, or other organization.

**§ 575.315 Property; property interest.**

The terms "property" and "property interest" include, but are not limited to, money, checks, drafts, bullion, bank deposits, savings accounts, debts, indebtedness, obligations, notes, debentures, stocks, bonds, coupons, any other financial instruments, 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, leaseholds, ground rents, real estate and any other interest therein, 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, services of any nature whatsoever, 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.

**§ 575.316 Special license.**

The term "specific license" means any license or authorization not set forth in this part but issued pursuant to this part in response to an application.

**§ 575.317 Transfer.**

The term "transfer" means 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, convey, 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 decrease of any foreign country; the fulfillment of any condition; the exercise of any power of appointment, power of attorney, or other power; or the acquisition, disposition, transportation, importation, exportation, or withdrawal of any security.

**§ 575.318 UNSC Resolution 661.**

The term "UNSC Resolution 661" means United Nations Security Council Resolution No. 661, adopted August 6, 1990, prohibiting certain transactions with respect to Iraq and Kuwait.

**§ 575.319 United States.**

The term "United States" means the United States, its territories and possessions, and all areas under the jurisdiction or authority thereof.

**§ 575.320 U.S. financial institution.**

The term "U.S. financial institution" means any U.S. person (including foreign branches) that is engaged in the business of accepting deposits, making, granting, transferring, holding, or brokering loans or credits, or purchasing or selling foreign exchange, securities, commodity futures or options, or procuring purchasers and sellers thereof, as principal or agent; including, but not limited to, depository institutions, banks, savings banks, trust companies, securities brokers and dealers, commodity futures and options brokers and dealers, forward contract and foreign exchange merchants, securities and commodities exchanges, clearing corporations, investment companies, employee benefit plans, and U.S. holding companies, U.S. affiliates, or U.S. subsidiaries of any of the foregoing. This term includes those branches, offices and agencies of foreign financial institutions which are located in the United States, but not such institutions' foreign branches, offices, or agencies.

**§ 575.321 United States person; U.S. person.**

The term "United States person" or "U.S. person" means any United States citizen; permanent resident alien; juridical person organized under the laws of the United States or any jurisdiction within the United States, including foreign branches; or any person in the United States.

**Subpart D—Interpretations**

**§ 575.401 Reference to amended sections.**

Except as otherwise specified, reference to any section of this part or to any regulation, ruling, order, instruction, direction, or license issued pursuant to this part shall be deemed to refer to the same as currently amended.

**§ 575.402 Effect of amendment.**

Any amendment, modification, or revocation of any section of this part or of any order, regulation, ruling, instruction, or license issued by or under the direction of the Director of the Office of Foreign Assets Control shall not.



unless otherwise specifically provided, be deemed to affect any act done or omitted to be done, or any civil or criminal suit or proceeding commenced or pending prior to such amendment, modification, or revocation. All penalties, forfeitures, and liabilities under any such order, regulation, ruling, instruction, or license shall continue and may be enforced as if such amendment, modification, or revocation had not been made.

**§ 575.403 Termination and acquisition of an interest of the Government of Iraq.**

(a) Whenever a transaction licensed or authorized by or pursuant to this part results in the transfer of property (including any property interest) from the Government of Iraq, such property shall no longer be deemed to be property in which the Government of Iraq 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 or attempted to be transferred to the Government of Iraq, such property shall be deemed to be property in which there exists an interest of the Government of Iraq.

**§ 575.404 Payments from blocked accounts to U.S. exporters and for 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 the effective date, except as authorized pursuant to this part.

**§ 575.405 Acquisition of instruments including bankers acceptances.**

No U.S. person may acquire or deal in any obligation, including bankers acceptances, where the documents evidencing the obligation indicate, or the U.S. person has actual knowledge, that the underlying transaction is in violation of §§ 575.201, 575.204, or § 575.205. This interpretation does not apply to obligations arising from an underlying transaction licensed or otherwise authorized pursuant to this part.

**§ 575.406 Extensions of credits or loans to Iraq.**

(a) The prohibition in § 575.210 applies to the unlicensed renewal of credits or loans in existence on the effective date, whether by affirmative action or operation of law.

(b) The prohibition in § 575.210 applies to credits to loans extended in any currency.

**§ 575.407 Payments in connection with certain authorized transactions.**

Payments are authorized in connection with transactions authorized in or pursuant to subpart E.

**§ 575.408 Offshore transactions.**

(a) The prohibitions contained in §§ 575.201 and 575.206 apply to transactions by U.S. persons in locations outside the United States with respect to property in which the U.S. person knows, or has reason to know, that the Government of Iraq has or has had an interest since the effective date.

(b) Prohibited transactions include, but are not limited to, importation into locations outside the United States of, or dealings within such locations in, goods or services of Iraqi origin.

(c) Examples. (1) A U.S. person may not, within the United States or abroad, purchase, sell, finance, insure, transport, act as a broker for the sale or transport of, or otherwise deal in, Iraqi crude oil or petroleum products refined in Iraq.

