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DEPARTMENT OF THE TREASURY

Office of Foreign Assets Control

31 CFR Part 560

Iranian Transactions and Sanctions Regulations

AGENCY: Office of Foreign Assets Control, Treasury.

ACTION: Final Rule.

SUMMARY: The Department of the Treasury's Office of Foreign Assets Control ("OFAC") is amending the Iranian Transactions and Sanctions Regulations (the "ITSR") to implement section 218 and portions of sections 602 and 603 of the Iran Threat Reduction and Syria Human Rights Act of 2012; section 5, portions of section 6, and other related provisions of Executive Order 13622 of July 30, 2012; and section 4 of Executive Order 13628 of October 9, 2012. These amendments, inter alia, add a new

section to the ITSR to prohibit certain transactions by entities owned or controlled by a U.S. person and established or maintained outside the United States. They also expand the categories of persons whose property and interests in property are blocked to include any person determined by the Secretary of the Treasury, in consultation with the Secretary of State, to have provided material support for certain Government of Iran-related entities or certain activities by the Government of Iran.

DATES: Effective Date: [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.: 202/622-4855, Office of Foreign Assets Control, or Chief Counsel (Foreign Assets Control), tel.: 202/622-2410, Office of the General Counsel, Department of the Treasury (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.treas.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

On October 22, 2012, the Department of the Treasury's Office of Foreign Assets Control ("OFAC") published a final rule in the Federal Register (77 FR 64664) changing the heading of the former Iranian Transactions Regulations to the Iranian Transactions and Sanctions Regulations, 31 CFR part 560 (the "ITSR"), amending the renamed ITSR, and reissuing them in their entirety, to implement Executive Order 13599 of February 5, 2012 ("E.O. 13599"), and sections 1245(c) and (d)(1)(B) of the National Defense Authorization Act for Fiscal Year 2012 (Pub. L. 112-81). This final rule made many significant amendments, as well as technical and conforming changes, to the ITSR. OFAC is now amending the ITSR to implement the sections discussed below

of Executive Order 13622 of July 30, 2012, "Authorizing Additional Sanctions With Respect to Iran" ("E.O. 13622"), the Iran Threat Reduction and Syria Human Rights Act of 2012 (Pub. L. 112-158) (the "TRA"), and Executive Order 13628 of October 9, 2012, "Authorizing the Implementation of Certain Sanctions Set Forth in the Iran Threat Reduction and Syria Human Rights Act of 2012 and Additional Sanctions With Respect to Iran" ("E.O. 13628").

On July 30, 2012, the President, invoking the authority of, inter alia, the International Emergency Economic Powers Act (50 U.S.C. 1701 et seq.) ("IEEPA"), issued E.O. 13622. The President issued E.O. 13622 to take additional steps with respect to the national emergency declared in Executive Order 12957 of March 15, 1995 ("E.O. 12957"), particularly in light of the Government of Iran's use of revenues from petroleum, petroleum products, and petrochemicals for illicit purposes, Iran's continued attempts to evade international sanctions through deceptive practices, and the unacceptable risk posed to the international financial system by Iran's activities.

Section 5 of E.O. 13622 blocks all property and interests in property 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 any U.S. person, including any foreign branch, of any person determined by the Secretary of the Treasury, in consultation with the Secretary of State, to have materially assisted, sponsored, or provided financial, material, or technological support for, or goods or services in support of, the National Iranian Oil Company ("NIOC"), the Naftiran Intertrade Company ("NICO"), or the Central Bank of Iran, or the purchase or acquisition of U.S. bank notes or precious metals by the Government of Iran. Section 10 of E.O. 13622 defines the terms NIOC and NICO as including any entity owned or controlled by, or operating for or on behalf of, respectively, NIOC and NICO.

Section 6 of E.O. 13622 provides that section 5(a) of the order, among other specified provisions, shall not apply to any person for conducting or facilitating a transaction involving a natural gas development and pipeline project initiated prior to July 31, 2012, to bring gas from Azerbaijan to Europe and Turkey, as described in section 6. Although it is not named in the section, section 6 refers to the Shah Deniz natural gas field in Azerbaijan's sector of the Caspian Sea and related pipeline projects to bring the gas from Azerbaijan to Europe and Turkey.

