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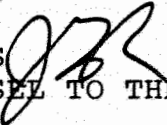
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THE WHITE HOUSE

WASHINGTON

January 9, 1986

MEMORANDUM FOR DAVID L. CHEW
STAFF SECRETARY

FROM: JOHN G. ROBERTS 
ASSOCIATE COUNSEL TO THE PRESIDENT

SUBJECT: President's Report to Congress
Regarding Blocking of Libyan Assets

This will confirm my oral advice to your office that Counsel's Office has no legal objection to the above-referenced report to Congress, to be sent in letter form to the Speaker of the House and the President of the Senate, in light of the recess of Congress. As we advised, "on January 8, 1986," should be added at the end of line three, "have" should be deleted in line four, "order" should be "Order" in the first line of the third paragraph and "today" in line ten on page two should be deleted.

WHITE HOUSE CORRESPONDENCE TRACKING WORKSHEET

O - OUTGOING

H - INTERNAL

I - INCOMING

Date Correspondence Received (YY/MM/DD) 1 1

Name of Correspondent: Dave Chew

MI Mail Report

User Codes: (A) _____ (B) _____ (C) _____

Subject: President's report to Congress re: Bleaching of Libyan assets

ROUTE TO:

ACTION

DISPOSITION

Office/Agency (Staff Name)	Action Code	Tracking Date YY/MM/DD	Type of Response	Code	Completion Date YY/MM/DD
<u>CUITOLL</u>	<u>ORIGINATOR</u>	<u>86/01/09</u>			<u>1 1</u>
<u>CUIT 18</u>	<u>B</u>	<u>86/01/09</u>		<u>S</u>	<u>86/01/09</u> <u>ASAP</u>
		<u>1 1</u>			<u>1 1</u>
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ACTION CODES:

- A - Appropriate Action
- C - Comment/Recommendation
- D - Draft Response
- F - Furnish Fact Sheet to be used as Enclosure

- I - Info Copy Only/No Action Necessary
- R - Direct Reply w/Copy
- S - For Signature
- X - Interim Reply

DISPOSITION CODES:

- A - Answered
- B - Non-Special Referral
- C - Completed
- S - Suspended

FOR OUTGOING CORRESPONDENCE:

- Type of Response = Initials of Signer
- Code = "A"
- Completion Date = Date of Outgoing

Comments: _____

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 Refer questions about the correspondence tracking system to Central Reference, ext. 2590.

WHITE HOUSE STAFFING MEMORANDUM

DATE: 1/9/86 ACTION/CONCURRENCE/COMMENT DUE BY: ASAP

SUBJECT: PRESIDENT'S REPORT TO CONGRESS RE BLOCKING OF LIBYAN ASSETS

	ACTION FYI			ACTION FYI	
VICE PRESIDENT	<input type="checkbox"/>	<input type="checkbox"/>	OGLESBY	<input checked="" type="checkbox"/>	<input type="checkbox"/>
REGAN	<input type="checkbox"/>	<input type="checkbox"/>	POINDEXTER	<input type="checkbox"/>	<input type="checkbox"/>
MILLER	<input type="checkbox"/>	<input type="checkbox"/>	RYAN	<input type="checkbox"/>	<input type="checkbox"/>
BUCHANAN	<input type="checkbox"/>	<input type="checkbox"/>	SPEAKES	<input type="checkbox"/>	<input type="checkbox"/>
CHAVEZ	<input type="checkbox"/>	<input type="checkbox"/>	SPRINKEL	<input type="checkbox"/>	<input type="checkbox"/>
CHEW	<input type="checkbox"/>	<input type="checkbox"/>	STEELMAN	<input type="checkbox"/>	<input type="checkbox"/>
DANIELS	<input type="checkbox"/>	<input type="checkbox"/>	SVAHN	<input type="checkbox"/>	<input type="checkbox"/>
FIELDING	<input checked="" type="checkbox"/>	<input type="checkbox"/>	THOMAS	<input type="checkbox"/>	<input type="checkbox"/>
HENKEL	<input type="checkbox"/>	<input type="checkbox"/>	TUTTLE	<input type="checkbox"/>	<input type="checkbox"/>
HICKS	<input type="checkbox"/>	<input type="checkbox"/>	<u>Clerk</u>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
KINGON	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
LACY	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>

REMARKS: Please give your comments to my office as soon as possible.