(2) A U.S. person may not, within the United States or abroad, conduct transactions of any nature whatsoever with an entity that the U.S. person knows or has reason to know is an Iraqi Government entity unless the entity is licensed by the Office of Foreign Assets Control to conduct such transactions with U.S. persons.

**§ 575.409 Transshipments through the United States prohibited.**

(a) The prohibitions in § 575.205 apply to the importation into the United States, for transshipment or transit, of goods which are intended or destined for Iraq, or an entity operated from Iraq.

(b) The prohibitions in § 575.204 apply to the importation into the United States, for transshipment or transit, of goods of Iraqi origin which are intended or destined for third countries.

(c) Goods in which the Government of Iraq has an interest which are imported into or transshipped through the United States are blocked pursuant to § 575.201.

**§ 575.410 Imports of Iraqi goods from third countries; transshipments.**

Importation into the United States from third countries of goods, including refined petroleum products, containing raw materials or components of Iraqi origin is prohibited. In light of the universal prohibition in UNSC Resolution 661 on the importation of goods exported from Iraq or Kuwait after August 6, 1990, substantial

transformation of Iraqi-origin goods in a third country does not exempt the third-country products from the prohibitions contained in this part.

**§ 575.411 Exports to third countries; transshipments.**

Exportation of goods or technology (including technical data and other information) from the United States to third countries is prohibited if the exporter knows, or has reason to know, that the goods or technology are intended for transshipment to Iraq (including passage through, or storage in, intermediate destinations). The exportation of goods and technology intended specifically for incorporation or substantial transformation into a third-country product is also prohibited if the particular product is to be used in Iraq, is being specifically manufactured to fill a Iraqi order, or if the manufacturer's sales of the particular product are predominantly to Iraq.

**§ 575.412 Release of Iraqi goods from bonded warehouse or foreign trade zone.**

Section 575.204 does not prohibit the release from a bonded warehouse or a foreign trade zone of goods of Iraqi origin imported into a bonded warehouse or a foreign trade zone either prior to the effective date or in a transaction authorized pursuant to this part after the effective date.

**Note:** Pursuant to § 575.201, property in which the Government of Iraq has an interest may not be released unless authorized or licensed by the Office of Foreign Assets Control.

**§ 575.413 Goods intended for export to Iraq.**

The prohibitions contained in § 575.201 do not apply to goods manufactured, consigned, or destined for export to Iraq and not subject to § 575.517, if the Government of Iraq has never held or received title to such goods on or after the effective date, and if any payment received from the Government of Iraq with respect to such goods is placed in a blocked account in a U.S. financial institution pursuant to § 575.503. The prohibitions of § 575.205 apply to goods subject to this section.

**§ 575.414 Imports of Iraqi goods and purchases of goods from Iraq.**

The prohibitions contained in § 575.201 shall not apply to the importation of Iraqi-origin goods and services described in § 575.204 if the importation of such goods is permitted by an authorization or license issued pursuant to this part. However, any payments in connection with such



importation are subject to the prohibitions contained in §§ 575.201 and 575.210.

**§ 575.415 Setoffs prohibited.**

A setoff against a blocked account, whether by a U.S. bank or other U.S. person, is a prohibited transfer under § 575.201 if effected after the effective date.

**§ 575.416 Travel transactions for journalistic activity in Iraq.**

(a) Section 575.207 does not prohibit travel transactions in Iraq by persons regularly employed in journalistic activity by recognized newsgathering organizations.

(b) For purposes of this part:

(1) A person is considered regularly employed as a journalist if he or she is employed in a constant or regular manner by a recognized newsgathering organization. Free-lance journalists should have an assignment from a recognized newsgathering organization requiring travel to Iraq, or be able to demonstrate that publication by a recognized newsgathering organization of a work requiring such travel is likely. The latter may be demonstrated by providing a resume listing previously-published free-lance works or copies of previously-published works.

(2) "Recognized newsgathering organizations" include those entities regularly and principally engaged in collecting news for publication in the public press, transmission by wire services, or broadcast by radio or television.

(c) Authorized travel transactions are limited to those incident to travel for the purpose of collecting and disseminating information for a recognized newsgathering organization, and do not include travel transactions related to any other activity in Iraq.

**§ 575.417 [Reserved]**

**§ 575.418 Transactions incidental to a licensed transaction.**

(a) Any transaction ordinarily incident to a licensed transaction and necessary to give effect thereto is also authorized, except a transaction by an unlicensed, blocked person or involving an unlicensed debit to a blocked account.

(b) Example. A license authorizing the Government of Iraq to complete a securities sale also authorizes all activities by other parties required to complete the sale, including transactions by the buyer, brokers, transfer agents, banks, etc.

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

**§ 575.501 Effect of license or authorization.**

(a) No license or other authorization contained in this part, or otherwise issued by or under the direction of the Director of the Office of Foreign Assets Control, shall be deemed to authorize or validate any transaction effected prior to the issuance of the license, unless specifically provided in such license or authorization.