On August 10, 2012, the President signed into law the TRA. Section 218 of the TRA directs the President to prohibit entities owned or controlled by a United States person and established or maintained outside the United States from knowingly engaging in any transaction directly or indirectly with the Government of Iran or any person subject to the jurisdiction of the Government of Iran that would be prohibited by an order or regulation issued pursuant to IEEPA if the transaction were engaged in by a United States person or in the United States. Section 218 also extends civil penalty liability under IEEPA to U.S. parent companies if the foreign entities they own or control violate, attempt to violate, conspire to violate, or cause a violation of any order or regulation issued to implement this section. The law allows the U.S. person to avoid civil penalties for violations if it divests or terminates its business with the foreign entity by February 6, 2013.

Sections 602 and 603 of the TRA provide that nothing in that law, including section 218, shall apply to, respectively, the authorized intelligence activities of the United States and any activity relating to a project for the development of natural gas and the construction and operation of a pipeline to transport natural gas from Azerbaijan to Turkey and Europe that

meets certain specified criteria. The project that meets the criteria in section 603 is the project to develop the Shah Deniz natural gas field in Azerbaijan's sector of the Caspian Sea and related pipeline projects to bring the gas from Azerbaijan to Europe and Turkey, as discussed above in connection with section 6 of E.O. 13622. The exemption in section 603 will not apply in the event that the President makes certain certifications to Congress to the effect that an Iranian entity's share of the project has increased relative to its share on January 1, 2002, or that an Iranian entity has assumed an operational role in the project, as described in section 603(b) of the TRA.

On October 9, 2012, the President, invoking the authority of, inter alia, IEEPA and the TRA, issued E.O. 13628, in order to take additional steps to deal with the national emergency declared in E.O. 12957 with respect to Iran. In implementation of section 218 of the TRA, section 4(a) of E.O. 13628 prohibits entities owned or controlled by a United States person and established or maintained outside the United States from knowingly engaging in any transactions, directly or indirectly, with the Government of Iran or any person subject to the jurisdiction of the Government of Iran, if the transactions would be prohibited by E.O. 12957, Executive Order 12959 of May

6, 1995, Executive Order 13059 of August 19, 1997, E.O. 13599, section 5 of E.O. 13622, or section 12 of E.O. 13628, or any regulation issued pursuant to the foregoing, if the transaction were engaged in by a United States person or in the United States. Section 4(d) of E.O. 13628 provides that the prohibition in section 4(a) applies except to the extent provided by statutes, or in regulations, orders directives, or licenses that may be issued pursuant to this order.

Section 4(b) of E.O. 13628 provides that penalties for violations of the prohibition in section 4(a) may be assessed against the United States person that owns or controls the foreign entity that engaged in the prohibited transaction. Section 4(c) provides that such penalties shall not apply if the United States person that owns or controls the foreign entity divests or terminates its business with that entity not later than February 6, 2013.

Today, OFAC is amending the ITSR to implement sections 5 and 6 of E.O. 13622, sections 218, 602, and 603 of the TRA, and section 4 of E.O. 13628. To implement the relevant provisions of E.O. 13622, OFAC is amending paragraph (c) of section 560.211 of the ITSR to add the new blocking criteria set forth in section 5(a) of the order, as well as the exemption from this

new authority for a natural gas development and pipeline project described in section 6 of the order.

OFAC is making a number of changes to the ITSR to implement the relevant provisions of the TRA and E.O. 13628. First, new section 560.215 is being added to subpart B of the ITSR to prohibit entities owned or controlled by a United States person and established or maintained outside the United States from knowingly engaging in any transaction directly or indirectly with the Government of Iran or any person subject to the jurisdiction of the Government of Iran that would be prohibited by the ITSR if the transaction were engaged in by a United States person or in the United States. This new section also contains the exemptions set forth in sections 602 and 603 of the TRA for, respectively, U.S. intelligence activities and a natural gas-related project, as described above.

