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DEPARTMENT OF THE TREASURY

Office of Foreign Assets Control

31 CFR Parts 594, 595, and 597

**Technical Amendments to Counter-terrorism Sanctions Regulations
Implemented by OFAC**

AGENCY: Office of Foreign Assets Control, Treasury.

ACTION: Final rule.

SUMMARY: The Office of Foreign Assets Control ("OFAC") of the U.S. Department of the Treasury is amending the Global Terrorism Sanctions Regulations and the Terrorism Sanctions Regulations (the "TSR") to clarify the scope of prohibitions on the making of donations contained in the underlying Executive orders and that a person whose property and interests in property are blocked pursuant to those programs has an interest in all property and interests in property of an entity in which it owns, directly or indirectly, a 50 percent or greater interest. In addition, OFAC is amending the TSR to add a definition of the term "financial, material, or technological support" and to set

at 180 days the maximum term of maturity for instruments in which funds may be invested or held within a blocked interest-bearing account. Finally, OFAC is correcting a clerical error within the Foreign Terrorist Organizations Sanctions Regulations.

DATES: Effective: [INSERT DATE OF PUBLICATION IN THE FEDERAL REGISTER].

FOR FURTHER INFORMATION CONTACT: Assistant Director for Sanctions Compliance & Evaluation, tel.: 202/622-2490, Assistant Director for Licensing, tel.: 202/622-2480, Assistant Director for Policy, tel.: 202/622-2746, Assistant Director for Regulatory Affairs, tel.: 202/622-4855, Office of Foreign Assets Control, or Chief Counsel (Foreign Assets Control), tel.: 202/622-2410, Office of the General Counsel, Department of the Treasury, Washington, DC 20220 (not toll free numbers).

SUPPLEMENTARY INFORMATION:

Electronic and Facsimile Availability

This document and additional information concerning OFAC are available from OFAC's Web site (www.treasury.gov/ofac).

Certain general information pertaining to OFAC's sanctions programs also is available via facsimile through a 24-hour fax-on-demand service, tel.: 202/622-0077.

Background

The Office of Foreign Assets Control ("OFAC") administers three sanctions programs with respect to terrorists and terrorist organizations. The Terrorism Sanctions Regulations, 31 CFR part 595 (the "TSR"), implement Executive Order 12947 of January 23, 1995, in which the President declared a national emergency with respect to "grave acts of violence committed by foreign terrorists that disrupt the Middle East peace process." The Global Terrorism Sanctions Regulations, 31 CFR part 594 (the "GTSR"), implement Executive Order 13224 of September 23, 2001, in which the President declared a national emergency more generally with respect to "grave acts of terrorism and threats of terrorism committed by foreign terrorists." The Foreign Terrorist Organizations Sanctions Regulations, 31 CFR part 597 (the "FTOSR"), implement provisions of the Antiterrorism and Effective Death Penalty Act of 1996.

Executive Order 13372 of February 16, 2005, amended section 3 of Executive Order 12947 and section 4 of Executive Order

13224 to clarify that the prohibitions contained in those sections on the making of donations of the types of articles specified in section 203(b)(2) of the International Emergency Economic Powers Act (50 U.S.C. 1702(b)(2)) apply to donations "by, to, or for the benefit of" and not just "to" persons whose property and interests in property are blocked pursuant to those orders. OFAC is amending sections 594.204 and 594.409 of the GTSR and sections 595.204 and 595.408 of the TSR to incorporate this clarification into its regulations.

OFAC also is adding new interpretive sections 594.412 and 595.410 to the GTSR and TSR, respectively, to clarify that a person whose property and interests in property are blocked pursuant to those programs has an interest in all property and interests in property of an entity in which it owns, directly or indirectly, a 50 percent or greater interest. The property and interests in property of such an entity, therefore, are blocked, and such an entity is a person whose property and interests in property are blocked pursuant to the relevant sanctions program, regardless of whether the entity itself is listed in an annex to an Executive order or designated pursuant to statutory or regulatory authorities. Further, OFAC is adding references to these new interpretive sections to note 2 to paragraph (a) of

section 594.201 of the GTSR and new note 1 to section 595.311 of the TSR.