RESPONSE:



Washington, D.C. 20520

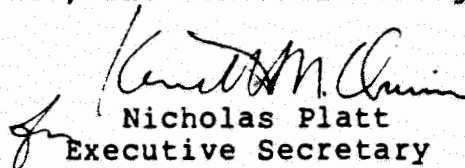
January 8, 1986

MEMORANDUM FOR VADM JOHN M. POINDEXTER
THE WHITE HOUSE

SUBJECT: Transmittal of President's Report to the Congress
With Respect to the Blocking of Libyan Assets

I am transmitting at Tab 1 a report from the President to the Congress with regard to the Executive Order signed today blocking all property and interests in property of the Government of Libya and the Central Bank of Libya that are in the United States or that are within the possession or control of U.S. persons, including overseas branches of U.S. persons. The report is to be submitted pursuant to section 204(b) of the International Emergency Economic Powers Act, 50 U.S.C. section 1703, and section 301 of the National Emergencies Act, 50 U.S.C. section 1631. This report has been coordinated with Treasury.

The report should be transmitted to the Speaker of the House of Representatives, The Honorable Thomas P. O'Neill, Jr., and the President of the Senate, The Honorable George Bush.


Nicholas Platt
Executive Secretary

Attachments:

Tab 1 - Report from the President to Congress

Dear _____ :

Pursuant to section 204(b) of the International Emergency Economic Powers Act, 50 U.S.C. 1703, and section 301 of the National Emergencies Act, 50 U.S.C. 1631, I hereby report that I have signed Executive Order No. _____ blocking all property and property interests of the Government of Libya and the Central Bank of Libya that are in or come within either the United States or the possession or control of United States persons, including overseas branches of United States juridical persons. In this Order, I have authorized the Secretary of the Treasury, in consultation with the Secretary of State, to employ powers granted to me by the International Emergency Economic Powers Act to carry out this direction.

A copy of this Executive Order is enclosed. The Order took effect upon signature.

This order does not apply to the property of Libyan citizens or entities not controlled by the Government of Libya. Moreover, the Order does not confiscate property of the Government of

Libya. Such property will continue to belong to the Libyan Government, and financial assets held in U.S. banks and their branches overseas will continue to earn a commercial rate of interest as appropriate.

I have taken these further steps pursuant to the national emergency I declared in Executive Order No. 12543 on January 7, 1986. My reasons for taking these actions are set forth in my letter to you of January 7, 1986, reporting the measures taken in that Order. Based on a continuing assessment of the situation, the steps taken today became necessary to carry out the purposes of that Order. They are not intended to deprive the Government of Libya of property but rather are to help assure the orderly management of the dissolution of the United States economic ties with Libya and to protect against the possibility of unlawful Libyan actions which adversely affect American interests.

THE WHITE HOUSE

WASHINGTON

January 7, 1986

MEMORANDUM FOR DENNIS M. O'CONNELL
DIRECTOR, OFFICE OF FOREIGN
ASSETS CONTROL
U.S. DEPARTMENT OF THE TREASURY

FROM: FRED F. FIELDING Orig. signed by FFF
COUNSEL TO THE PRESIDENT

SUBJECT: Treasury's Regulations Implementing
Executive Order Regarding Libya Sanctions

I have reviewed the proposed Libyan Sanctions Regulations. In lines 5-6 of the Summary section, it is stated that the President delegated his authority under IEEPA to the Secretary of the Treasury. That is an inaccurate summary of the final version of the Executive Order. The Order authorized the Secretary "to take such actions, including the promulgation of rules and regulations, as may be necessary to carry out the purposes of this Order."