Second, new section 560.555 is being added to subpart E of the ITSR to authorize, from October 9, 2012, through March 8, 2013, all transactions ordinarily incident and necessary to the winding-down of transactions prohibited by new section 560.215, provided that the authorized transactions do not involve a U.S. person or occur in the United States. Paragraph (b) of section 560.555 specifies that this new general license does not

authorize any transactions prohibited by section 560.205.

Paragraph (c) of section 560.555 provides that transactions involving Iranian financial institutions are authorized pursuant to this new general license only if the property and interests in property of the Iranian financial institution are blocked solely pursuant to this part.

Third, another general license, new section 560.556, is being added to subpart E of the ITSR to authorize an entity owned or controlled by a United States person and established or maintained outside the United States (a "U.S.-owned or -controlled foreign entity") to engage in a transaction otherwise prohibited by section 560.215 that would be authorized by a general license set forth in or issued pursuant to this part if engaged in by a U.S. person or in the United States. Paragraph (b) of new section 560.556 provides that this section does not authorize any transaction by a U.S.-owned or -controlled foreign entity otherwise prohibited by section 560.215 if the transaction would be prohibited by any other part of chapter V of 31 C.F.R. if engaged in by a U.S. person or in the United States.

Fourth, OFAC is amending several existing general licenses that, by their terms, apply to transactions by U.S.-owned or -

controlled foreign entities to exclude from the scope of each authorization any transaction by a U.S.-owned or -controlled foreign entity otherwise prohibited by section 560.215 if the transaction would be prohibited by any other part of chapter V of 31 C.F.R. if engaged in by a U.S. person or in the United States. This change is being made to sections 560.508, 560.509, 560.510, 560.522, 560.525, 560.530, 560.532, 560.539, and 560.553. OFAC is making further conforming changes to sections 560.532 and 560.539 to account for the new prohibition in section 560.215.

Fifth, OFAC is amending section 560.701 of subpart G of the ITSR by adding new paragraph (a)(3), which provides for civil penalties under section 206(b) of IEEPA (50 U.S.C. 1705(b)) to be imposed on a United States person if an entity owned or controlled by the United States person and established or maintained outside the United States violates, attempts to violate, conspires to violate, or causes a violation of the prohibition set forth in section 560.215, unless the United States person divests or terminates its business with the entity by February 6, 2013, such that the U.S. person no longer owns or controls the entity, as defined in new section 560.215.

Finally, OFAC is making two technical corrections to section 560.505 of subpart E of the ITSR.

Public Participation

Because the amendment of the ITSR involves a foreign affairs function, the provisions of Executive Order 12866 and 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.

Paperwork Reduction Act

The collections of information related to the ITSR are contained in 31 CFR part 501 (the "Reporting, Procedures and Penalties Regulations"). Pursuant to the Paperwork Reduction Act of 1995 (44 U.S.C. 3507), those collections of information have been approved by the Office of Management and Budget under control number 1505-0164. An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless the collection of information displays a valid control number.

List of Subjects in 31 CFR Part 560

Administrative practice and procedure, Banks, Banking, Blocking of Assets, Brokers, Credit, Foreign Trade, Investments, Loans, Securities, Services, Iran.

For the reasons set forth in the preamble, the Department of the Treasury's Office of Foreign Assets Control amends part 560 of 31 CFR chapter V as follows:

PART 560—IRANIAN TRANSACTIONS AND SANCTIONS REGULATIONS

1. The authority citation for part 560 is revised to read as follows:

Authority: 3 U.S.C. 301; 18 U.S.C. 2339B, 2332d; 22 U.S.C. 2349aa-9; 22 U.S.C. 7201-7211; 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 (50 U.S.C. 1705 note); Pub. L. 111-195, 124 Stat. 1312 (22 U.S.C. 8501-8551); Pub. L. 112-81, 125 Stat. 1298; Pub. L. 112-158, 126 Stat. 1214; E.O. 12613, 52 FR 41940, 3 CFR, 1987 Comp., p. 256; E.O. 12957, 60 FR 14615, 3 CFR, 1995 Comp., p. 332; E.O. 12959, 60 FR 24757, 3

CFR, 1995 Comp., p. 356; E.O. 13059, 62 FR 44531, 3 CFR, 1997 Comp., p. 217; E.O. 13599, 77 FR 6659, February 8, 2012; E.O. 13622, 77 FR 45897, August 2, 2012; E.O. 13628, 77 FR 62139, October 12, 2012.