(b) No regulation, ruling, instruction, or license authorizes any transaction prohibited under this part unless the regulation, ruling, instruction, or license is issued by the Office of Foreign Assets Control and specifically refers to this part. No regulation, ruling, instruction, or license referring to this part shall be deemed to authorize any transaction prohibited by any provision of this chapter unless the regulation, ruling, instruction or license specifically refers to such provision.

(c) Any regulation, ruling, instruction, or license authorizing any transaction otherwise prohibited under this part has the effect of removing a prohibition or prohibitions contained in Subpart B from the transaction, but only to the extent specifically stated by its terms. Unless the regulation, ruling, instruction, or license otherwise specifies, such an authorization does not create any right, duty, obligation, claim, or interest in, or with respect to, any property which would not otherwise exist under ordinary principles of law.

**§ 575.502 Exclusion from licenses and authorizations.**

The Director of the Office of Foreign Assets Control reserves the right to exclude any person, property, or transaction from the operation of any license, or from the privileges therein conferred, or to restrict the applicability thereof with respect to particular persons, property, transactions, or classes thereof. Such action shall be binding upon all persons receiving actual or constructive notice of such exclusion or restriction.

**§ 575.503 Payments and transfers to blocked accounts in U.S. financial institutions.**

(a) Any payment of funds or transfer of credit or other assets, including any payment or transfer by any U.S. person outside the United States, to a blocked account in a U.S. financial institution located in the United States in the name of the Government of Iraq is hereby authorized, including incidental foreign exchange transactions, 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 Iraq to any other country or person.

(b) This section authorizes transfer of the funds of a blocked demand deposit account to a blocked interest-bearing account under the same name or designation as was the demand deposit account, as required pursuant to § 575.203 or at the instruction of the depositor, at any time. If such transfer is to a blocked account in a different U.S. financial institution such transfer must be made to a blocked account in a U.S. financial institution located in the United States, and the transferee financial institution must furnish within 10 business days of the date of transfer, the notification described in paragraph (h) of this section to the Office of Foreign Assets Control, Blocked Assets Section.

(c) This section does not authorize any transfer from a blocked account within the United States to an account held outside the United States.

(d) This section does not authorize any payment or transfer to any blocked account held in a name other than that of the Government of Iraq where such government is the ultimate beneficiary of such payment or transfer.

(e) 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.

(f) This section does not authorize the crediting of the proceeds of the sale of securities or other assets, held in a blocked account or a sub-account thereof, or the income derived from such securities or assets, 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 or assets were or are held.

(g) This section does not authorize any payment or transfer from a blocked account in a U.S. financial institution 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.

(h) The authorization in paragraph (a) of this section is subject to the condition that written notification from the U.S. financial institution receiving an authorized payment or transfer is furnished to the Office of Foreign Assets Control, Blocked Assets Section, within



10 business days from the date of payment or transfer. This notification shall confirm that the payment or transfer has been deposited in a blocked account under the regulations in this part, and shall provide the account number, the name and address of the Government of Iraq entity in whose name the account is held, the name and address of the transferee U.S. financial institution, and the amount of the payment or transfer.

(i) This section authorizes the transfer of assets between blocked accounts in U.S. financial institutions at the instruction of the depositor for purposes of investment and reinvestment of assets in which the Government of Iraq has an interest, as authorized in § 575.512. If such transfer is to a blocked account in a different U.S. financial institution, the transferee financial institution must furnish within 10 business days of the date of transfer, the notification described in paragraph (h) of this section to the Office of Foreign Assets Control, Blocked Assets Section.

**§ 575.504 [Reserved]**

**§ 575.505 Completion of certain transactions related to bankers acceptances authorized.**

(a) Persons other than the Government of Iraq are authorized to buy, sell, and satisfy obligations with respect to bankers acceptances, and to pay under deferred payment undertakings, involving an interest of the Government of Iraq as long as the bankers acceptances were created or the deferred payment undertakings were incurred prior to the effective date.

(b) Persons other than the Government of Iraq are authorized to buy, sell, and satisfy obligations with respect to bankers acceptances, and to pay under deferred payment undertakings, involving the importation or exportation of goods to or from Iraq that do not involve an interest of the Government of Iraq as long as the bankers acceptances or the deferred payment undertakings were accepted prior to the effective date.

(c) Nothing in this section shall authorize or permit a debit to a blocked account. Specific licenses for the debiting of a blocked account may be issued on a case-by-case basis.

**§ 575.506 Payment by the Government of Iraq of obligations to persons within the United States authorized.**

(a) The transfer of funds after the effective date by, through, or to any U.S. financial institution or other U.S. person solely for the purpose of payment of obligations of the Government of Iraq to persons or accounts within the United

States is authorized, provided that the obligation arose prior to the effective date, and the payment requires 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 any person, provided that any such payment to the Government of Iraq must be to a blocked account in a U.S. financial institution.