I recommend deleting "delegating his authority under that Act to the Secretary of the Treasury" and substituting "authorizing the Secretary of the Treasury to take such actions, including the promulgation of rules and regulations, as may be necessary to carry out the purposes of this Order."

FFF:JGR:aea 1/7/86

cc: FFFielding
JGRoberts
Subj
Chron

cc: Dave Chew



DEPARTMENT OF THE TREASURY
WASHINGTON

*Libya
file*

TO: DISTRIBUTION

Attached for your information are the following:

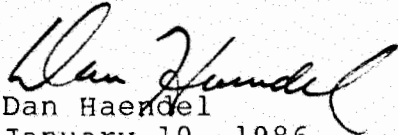
1. Executive Order (January 7, 1986) "Prohibiting Trade and Certain Transactions Involving Libya";
2. Final Rule - Libyan Sanctions Regulations (January 8, 1986);
3. Executive Order (January 8, 1986) "Blocking Libyan Government Property in the United States or Held by U.S. Persons"; and
4. White House Press Briefings by Senior Administration Officials on each of the Executive Orders.

Attachments

Distribution:

Treasury

R. Munk	J. Luke - OCC
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B. Barreda	J. Cooney - OMB
A. Holmer - USTR	Mr. Roberts - White House
J. Murphy - FDIC	J. Marquez - Transportation
R. Pearson - NSC	M. Schmitz - Customs
C. Dallara - Fund	M. Farrell - Energy
	M. Keating - Federal Reserve


Dan Haendel
January 10, 1986



Memorandum

ACTION

BRIEFING

INFORMATION

FOR: Interested Parties

DATE: January 11, 1986

FROM: Dennis M. O'Connell, Director
Office of Foreign Assets Control

SUBJECT: Draft Regulations Implementing E.O. 12544

Attached for your immediate review is a draft of Treasury's regulations implementing Executive Order 12544, which blocked Libyan assets.

We would appreciate your comments and suggestions by noon on Monday, January 13, 1986. Please transmit them to Marilyn Muench (376-0408), Kathryn Mann (376-0410), or Bill Hoffman (376-0412). Some FAC personnel will be in the Office on Sunday, January 12, beginning around noon.

*told Hoffman
no obj.
- aea
1/13/86*

	INITIATOR	REVIEWER	REVIEWER	REVIEWER	REVIEWER	SECRETARIAT
OFFICE CODE SURNAME						
INITIALS / DATE	/	/	/	/	/	/

1-11-86

3:10 p.m.

DEPARTMENT OF THE TREASURY

Office of Foreign Assets Control

31 C.F.R. Part 550

Libyan Sanctions Regulations

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

ACTION: Final Rule

SUMMARY: On January 8, 1986, the President issued Executive Order 12544, invoking the authority, inter alia, of the International Emergency Economic Powers Act (50 U.S.C. 1701 et seq.), in order to take steps with respect to Libya additional to those set forth in Executive Order No. 12543 of January 7, 1986, which declared a national emergency with respect to Libya. In implementation of Executive Order 12544, the Treasury Department is amending the Libyan Sanctions Regulations to block all property and interests in property of the Government of Libya, its agencies, instrumentalities and controlled entities, including the Central Bank of Libya, that are in the United States, that hereafter come within the United States, or that are

or hereafter come within the possession or control of U.S. persons, including their overseas branches.

EFFECTIVE DATE: 4:10 p.m. Eastern Standard Time, January 8, 1986.

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

SUPPLEMENTARY INFORMATION: Since the Regulations involve a foreign affairs function, the provisions of the Administrative Procedure Act, 5 U.S.C. 553, requiring notice of proposed rulemaking, opportunity for public participation, and delay in effective date, are inapplicable. Because no notice of proposed rulemaking is required for this rule, the Regulatory Flexibility Act, 5 U.S.C. 601 et seq., does not apply. Because the Regulations are issued with 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. The information collection requests contained in this document are being submitted to the Office of Management and Budget (OMB) under the Paperwork Reduction Act of 1980, 44 U.S.C. 3501 et seq. Notice of OMB action on these requests will be published in the Federal Register.