Subpart B-Prohibitions

2. Amend § 560.210 by revising paragraph (e) to read as follows:

§ 560.210 Exempt transactions.

* * * * *

(e) Official Business. The prohibitions in § 560.211(a) through (c)(1) do not apply to transactions for the conduct of the official business of the Federal Government by employees, grantees, or contractors thereof.

* * * * *

3. Amend § 560.211 by revising paragraph (c) and Note 1 to paragraphs (a) through (c) of § 560.211 to read as follows:

§ 560.211 Prohibited transactions involving blocked property.

* * * * *

(c) All property and interests in property 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 any United States person, including any foreign branch, of the following persons are blocked and may not be transferred, paid, exported, withdrawn, or otherwise dealt in:

(1) Any person determined by the Secretary of the Treasury, in consultation with the Secretary of State, to be owned or controlled by, or to have acted or purported to act for or on behalf of, directly or indirectly, any person whose property and interests in property are blocked pursuant to paragraphs (a) through (c)(1) of this section; or

(2) Any person determined by the Secretary of the Treasury, in consultation with the Secretary of State, to have materially assisted, sponsored, or provided financial, material, or technological support for, or goods or services in support of, the National Iranian Oil Company ("NIOC"); the Naftiran Intertrade Company ("NICO"); any entity owned or controlled by, or operating for or on behalf of, NIOC or NICO; the Central Bank

of Iran; or the purchase or acquisition of U.S. bank notes or precious metals by the Government of Iran. This paragraph shall not apply with respect to any person for conducting or facilitating a transaction that involves a natural gas development and pipeline project initiated prior to July 31, 2012, to bring gas from Azerbaijan to Europe and Turkey in furtherance of a production sharing agreement or license awarded by a sovereign government other than the Government of Iran before July 31, 2012.

NOTE TO PARAGRAPH (c) (2) of § 560.211: The natural gas development and pipeline project referred to in this paragraph is the project to develop the Shah Deniz natural gas field in Azerbaijan's sector of the Caspian Sea and related pipeline projects to bring the gas from Azerbaijan to Europe and Turkey.

NOTE 1 TO PARAGRAPHS (a) THROUGH (c) OF § 560.211: The names of persons identified as already blocked or designated for blocking pursuant to Executive Order 13599 of February 5, 2012, and Executive Order 13622 of July 30, 2012, whose property and interests in property therefore are blocked pursuant to this section, 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 “[IRAN].” The SDN List is accessible through the following page on the Office of Foreign Control’s Web site: www.treasury.gov/sdn. Additional information pertaining to the SDN List can be found in Appendix A to this chapter. See § 560.425 concerning entities that may not be listed on the SDN List but whose property and interests in property are nevertheless blocked pursuant to this section. Executive Order 13599 blocks the property and interests in property of the Government of Iran and Iranian financial institutions, as defined in § 560.304 and § 560.324, respectively. The property and interests in property of persons falling within the definitions of the terms Government of Iran and Iranian financial institution are blocked pursuant to this section regardless of whether the names of such persons are published in the Federal Register or incorporated into the SDN List.

* * * * *

4. Add new section § 560.215 to read as follows:

§ 560.215 Prohibitions on foreign entities owned or controlled by U.S. persons.

(a) Except as otherwise authorized pursuant to this part, an entity that is owned or controlled by a United States person and established or maintained outside the United States is prohibited from knowingly engaging in any transaction, directly or indirectly, with the Government of Iran or any person subject to the jurisdiction of the Government of Iran that would be prohibited pursuant to this part if engaged in by a United States person or in the United States.