(c) The authorization in this section is subject to the condition that written notification from the U.S. financial institution or U.S. person transferring or receiving funds is furnished to the Office of Foreign Assets Control, Blocked Assets Section, within 10 business days from the date of transfer or receipt. The notification shall provide the account number, name and address of the transferor and/or transferee U.S. financial institution or person, and the account number, name and address of the person into whose account payment is made.

**§ 575.507 Certain exports to Iraq authorized.**

(a) All transactions ordinarily incident to the exportation of any item, commodity, or product from the United States to or destined for Iraq are authorized if:

(1) such exports would ordinarily be authorized under one of the following regulations administered by the Department of Commerce: 15 CFR 371.6—General license BAGGAGE (accompanied and unaccompanied baggage); 15 CFR 371.13—General license GUS (shipments to personnel and agencies of the U.S. Government); or,

(2) such exports are for the official use of the United Nations, its personnel and agencies (excluding its relief or developmental agencies).

(b) All transactions related to exportation or reexportation not otherwise authorized in this part, are prohibited unless licensed pursuant to the procedures described in § 575.801 by the Office of Foreign Assets Control.

**§ 575.508 Import of household and personal effects from Iraq authorized.**

The importation of household and personal effects of Iraqi origin, including baggage and articles for family use, of persons arriving in the United States directly or indirectly from Iraq is authorized. Articles included in such effects may be imported without limitation provided they were actually used by such persons or their family members abroad, are not intended for

any other person or for sale, and are not otherwise prohibited from importation.

**§ 575.509 Payments and transfers authorized for shipments of oil under contract and en route to the United States prior to the effective date.**

(a) Oil of Iraqi origin or oil in which the Government of Iraq has an interest may be imported into the United States only if:

(1) Prior to the effective date, the oil was loaded for ultimate delivery to the United States on board a vessel in Iraq, Kuwait, or a third country;

(2) The oil was imported into the United States before 11:59 p.m. Eastern Daylight Time, October 1, 1990; and

(3) The bill of lading accompanying the oil was issued prior to the effective date.

(b) Any payment owed or balance not paid to or for the benefit of the Government of Iraq prior to the effective date for oil imported pursuant to paragraph (a) must be paid into a blocked account in a U.S. financial institution.

(c) Transactions conducted pursuant to this section must be reported in writing to the Office of Foreign Assets Control, Blocked Assets Section, no later than 10 days after the date of importation.

Note: Transactions authorized by this provision have been completed prior to January 18, 1991. The text of this license is included for the convenience of the user.

**§ 575.510 Payments and transfers authorized for goods and services exported to Iraq prior to the effective date.**

(a) Specific licenses may be issued on a case-by-case basis to permit payment involving an irrevocable letter of credit issued or confirmed by a U.S. bank, or a letter of credit reimbursement confirmed by a U.S. bank, from a blocked account or otherwise, of amounts owed to or for the benefit of a person with respect to goods or services exported prior to the effective date directly or indirectly to Iraq or Kuwait, or to third countries for an entity operated from Iraq or Kuwait, or for the benefit of the Government of Iraq, where the license application presents evidence satisfactory to the Office of Foreign Assets Control that:

(1) The exportation occurred prior to the effective date (such evidence may include, e.g., the bill of lading, the air waybill, the purchaser's written confirmation of completed services, customs documents, and insurance documents); and

(2) If delivery or performance occurred after the effective date, due diligence was exercised to divert delivery of the goods from Iraq and to



effect final delivery of the goods to a non-prohibited destination, or to prevent performance of the services.

(b) Specific license applications must also contain the following information:

(1) The name and address of any Iraqi broker, purchasing agent, or other participant in the sale of goods or services exported to Iraq; and an explanation of the facts and circumstances surrounding the entry into and execution of the transaction; and

(2) a notarized statement by the applicant certifying that no ownership interest greater than five (5) percent is held by the Government of Iraq or an Iraqi person in the beneficiary of the letters of credit, or if such interest exists, the name, address and ownership interest of the Government of Iraq entity or Iraqi person holding such interest.

(c) This section does not authorize exportation or the performance of services after the effective date pursuant to a contract entered into or partially performed prior to the effective date.

(d) Transactions conducted under specific licenses granted pursuant to this section must be reported in writing to the Office of Foreign Assets Control, Blocked Assets Section, no later than 10 days after the date of payment.

(e) Separate criteria may be applied to the issuance of licenses authorizing payment from an account of or held by a blocked U.S. bank owned or controlled by the Government of Iraq.

**§ 575.511 Extensions or renewals authorized.**

(a) The extension or renewal, at the request of the account party, of a letter of credit or a standby letter of credit issued or confirmed by a U.S. financial institution is authorized.

(b) Transactions conducted pursuant to this section must be reported to the Office of Foreign Assets Control, Blocked Assets Section, within 10 days after completion of the transaction.