OFAC is amending the TSR to define the term "financial, material, or technological support," as used in those regulations. Paragraph (a)(2)(ii) of section 595.311 of the TSR implements section 1(a)(ii)(B) of Executive Order 12947 by including within the definition of "specially designated terrorist" foreign persons designated by the Secretary of State, in coordination with the Secretary of the Treasury and the Attorney General, because they are found to have assisted in, sponsored, or provided financial, material, or technological support for, or services in support of, acts of violence that have the purpose or effect of disrupting the Middle East peace process.

New section 595.317 in subpart C of the TSR defines the term "financial, material, or technological support" to mean any property, tangible or intangible, and includes a list of specific examples. The corresponding definition already appears in the GTSR, in existing section 594.317. The term is not used in the FTOSR.

In addition, OFAC is revising paragraph (b) of section 595.203 of the TSR to set at 180 days the maximum term of maturity for instruments in which funds within an interest-bearing account, as defined within that paragraph, may be invested or held. Previously, the maximum term of maturity for such instruments was set at 90 days, which is not consistent with the maximum term of maturity set out in analogous provisions under the regulations for other OFAC-administered sanctions programs contained in the various parts of 31 CFR chapter V.

Finally, OFAC is making certain technical edits to definitions contained in the GTSR and TSR and revising the note to section 597.301 of the FTOSR to correct a clerical error.

Public Participation

Because these amendments to 31 CFR parts 594, 595, and 597 involve a foreign affairs function, Executive Order 12866 and 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. 601-612) does not apply.

List of Subjects in 31 CFR Parts 594, 595, and 597

Administrative practice and procedure, Banks, Banking, Blocking of assets, Terrorism.

For the reasons set forth in the preamble, the Department of the Treasury's Office of Foreign Assets Control amends 31 CFR parts 594, 595, and 597 as follows:

PART 594—GLOBAL TERRORISM SANCTIONS REGULATIONS

1. The authority citation for part 594 is revised to read as follows:

AUTHORITY: 3 U.S.C. 301; 22 U.S.C. 287c; 31 U.S.C. 321(b); 50 U.S.C. 1601-1651, 1701-1706; Pub. L. 101-410, 104 Stat. 890 (28 U.S.C. 2461 note); Pub. L. 110-96, 121 Stat. 1011; E.O. 13224, 66 FR 49079, 3 CFR, 2001 Comp., p. 786; E.O. 13268, 67 FR 44751, 3 CFR, 2002 Comp., p. 240; E.O. 13284, 68 FR 4075, 3 CFR, 2003 Comp., p. 161; E.O. 13372, 70 FR 8499, 3 CFR, 2006 Comp., p. 159.

Subpart B—Prohibitions

2. In § 594.201, revise Note 2 to paragraph (a) to read as follows:

§ 594.201 Prohibited transactions involving blocked property.

* * * * *

Note 2 to paragraph (a) of § 594.201: The names of persons whose property and interests in property are blocked pursuant to § 594.201(a) are published in the Federal Register and incorporated into the Office of Foreign Assets Control's Specially Designated Nationals and Blocked Persons List ("SDN List") with the identifier "[SDGT]." The SDN List is accessible through the following page on the Office of Foreign Assets Control's Web site: <http://www.treasury.gov/sdn>. Additional information pertaining to the SDN List can be found in appendix A to this chapter. See § 594.412 concerning entities that may not be listed on the SDN List but whose property and interests in property are nevertheless blocked pursuant to paragraph (a) of this section.

* * * * *

3. Revise § 594.204 to read as follows:

**§ 594.204 Prohibited transaction or dealing in property;
contributions of funds, goods, or services.**

Except as otherwise authorized, no U.S. person may engage in any transaction or dealing in property or interests in property of persons whose property and interests in property are blocked pursuant to § 594.201(a), including but not limited to the following transactions:

(a) The making of any contribution or provision of funds, goods, or services by, to, or for the benefit of any person whose property and interests in property are blocked pursuant to § 594.201(a); and

(b) The receipt of any contribution or provision of funds, goods, or services from any person whose property and interests in property are blocked pursuant to § 594.201(a).

Subpart C—General Definitions

4. Revise § 594.310 to read as follows:

§ 594.310 Specially designated global terrorist; SDGT.