List of subjects in 31 C.F.R Part 550: Libya, Blocking of

**Assets, Imports, Exports, Loans, Penalties, Reporting and
Recordkeeping Requirements.**

PART 550--AMENDED

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

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

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

2. The table of contents of Part 550 is amended by adding entries for _____.

* * * * *

Subpart B -- Prohibitions

Subpart C -- General Definitions

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

Section 550.210 Effect of transfers violating the provisions of

this part.

Subpart C -- Definitions

Section 550.301 Effective date.

Section 550.313 Transfer.

Section 550.314 Property; property interests.

Section 550.315 Interest.

Section 550.316 Blocked account, blocked property.

Section 550.317 Domestic bank.

Section 550.318 Entity.

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

Subpart D -- Interpretations

Section 550.404 [Delete subsection (c)]

Section 550.412 Termination and acquisition of an interest of

the Government of Libya.

Section 550.413 Payments to Libya prohibited.

Section 550.414 Exports of Libyan-titled goods.

Section 550.415 Advance payments.

Section 550.416 Imports of Libyan goods and purchases of goods from Libya.

Section 550.417 Letters of credit.

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

Section 550.419 Banker's acceptances and similar instruments.

Section 550.420 Indirect payments to the Government of Libya.

Section 550.421 Setoffs prohibited.

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

Section 550.511 Payments to blocked accounts in domestic banks.

Section 550.513 Payment of certain checks and drafts.

Section 550.514 Completion of certain securities transactions.

Section 550.515 Transfers between accounts located in the United States for credit to Government of Libya.

Section 550.516 Payment by the Government of Libya of obligations to person within the United States.

Section 550.517 Unblocking of foreign currency deposits held by U.S. persons overseas.

Section 550.568 Certain standby letters of credit and performance bonds.

[Section 550.569 Sales on open account terms.]

Subpart B -- Prohibitions

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

(a) Except as authorized by regulations, rulings, instructions, licenses, or otherwise, no property or interests in property of the Government of Libya that are in the United

States, that hereafter come within the United States or that are or hereafter come within the possession or control of U.S. persons, including overseas branches of U.S. persons, may be transferred, paid, exported, withdrawn or otherwise dealt in.

(b) Unless authorized by a license expressly referring to this section, the acquisition, transfer (including the transfer on the books of any issuer or agent thereof), disposition, transportation, importation, exportation, or withdrawal of, or the endorsement or guaranty of signatures on or otherwise dealing in any security (or evidence thereof) registered or inscribed in the name of the Government of Libya is prohibited irrespective of the fact that at any time (either prior to, on, or subsequent to the effective date) the registered or inscribed owner thereof may have, or appears to have, assigned, transferred or otherwise disposed of any such security.

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

(a) Any transfer after 4:10 p.m. Eastern Standard Time, January 8, 1986, which is in violation of any provision of this part or of any regulation, ruling, instruction, license, or other direction or authorization thereunder and involves any property in which the Government of Libya has or has had an interest since such date is null and void and shall not be the basis for the assertion or recognition of any interest in or

right, remedy, power or privilege with respect to such property.

(b) No transfer before 4:10 p.m. Eastern Standard Time, January 8, 1986, shall be the basis for the assertion or recognition of any right, remedy, power, or privilege with respect to, or interest in, any property in which the Government of Libya has or has had an interest since such date, unless the person with whom such property is held or maintained had written notice of the transfer or by any written evidence had recognized such transfer prior to such date.