**§ 575.512 [Reserved]**

**§ 575.513 Transactions related to telecommunications authorized.**

All transactions of U.S. common carriers with respect to the receipt and transmission of telecommunications involving Iraq are authorized, provided that any payment owed to the Government of Iraq or persons in Iraq is paid into a blocked account in a U.S. financial institution.

**§ 575.514 Transactions related to mail authorized.**

All transactions by U.S. persons, including payment and transfers to common carriers, incident to the receipt

or transmission of mail between the United States and Iraq are authorized, provided that mail is limited to personal communications not involving a transfer of anything of value and not exceeding 12 ounces.

**§ 575.515 [Reserved]**

**§ 575.516 [Reserved]**

**§ 575.517 Procedures established for export transactions initiated prior to effective date.**

Goods awaiting exportation to Iraq on the effective date and seized or detained by the U.S. Customs Service on the effective date or thereafter may be released to the exporter, provided the following documents are filed with Customs officials at the port where such goods are located:

(a) A copy of the contract governing the exportation (sale or other transfer) of the goods to Iraq or, if no contract exists, a written explanation of the circumstances of exportation, including in either case a description of the manner and terms of payment received or to be received by the exporter (or other person) for, or by reason of, the exportation of the goods;

(b) An invoice, bill of lading, or other documentation fully describing the goods; and

(c) A statement by the exporter substantially in the following form:

Any amount received from or on behalf of the Government of Iraq by reason of the attempted exportation of the goods released to [name of exporter] by the U.S. Customs Service on [date], and fully described in the attached documents, has been or will be placed into a blocked account in a U.S. bank and the Office of Foreign Assets Control, Blocked Assets Section, will be immediately notified. [Name of exporter] agrees to fully indemnify the U.S. Government for any amount ultimately determined by a court of competent jurisdiction to be due or payable to or for the benefit of any person by reason of the failure of [name of exporter] to properly pay into a blocked account any amount received for the goods from or on behalf of the Government of Iraq. [Name of exporter] also agrees to waive all claims (1) against any payments received and placed into a blocked account, except as may be later authorized by law, regulations, or license, and (2) against the U.S. Government with regard to the disposition of the amounts placed into a blocked account.

The statement should be dated and signed by the exporter or by a person authorized to sign on the exporter's behalf. The Customs Service may release the goods to the exporter upon receipt of the documentation and statement described above, provided it is satisfied that all customs laws and regulations have been complied with.

including the execution of such hold harmless assurances as it shall determine to be appropriate. The documentation and statement received by Customs will be forwarded to the Office of Foreign Assets Control for review and appropriate action.

**§ 575.518 Certain standby letters of credit and performance bonds.**

(a) Notwithstanding any other provision of law, payment into a blocked account in a U.S. financial institution by an issuing or confirming bank under a standby letter of credit in favor of a beneficiary that is the Government of Iraq or a person in Iraq is prohibited by § 575.201 and not authorized, notwithstanding the provisions of § 575.503, if:

(1) The account party is a U.S. person; and

(2)(a) a specific license has been issued pursuant to the provisions of paragraph (b) of this section, or

(b) 10 business days have not expired after notice to the account party pursuant 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 Iraqi beneficiary 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) 10 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



Director of the Office of Foreign Assets Control 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 U.S. financial institution 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 an Iraqi beneficiary 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 to the instruments covered by this section if the instruments and payments thereunder are subsequently unblocked.

(g) The section does not authorize any U.S. person to reimburse a non-U.S. bank for payment to a Iraqi beneficiary under a standby letter of credit, except by payments into a blocked account in accordance with § 575.503 or paragraph (b) or (c) of this section.

(h) A person receiving a specific license under paragraph (b) or (c) of this section shall certify to the Office of Foreign Assets Control within 5 business days after receipt of that license that it has established the blocked account on its books as provided 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.

(i) 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 a contract, or any similar obligation in the nature of a performance bond;

(2) The term "account party" shall mean the person for whose account the standby letter of credit is opened; and

(3) The term "Iraqi beneficiary" shall mean a beneficiary that is

- (i) A person in Iraq,
- (ii) An entity operated from Iraq, or
- (iii) The Government of Iraq.

**§ 575.519 Certain imports for diplomatic or official personnel authorized.**

All transactions ordinarily incident to the importation of any goods or services into the United States destined for official or personal use by personnel employed by the diplomatic missions of the Government of Iraq to the United States and to international organizations located in the United States are

authorized, not for resale, and unless the importation is otherwise prohibited by law.

**§ 575.520 Donations of food to relieve human suffering authorized.**

(a) Specific licenses may be issued on a case-by-case basis to permit exportation to Iraq of donated food intended to relieve human suffering.

(b) In general, specific licenses will only be granted for donations of food to be provided through the United Nations in accordance with United Nations Security Council Resolutions 661 and 666 and in cooperation with the International Committee of the Red Cross or other appropriate humanitarian agencies for distribution by them or under their supervision, or in such other manner as may be approved under United Nations Security Council Resolution 666 and any other applicable Security Council resolutions, in order to ensure that such donations reach the intended beneficiaries.