The term specially designated global terrorist or SDGT means any person whose property and interests in property are blocked pursuant to § 594.201(a).

Subpart D—Interpretations

5. Revise § 594.409 to read as follows:

§ 594.409 Charitable contributions.

Unless specifically authorized by the Office of Foreign Assets Control pursuant to this part, no charitable contribution or donation of funds, goods, services, or technology, including contributions or donations to relieve human suffering, such as food, clothing, or medicine, may be made by, to, or for the benefit of, or received from, any person whose property and interests in property are blocked pursuant to § 594.201(a). For the purposes of this part, a contribution or donation is made

by, to, or for the benefit of, or received from, any person whose property and interests in property are blocked pursuant to § 594.201(a) if made by, to, or in the name of, or received from or in the name of, such a person; if made by, to, or in the name of, or received from or in the name of, an entity or individual acting for or on behalf of, or owned or controlled by, such a person; or if made in an attempt to violate, to evade, or to avoid the bar on the provision of contributions or donations by, to, or for the benefit of such a person, or the receipt of contributions or donations from any such person.

6. Add § 594.412 to subpart D to read as follows:

§ 594.412 Entities owned by a person whose property and interests in property are blocked.

A person whose property and interests in property are blocked pursuant to § 594.201(a) has an interest in all property and interests in property of an entity in which it owns, directly or indirectly, a 50 percent or greater interest. The property and interests in property of such an entity, therefore, are blocked, and such an entity is a person whose property and interests in property are blocked pursuant to § 594.201(a), regardless of whether the entity itself is listed in the Annex

to Executive Order 13224, as amended, or designated pursuant to § 594.201(a).

PART 595—TERRORISM SANCTIONS REGULATIONS

7. The authority citation for part 595 is revised to read as follows:

AUTHORITY: 3 U.S.C. 301; 31 U.S.C. 321(b); 50 U.S.C. 1601-1651, 1701-1706; Pub. L. 101-410, 104 Stat. 890 (28 U.S.C. 2461 note); Pub. L. 110-96, 121 Stat. 1011; E.O. 12947, 60 FR 5079, 3 CFR, 1995 Comp., p. 319; E.O. 13099, 63 FR 45167, 3 CFR, 1998 Comp., p. 208; E.O. 13372, 70 FR 8499, 3 CFR, 2006 Comp., p. 159.

Subpart B—Prohibitions

8. In § 595.203, revise paragraph (b) to read as follows:

§ 595.203 Holding of certain types of blocked property in interest-bearing 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 180 days.

* * * * *

9. Revise § 595.204 to read as follows:

**§ 595.204 Prohibited transaction or dealing in property;
contributions of funds, goods, or services.**

Except as otherwise authorized, no U.S. person may deal in property or interests in property of a specially designated terrorist, including but not limited to the following transactions:

(a) The making of any contribution or provision of funds, goods, or services by, to, or for the benefit of a specially designated terrorist; and

(b) The receipt of any contribution or provision of funds, goods, or services from a specially designated terrorist.

Subpart C—General Definitions

10. In § 595.311, revise paragraph (a)(1), remove the Note to § 595.311, and add Notes 1, 2, and 3 to read as follows:

§ 595.311 Specially designated terrorist.

(a) * * *

(1) Persons listed in the Annex to Executive Order 12947 of January 23, 1995, as amended;

* * * * *

Note 1 to § 595.311: The names of persons determined to fall within this definition, whose property and interests in property therefore are blocked pursuant to this part, are published in the Federal Register and incorporated into the Office of Foreign Assets Control's Specially Designated Nationals and Blocked Persons List ("SDN List") with the identifier "[SDT]." The SDN List is accessible through the

following page on the Office of Foreign Assets Control's Web site: <http://www.treasury.gov/sdn>. Additional information pertaining to the SDN List can be found in appendix A to this chapter. See § 595.410 concerning entities that may not be listed on the SDN List but whose property and interests in property are nevertheless blocked pursuant to this part.

Note 2 to § 595.311: The International Emergency Economic Powers Act (50 U.S.C. 1701-1706), in Section 203 (50 U.S.C. 1702), authorizes the blocking of property and interests in property of a person during the pendency of an investigation. The names of persons whose property and interests in property are blocked pending investigation pursuant to this part also are published in the Federal Register and incorporated into the SDN List with the identifier "[BPI-SDT]."