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

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

(1) Such transfer did not represent a willful violation of the provisions of this part by the person with whom such property was held or maintained;

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

(3) Promptly upon discovery that: (i) such transfer was in violation of the provisions of this part or any regulation, ruling, instruction, license or other direction or authorization thereunder, or (ii) such transfer was not licensed or authorized by the Secretary of the Treasury, or (iii) if a license did purport to cover the transfer, such license had been obtained by misrepresentation or the withholding of material facts or was otherwise fraudulently obtained; the person with whom such property was held or maintained filed with the Treasury Department, Washington, D.C., a report in triplicate setting forth in full the circumstances relating to such transfer. The filing of a report in accordance with the provisions of this paragraph shall not be deemed to be compliance or evidence of compliance

with paragraphs (d)(1) and (2) of this section.

(e) Unless licensed or authorized pursuant to this part, any attachment, judgment, decree, lien, execution, garnishment or other judicial process is null and void with respect to any property in which on or since 4:10 p.m. Eastern Standard Time, January 8, 1986, there existed an interest of the Government of Libya.

Subpart C -- Definitions

Section 550.301 Effective date.

The "effective date" means:

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

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

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

Section 550.304 Government of Libya.

(a) The "Government of Libya" includes:

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

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

(3) Any person to the extent that such person is, or has been, or to the extent that there is reasonable cause to believe that such person is, or has been, since the effective date acting or purporting to act directly or indirectly on behalf of any of the foregoing.

Section 550.313 Transfer.

The term "transfer" shall mean any actual or purported act or transaction, whether or not evidenced by writing, and whether or not done or performed within the United States, the purpose, intent or effect of which is to create, surrender, release, transfer, or alter, directly or indirectly, any right, remedy, power, privilege, or interest with respect to any property and without limitation upon the foregoing, shall include the making, execution, or delivery of any assignment, power, conveyance, check, declaration, deed, deed of trust, power of attorney, power of appointment, bill of sale, mortgage, receipt, agreement,

contract, certificate, gift, sale, affidavit, or statement; the appointment of any agent, trustee, or fiduciary; the creation or transfer of any lien; the issuance, docketing, filing, or the levy of or under any judgment, decree, attachment, execution, or other judicial or administrative process or order, or the service of any garnishment; the acquisition of any interest of any nature whatsoever by reason of a judgment or decree of any foreign country; the fulfillment of any condition, or the exercise of any power of appointment, power of attorney, or other power.

Section 550.314 Property; property interests.

The terms "property" and "property interest" or "property interests" shall include, but not by way of limitation, money, checks, drafts, bullion, bank deposits, savings accounts, debts, indebtedness, obligations, notes, debentures, stocks, bonds, coupons, any other financial securities, bankers' acceptances, mortgages, pledges, liens or other rights in the nature of security, warehouse receipts, bills of lading, trust receipts, bills of sale, any other evidences of title, ownership or indebtedness, letters of credit and any documents relating to any rights or obligations thereunder, powers of attorney, goods, wares, merchandise, chattels, stocks on hand, ships, goods on ships, real estate mortgages, deeds of trust, vendors' sales agreements, land contracts, real estate and any interest therein, leaseholds, ground rents, options, negotiable instruments, trade acceptances, royalties, book accounts, accounts payable,

judgments, patents, trademarks or copyrights, insurance policies, safe deposit boxes and their contents, annuities, pooling agreements, contracts of any nature whatsoever, and any other property, real, personal, or mixed, tangible or intangible, or interest or interests therein, present, future or contingent.

Section 550.315 Interest.

Except as otherwise provided in this part, the term "interest" when used with respect to property shall mean an interest of any nature whatsoever, direct or indirect.

Section 550.316 Blocked account, blocked property.

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

Section 550.317 Domestic bank.

(a) The term "domestic bank" shall mean any branch or office within the United States of any of the following which is not a Libyan entity: any bank or trust company incorporated under the banking laws of the United States or of any state, territory, or district of the United States, or any private bank or banker

subject to supervision and examination under the banking laws of the United States or of any state, territory or district of the United States. The Secretary of the Treasury may also authorize any other banking institution to be treated as a "domestic bank" for the purpose of this definition or for the purpose of any or all sections of this part.

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

Section 550.318 Entity.

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

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

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

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

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

Subpart D -- Interpretations

Section 550.404 [Delete subsection (c)]

Section 550.412 Termination and acquisition of an interest of the Government of Libya.