(c) Applications for specific licenses pursuant to paragraph (a) of this section shall be made in advance of the proposed exportation, and provide the following information:

(1) The nature, quantity, value, and intended use of the donated food; and

(2) The terms and conditions of distribution, including the intended method of compliance with such terms and conditions of distribution as may have been adopted by the United Nations Security Council or a duly authorized body subordinate thereto to govern the shipment of foodstuffs under applicable United Nations Security Council resolutions, including Resolutions 661 and 666.

**§ 575.521 Donations of medical supplies authorized.**

(a) Specific licenses may be issued on a case-by-case basis to permit exportation to Iraq of donated supplies intended strictly for medical purposes, in accordance with the provisions of United Nations Security Council Resolutions 661 and 666 and other applicable Security Council resolutions.

(b) In general, specific licenses will only be granted for the exportation of medical supplies through the International Committee of the Red Cross or other appropriate humanitarian agencies for distribution by them or under their supervision, or in such other manner as may be approved under applicable Security Council resolutions, in order to ensure that such supplies reach the intended recipient.

(c) Applications for specific licenses pursuant to paragraph (a) shall be made

in advance of the proposed exportation, and provide the following information:

(1) The nature, quantity, value, and intended use of the medical supplies;

(2) The terms and conditions of distribution, including the intended method of compliance with such terms and conditions of distribution as may have been adopted by the United Nations Security Council or a duly authorized body subordinate thereto to govern the shipment of medical supplies under applicable Security Council resolutions.

**Subpart F—Reports**

**§ 575.601 Required records.**

Every person engaging in any transaction subject to the provisions of this part shall keep a full and accurate record of each such transaction in which that person engages, regardless of whether such transaction is effected pursuant to license or otherwise, and such record shall be available for examination for at least 2 years after the date of such transaction.

**§ 575.602 Reports to be furnished on demand.**

Every person is required to furnish under oath, in the form of reports or otherwise, from time to time and at any time as may be required, complete information relative to any transaction, regardless of whether such transaction is effected pursuant to license or otherwise, subject to the provisions of this part. Such reports may be required to include the production of any books of account, contracts, letters or other papers, connected with any such transaction or property, in the custody or control of the person required to make such reports. Reports with respect to transactions may be required either before or after such transactions are completed. The Director of Foreign Assets Control may, through any person or agency, conduct investigations, hold hearings, administer oaths, examine witnesses, receive evidence, take depositions, and require by subpoena the attendance and testimony of witnesses and the production of all books, papers, and documents relating to any matter under investigation, regardless of whether any report has been required or filed in connection therewith.

**§ 575.603 Report on certain correspondent bank accounts.**

(a) U.S. financial institutions are required to file a monthly report concerning any bank account held by them in the name of a bank in which the Government of Iraq holds an equity



interest of 10% or more (i.e., a correspondent bank account).

(b) The report, consisting of a copy of a monthly bank statement for the account, must:

(1) Include a summary of the average balance in the account for the period covered by the report,

(2) List the actual date on which account statements are made available to account holders, and

(3) State the exact location at which documents showing debits from and credits to the account may be reviewed and the name and telephone number of a person responsible for the content of the report.

(The report should not include copies of documents showing debits and credits.)

(c) A report filed pursuant to this section must arrive at the Office of Foreign Assets Control, Compliance Section, no later than the last business day of the month following the activity summarized in the report. The report may be sent by facsimile to (202) 377-7222 or mailed to the following address: Compliance Unit—603, Office of Foreign Assets Control, U.S. Department of the Treasury, 1500 Pennsylvania Avenue, NW.—2131 Annex, Washington, DC 20220.

## Subpart G—Penalties

### § 575.701 Penalties.

(a) Section 586E of the Iraq Sanctions Act of 1990, Public Law 101-513, 104 Stat. 2049, provides that, notwithstanding section 206 of the International Emergency Economic Powers Act (50 U.S.C. 1705) and section 5(b) of the United Nations Participation Act of 1945 (22 U.S.C. 287c(b))—

(1) A civil penalty of not to exceed \$250,000 may be imposed on any person who, after the enactment of this Act, violates or evades or attempts to violate or evade Executive Order Number 12722, 12723, 12724, 12725, or any license, order, or regulation issued under any such Executive Order;

(2) Whoever after the date of enactment of this Act willfully violates or evades or attempts to violate or evade Executive Order Number 12722, 12723, 12724, or 12725 or any license, order, or regulation issued under any such Executive Order—

(i) shall, upon conviction, be fined not more than \$1,000,000 if a person other than a natural person; or

(ii) if a natural person, shall, upon conviction, be fined not more than \$1,000,000, be imprisoned for not more than 12 years, or both.