Note 3 to § 595.311: Section 501.807 of this chapter sets forth the procedures to be followed by persons seeking administrative reconsideration of their designation, or who wish to assert that the circumstances resulting in the designation are no longer applicable.

11. Add § 595.317 to subpart C to read as follows:

§ 595.317 Financial, material, or technological support.

The term financial, material, or technological support, as used in § 595.311(a)(2)(ii) of this part, means any property, tangible or intangible, including but not limited to currency, financial instruments, securities, or any other transmission of value; weapons or related materiel; chemical or biological agents; explosives; false documentation or identification; communications equipment; computers; electronic or other devices or equipment; technologies; lodging; safe houses; facilities; vehicles or other means of transportation; or goods.

"Technologies" as used in this definition means specific information necessary for the development, production, or use of a product, including related technical data such as blueprints, plans, diagrams, models, formulae, tables, engineering designs and specifications, manuals, or other recorded instructions.

Subpart D—Interpretations

12. Revise § 595.408 to read as follows:

§ 595.408 Charitable contributions.

(a) Unless specifically authorized by the Office of Foreign Assets Control pursuant to this part, no charitable contribution or donation of funds, goods, services, or technology, including contributions or donations to relieve human suffering, such as food, clothing, or medicine, may be made by, to, or for the benefit of, or received from, any specially designated terrorist. For the purposes of this part, a contribution or donation is made by, to, or for the benefit of, or received from, a specially designated terrorist if made by, to, or in the name of, or received from or in the name of, a specially designated terrorist; if made by, to, or in the name of, or received from or in the name of, an entity or individual acting for or on behalf of, or owned or controlled by, a specially designated terrorist; or if made in an attempt to violate, to evade, or to avoid the bar on the provision of contributions or donations by, to, or for the benefit of a specially designated terrorist, or the receipt of contributions or donations from a specially designated terrorist.

(b) Individuals and organizations who donate or contribute funds, goods, services, or technology without knowledge or reason to know that the donation or contribution is destined to or for the benefit of a specially designated terrorist shall not be subject to penalties for such donation or contribution.

13. Add § 595.410 to subpart D to read as follows:

§ 595.410 Entities owned by a person whose property and interests in property are blocked.

A person who is determined to fall within the definition of pecially designated terrorist as set forth in § 595.311, whose property and interests in property therefore are blocked pursuant to this part, has an interest in all property and interests in property of an entity in which it owns, directly or indirectly, a 50 percent or greater interest. The property and interests in property of such an entity, therefore, are blocked, and such an entity is a person whose property and interests in property are blocked pursuant to this part, regardless of whether the entity itself is listed in the Annex to Executive Order 12947, as amended, or designated pursuant to this part.

PART 597—FOREIGN TERRORIST ORGANIZATIONS SANCTIONS REGULATIONS

14. The authority citation for part 597 continues to read as follows:

AUTHORITY: 31 U.S.C. 321(b); Pub. L. 101-410, 104 Stat. 890 (28 U.S.C. 2461 note); Pub. L. 104-132, 110 Stat. 1214, 1248-53 (8 U.S.C. 1189, 18 U.S.C. 2339B).

Subpart C—General Definitions

15. In § 597.301, revise the Note to read as follows:

§ 597.301 Agent.

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Note to § 597.301: The names of persons designated as foreign terrorist organizations or determined to fall within this definition are published in the Federal Register and incorporated into the Office of Foreign Assets Control's Specially Designated Nationals and Blocked Persons List ("SDN List") with the identifier "[FTO]." The SDN List is accessible through the following page on the Office of Foreign Assets Control's Web site: <http://www.treasury.gov/sdn>. Additional information pertaining to the SDN List can be found in appendix A to this chapter. Section 501.807 of this chapter sets forth the procedures to be followed by a person seeking administrative reconsideration of a determination that the person falls within

this definition, or who wishes to assert that the circumstances resulting in such a determination are no longer applicable.

Dated: June 21, 2013

Adam J. Szubin

Director, Office of Foreign Assets Control.

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