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

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

Section 550.413 Payments to Libya prohibited.

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

Section 550.414 Exports of Libyan-titled goods.

(a) The prohibitions contained in section 550.210 shall apply to any goods in the possession or control of a U.S. person if the Government of Libya had title to such property as of 4:10 p.m. E.S.T., on January 8, 1986, or acquired title after such time.

(b) Section 550.210 does not prohibit the export to Libya of the goods described in subsection (a) if such export is either not prohibited by section 550.202 or permitted by an authorization or license issued pursuant to this Part.

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

Section 550.415 Advance payments.

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

Section 550.416 Imports of Libyan goods and purchases of goods from Libya.

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

Section 550.417 Letters of credit.

(a) Q. Prior to 4:10 p.m. E.S.T., January 8, 1986, a bank that is a U.S. person has issued or confirmed a documentary letter of credit for the Government of Libya as account party in

favor of a U.S. person. The bank does not hold funds for the Government of Libya out of which it could reimburse itself for payment under the letter of credit. The U.S. person presents documentary drafts for exports to Libya made after 4:10 p.m. E.S.T., January 8, 1986. May the bank pay the U.S. exporter against the drafts?

A. No. Such a payment is prohibited by sections 550.206 and 550.210, as an extension of credit to the Government of Libya and a transfer of property in which there is an interest of the Government of Libya.

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

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

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

A. Yes. In accordance with section 550.516, the transfer by the Government of Libya to the bank is licensed. The funds are

not blocked and the bank is authorized to pay under the letter of credit and reimburse itself from the funds.

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

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

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

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

Section 550.419 Banker's acceptances and similar instruments.

Section 550.210 prohibits the acquisition by any U.S. person of any obligation, including banker's acceptances, in which the

documents evidencing the obligation indicate that the transaction being financed covers property in which, on or after 4:10 p.m. E.S.T., January 8, 1986, the Government of Libya has an interest of any nature whatsoever.

Section 550.420 Indirect payment to the Government of Libya.

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

Section 550.421 Setoffs prohibited.

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

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

2. Subpart E is amended by adding Sections 550.511, 550.512, 550.513, 550.514, 550.515, 550.516, 550.517, and 550.568.

Section 550.511 Payments to blocked accounts in domestic banks.

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

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

(c) This section does not authorize:

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

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

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

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

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

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

(h) This section authorizes transfer of a blocked demand deposit account to interest-bearing status at the instruction of the depositor at any time.

Section 550.513 Payment of certain checks and drafts. [and
documentary letters of credit]

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

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

(2) The check or draft was within the United States in process of collection by a domestic bank on or prior to such date and does not exceed \$50,000.

(3) The authorization contained in paragraph (a) shall expire at 12:01 a.m., February 1, 1986.

(b) A domestic bank as its own obligation may make payment to a person who is the beneficiary of any letter of credit issued or confirmed by it, or on a draft accepted by it, prior to 4:10 p.m. E.S.T., January 8, 1986, where the letter of credit was issued or confirmed on behalf of a Libyan entity, provided that

no blocked account may at any time be debited in connection with such a payment.

(1) Such a payment shall give the bank making payment no special priority or other right to blocked accounts it holds.

(2) Nothing in this paragraph prevents payment being made to the beneficiary of any draft or letter of credit or to any banking institution pursuant to Section 550.516.

[(c) Payments are authorized from blocked accounts of documentary drafts drawn under irrevocable letters of credit issued or confirmed in favor of any U.S. person by a domestic bank prior to 4:10 p.m. E.S.T., January 8, 1986, provided that (1) the goods that are the subject of the payment under the letter of credit have been exported prior to 4:10 p.m. E.S.T., January 8, 1986; and (2) payment under the letter of credit is made by close of business at 12:00 midnight, February 7, 1986.]

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

Section 550.514 Completion of certain securities transactions.