(3) Any officer, director, or agent of any corporation who knowingly

participates in a violation, evasion, or attempt described in paragraph (a)(2) of this section may be punished by imposition of the fine, imprisonment (or both) specified in paragraph (a)(2)(ii) of this section.

(b) Attention is directed to the United Nations Participation Act, 22 U.S.C. 287c(b), which provides that any person who willfully violates or evades or attempts to violate or evade any order, rule, or regulation issued by the President pursuant to the authority granted in that section shall, upon conviction, be fined not more than \$10,000 or, if a natural person, be imprisoned for not more than ten years, or both; and the officer, director or agent of any corporation who knowingly participates in such violation or evasion shall be punished by a similar fine, imprisonment or both, and any property, funds, securities, papers, or other articles or documents, or any vessel, together with tackle, apparel, furniture, and equipment, or vehicle, or aircraft, concerned in such violation shall be forfeited to the United States.

(c) Attention is directed to 18 U.S.C. 1001, which provides that 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 representation 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.

(d) Violations of this part may also be subject to relevant provisions of the Customs laws and other applicable laws.

### § 575.702 Prepenalty notice.

(a) *When required.* If the Director of the Office of Foreign Assets Control has reasonable cause to believe that there has occurred a violation of any provision of this part or a violation 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, and the Director determines that further proceedings are warranted, he shall issue to the person concerned a notice of his intent to impose a monetary penalty. The prepenalty notice shall be issued whether or not another agency has taken any action with respect to this matter.

(b) *Contents—(1) Facts of violation.* The prepenalty notice shall describe the violation, specify the laws and regulations allegedly violated, and state the amount of the proposed monetary penalty.

(2) *Right to make presentations.* The prepenalty notice also shall inform the person of his right to make a written presentation within 30 days of mailing of the notice as to why a monetary penalty should not be imposed, or, if imposed, why it should be in a lesser amount than proposed.

### § 575.703 Presentation responding to prepenalty notice.

(a) *Time within which to respond.* The named person shall have 30 days from the date of mailing of the prepenalty notice to make a written presentation to the Director.

(b) *Form and contents of written presentation.* The written presentation need not be in any particular form, but shall contain information sufficient to indicate that it is in response to the prepenalty notice. It should contain responses to the allegations in the prepenalty notice and set forth the reasons why the person believes the penalty should not be imposed or, if imposed, why it should be in a lesser amount than proposed.

### § 575.704 Penalty notice.

(a) *No Violation.* If, after considering and presentations made in response to the prepenalty notice and any relevant facts, the Director determines that there was no violation by the person named in the prepenalty notice, he promptly shall notify the person in writing of the determination and that no monetary penalty will be imposed.

(b) *Violation.* If, after considering any presentations made in response to the prepenalty notice, the Director determines that there was a violation by the person named in the prepenalty notice, he promptly shall issue a written notice of the imposition of the monetary penalty to that person.

### § 575.705 Referral to United States Department of Justice.

In the event that the person named does not pay the penalty imposed pursuant to this subpart or make payment arrangements acceptable to the Director within 30 days of the mailing of the written notice of the imposition of the penalty, the matter shall be referred to the United States Department of Justice for appropriate action to recover the penalty in a civil suit in a Federal district court.



**Subpart H—Procedures****§ 575.801 Licensing.**

(a) *General Licenses.* General licenses have been issued authorizing under appropriate terms and conditions certain types of transactions which are subject to the prohibitions contained in Subpart B of this part. All such licenses in effect on the date of publication are set forth in subpart E of this part. It is the policy of the Office of Foreign Assets Control not to grant applications for specific licenses authorizing transactions to which the provisions of an outstanding general license are applicable. Persons availing themselves of certain general licenses may be required to file reports and statements in accordance with the instructions specified in those licenses. Failure to file such reports or statements will nullify the authority of the general license.

(b) *Specific licenses—(1) General course of procedure.* Transactions subject to the prohibitions contained in subpart B of this part which are not authorized by general license may be effected only under specific licenses.

(2) *Applications for specific licenses.* Applications for specific licenses to engage in any transactions prohibited by or pursuant to this part may be filed by letter with the Office of Foreign Assets Control. Any person having an interest in a transaction or proposed transaction may file an application for a license authorizing such transaction, but the applicant for a specific license is required to make full disclosure of all parties in interest to the transaction so that a decision on the application may be made with full knowledge of all relevant facts and so that the identity and location of the persons who know about the transaction may be easily ascertained in the event of inquiry.

(3) *Information to be supplied.* The applicant must supply all information specified by relevant instructions and/or forms, and must fully disclose the names of all the parties who are concerned with or interested in the proposed transaction. If the application is filed by an agent, the agent must disclose the name of his principal(s). Such documents as may be relevant shall be attached to each application as a part of such application except that documents previously filed with the Office of Foreign Assets Control may, where appropriate, be incorporated by reference. Applicants may be required to furnish such further information as is deemed necessary to a proper determination by the Office of Foreign Assets Control. Any applicant or other

party in interest desiring to present additional information or discuss or argue the application may do so at any time before or after decision. Arrangements for oral presentation shall be made with the Office of Foreign Assets Control.