(a) Banking institutions within the United States are hereby authorized to complete, on or before January 20, 1986, purchases

and sales made prior to 4:10 p.m., E.S.T., January 8, 1986 of securities purchased or sold for the account of the Government of Libya provided the following terms and conditions are complied with, respectively:

(1) The proceeds of such sale are credited to a blocked account in a banking institution within the United States in the name of the person for whose account the sale was made; and

(2) The securities so purchased are held in a blocked account in a banking institution within the United States in the name of the person for whose account the purchase was made.

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

Section 550.515 Transfers between accounts located in the United States for credit to Government of Libya.

Transfers are authorized by order of a foreign bank which is not a Libyan entity from its account in a domestic bank (directly or through a foreign branch or subsidiary of a domestic bank) to an account held by a domestic bank (directly or through a foreign

branch or subsidiary) for a second foreign bank which is not a Libyan entity and which in turn credits an account held by it abroad for the Government of Libya.

Section 550.516 Payment by the Government of Libya of obligations to persons within the United States.

(a) The transfer of funds after 4:10 p.m. E.S.T., January 8, 1986, by, through or to any U.S. banking institution or other person within the United States solely for purposes of payment of obligations by the Government of Libya owed to persons within the United States is authorized, provided that there is no debit to a blocked account. Property is not blocked by virtue of being transferred or received pursuant to this section.

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

Section 550.517 Unblocking of foreign currency deposits held by U.S. persons overseas.

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

Section 550.568 Certain standby letters of credit and performance bonds.

(a) Notwithstanding any other provision of law, payment into a blocked account in a domestic bank by an issuing or confirming bank under a standby letter of credit in favor of a Libyan entity is prohibited by Section 550.209 and not authorized, notwithstanding the provisions of Section 550.511, if either (1) a specific license has been issued pursuant to the provisions of paragraph (b) of this section or (2) eight 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 a standby letter of credit, it shall promptly notify the person for whose account the credit was opened. Such person may then apply within five business days for a specific license authorizing the account party to establish a blocked account on its books in the name of the Libyan entity in the amount payable under the credit, in lieu of payment by the issuing or confirming bank into a blocked account and reimbursement therefor by the account party.

(c) Where there is outstanding a demand for payment under a standby letter of credit, and the issuing or confirming bank has been enjoined from making payment, upon removal of the injunction, the person for whose account the credit was opened may

apply for a specific license for the same purpose and in the same manner as that set forth in paragraph (b) of this section. The issuing or confirming bank shall not make payment under the standby letter of credit unless (1) eight business days have expired since the bank has received notice of the removal of the injunction and (2) a specific license issued to the account party pursuant to the provisions of this paragraph has not been presented to the bank.

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

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

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

(g) For the purposes of this section, the term "standby letter of credit" shall mean a letter of credit securing

performance of, or repayment of any advance payments or deposits under, a contract with the Government of Libya, or any similar obligation in the nature of a performance bond.

(h) The regulations do not authorize any person subject to the jurisdiction of the United States to reimburse a non-U.S. bank for payment to the Government of Libya under a standby letter of credit, except by payments into a blocked account in accordance with Section 550.511 or paragraph (b) or (c) of this section.

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

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

[Section 550.569 Sales on open account terms.

Notwithstanding section 550.206, U.S. persons are authorized

to make sales on open account to the Government of Libya on international commercial terms customarily offered by other sellers of like goods dealing at arms' length. This section does not authorize any export or other sale not otherwise permitted by this Part.]

Dated: _____, 1986

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

Approved: _____, 1986

Francis A. Keating II
Assistant Secretary

(Enforcement & Operations)

Elizabeth Root /
Libyan lawsuit

(614) 475-9511

Dan Slane, Columbus OH
Elizabeth Root (shot + original)

wants to see Libyan gov.
evicting people serving Libyans shot her.
Foreign Service, Security Act

1/21

Jim Hansen [647-4410³ / 4414] (DOS)

-5423-

632-2672

referred to Hansen: no to DOS, or third
to the people in court.