(4) *Effect of denial.* The denial of a license does not preclude the reopening of an application or the filing of a further application. The applicant or any other party in interest may at any time request explanation of the reasons for a denial by correspondence or personal interview.

(5) *Reports under specific licenses.* As a condition for the issuance of any license, the licensee may be required to file reports with respect to the transaction covered by the license, in such form and at such times and places as may be prescribed in the license or otherwise.

(6) *Issuance of license.* Licenses will be issued by the Office of Foreign Assets Control acting on behalf of the Secretary of the Treasury or licenses may be issued by the Secretary of the Treasury acting directly or through any specifically designated person, agency, or instrumentality.

(c) *Address.* License applications, reports, and inquiries should be addressed to the appropriate section or individual within the Office of Foreign Assets Control, or to its Director, at the following address: Office of Foreign Assets Control, U.S. Department of the Treasury, 1500 Pennsylvania Avenue, NW., Annex, Washington, DC 20220.

**§ 575.802 Decisions.**

The Office of Foreign Assets Control will advise each applicant of the decision respecting filed applications. The decision of the Office of Foreign Assets Control acting on behalf of the Secretary of the Treasury with respect to an application shall constitute final agency action.

**§ 575.803 Amendment, modification, or revocation.**

The provisions of this part and any rulings, licenses, whether general or specific, authorizations, instructions, orders, or forms issued hereunder may be amended, modified, or revoked at any time.

**§ 575.804 Rulemaking.**

(a) All rules and other public documents are issued by the Secretary of the Treasury upon recommendation of the Director of the Office of Foreign Assets Control. In general, rulemaking by the Office of Foreign Assets Control involves foreign affairs functions of the

United States, and for that reason is exempt from the requirements under the Administrative Procedure Act (5 U.S.C. 553) for notice of proposed rulemaking, opportunity for public comment, and delay in effective date. Wherever possible, however, it is the practice of the Office of Foreign Assets Control to receive written submissions or hold informal consultations with interested parties before the issuance of any rule or other public document.

(b) Any interested person may petition the Director of the Office of Foreign Assets Control in writing for the issuance, amendment, or repeal of any rule.

**§ 575.805 Delegation by the Secretary of the Treasury.**

Any action which the Secretary of the Treasury is authorized to take pursuant to Executive Order No. 12723 and Executive Order No. 12725 may be taken by the Director, Office of Foreign Assets Control, or by any other person to whom the Secretary of the Treasury has delegated authority so to act.

**§ 575.806 Rules governing availability of information.**

(a) The records of the Office of Foreign Assets Control which are required by 5 U.S.C. 552 to be made available to the public shall be made available in accordance with the definitions, procedures, payment of fees, and other provisions of the regulations on the Disclosure of Records of the Office of the Secretary and of other bureaus and offices of the Department issued under 5 U.S.C. 552 and published as part 1 of this title 31 of the Code of Federal Regulations, 32 FR 9562 (July 1, 1967).

(b) Any form issued for use in connection with the Iraqi Sanctions Regulations may be obtained in person or by writing to the Office of Foreign Assets Control, U.S. Department of the Treasury, 1500 Pennsylvania Avenue, NW., Annex, Washington, DC 20220, or by calling (202) 566-2701.

**Subpart J—Paperwork Reduction Act****§ 575.901 [Reserved]**

Dated: January 14, 1991.

R. Richard Newcomb,  
Director, Office of Foreign Assets Control.

Approved: January 15, 1991.

Peter K. Nunez,  
Assistant Secretary  
(Enforcement).

[FR Doc. 91-1461 Filed 1-17-91; 8:45 am]

BILLING CODE 4810-25-M

NATIONAL SECURITY COUNCIL

WASHINGTON, D.C. 20506

0855

February 5, 1991

ACTION

MEMORANDUM FOR BRENT SCOWCROFT

THROUGH: RICHARD N. HAASS

FROM: ~~SANDRA~~ CHARLES

SUBJECT: Semiannual Report to Congress on Iraq

Under the International Emergency Economic Powers Act, the President is required to submit a report to Congress every six months on the Iraqi emergency declared on August 2, 1990. A report is due this month.

The proposed report, prepared by Treasury (Tab A) and forwarded by Secretary Brady (Tab B), covers events under the 1990 Iraqi emergency declaration and the sanctions imposed against Iraq and Kuwait from August 2, 1990 through January 1991. State and Justice have cleared the proposed report.

Tim Deal, Ginny Lampley and Nick Rostow concur.

RECOMMENDATION

That you sign the memorandum to the President at Tab I.

Attachments

Tab I Memorandum to the President

Tab A Report to Congress

Tab B Letter from Treasury Secretary



NATIONAL SECURITY COUNCIL

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