NOTE TO PARAGRAPH (a) of § 560.215: If a transaction is exempt from the prohibitions of this part if engaged in by a U.S. person, it would not be prohibited for an entity that is owned or controlled by a United States person and established or maintained outside the United States (a "U.S.-owned or -controlled foreign entity") to engage in the transaction to the same extent that it would not be prohibited for the U.S. person to engage in the transaction and provided that the U.S.-owned or -controlled foreign entity satisfies all the requirements of the exemption. See also § 560.556 of this part for a general license authorizing a U.S.-owned or -controlled foreign entity

to engage in a transaction otherwise prohibited by § 560.215 that would be authorized by a general license set forth in or issued pursuant to this part if engaged in by a U.S. person or in the United States, subject to certain exclusions. Finally, if a transaction prohibited by § 560.215 is one for which a U.S. person might apply for a specific license – for example, the exportation of medical devices to Iran – a U.S.-owned or -controlled foreign entity may apply for a specific license to engage in the transaction.

(b) Definitions: (1) For purposes of paragraph (a) of this section, an entity is “owned or controlled” by a United States person if the United States person:

(i) Holds a 50 percent or greater equity interest by vote or value in the entity;

(ii) Holds a majority of seats on the board of directors of the entity; or

(iii) Otherwise controls the actions, policies, or personnel decisions of the entity.

(2) For purposes of paragraph (a) of this section, the term knowingly means that the person engages in the transaction with actual knowledge or reason to know.

(3) For purposes of paragraph (a) of this section, a person is "subject to the jurisdiction of the Government of Iran" if the person is organized under the laws of Iran or any jurisdiction within Iran, ordinarily resident in Iran, or in Iran, or owned or controlled by any of the foregoing.

NOTE TO PARAGRAPH (b) of § 560.215: See § 560.304 of this part for the definition of the term Government of Iran.

(c) The prohibition in paragraph (a) of this section does not apply to any activity relating to a project:

(1) For the development of natural gas and the construction and operation of a pipeline to transport natural gas from Azerbaijan to Turkey and Europe;

(2) That provides to Turkey and countries in Europe energy security and energy independence from the Government of the Russian Federation and the Government of Iran; and

(3) That was initiated before August 10, 2012, pursuant to a production-sharing agreement, or an ancillary agreement necessary to further a production-sharing agreement, entered into with, or a license granted by, the government of a country other than Iran before August 10, 2012.

NOTE TO PARAGRAPH (c) OF § 560.215: The exemption in paragraph (c) of this section applies to the Shah Deniz natural gas field in Azerbaijan's sector of the Caspian Sea and related pipeline projects to bring the gas from Azerbaijan to Europe and Turkey.

(d) The prohibition in paragraph (a) of this section does not apply to the authorized intelligence activities of the United States Government.

NOTE TO § 560.215: A U.S. person is subject to the civil penalties provided for in section 206(b) of the International Emergency Economic Powers Act ("IEEPA") (50 U.S.C. 1705(b)) if any foreign entity that it owns or controls violates the prohibition set forth in this section. See § 560.701(a)(3) of this part for civil penalties.

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

5. Amend § 560.505 by revising paragraph (a)(2) and the Note to § 560.505 to read as follows:

§ 560.505 Activities and services related to certain nonimmigrant and immigrant categories authorized.

(a)(1) * * *

(2) U.S. persons are authorized to export services to Iran in connection with the filing of an individual's application for the non-immigrant visa categories listed in paragraph (a)(1) of this section.

* * * * *

NOTE TO § 560.505: See § 560.554 of this part for general licenses authorizing the importation and exportation of services related to conferences in the United States or third countries.

6. Amend § 560.508 by redesignating paragraph (b) as paragraph (c) and adding new paragraph (b) to read as follows:

§ 560.508 Telecommunications and mail transactions authorized.

* * * * *

(b) Paragraph (a) of this section does not authorize any transaction by an entity owned or controlled by a United States person and established or maintained outside the United States otherwise prohibited by § 560.215 if the transaction would be prohibited by any other part of this chapter V if engaged in by a U.S. person or in the United States.

* * * * *

7. Add new paragraph (c) to § 560.509 to read as follows:

§ 560.509 Certain transactions related to patents, trademarks, and copyrights authorized.

* * * * *

(c) This section does not authorize any transaction by an entity owned or controlled by a United States person and established or maintained outside the United States otherwise

prohibited by § 560.215 if the transaction would be prohibited by any other part of this chapter V if engaged in by a U.S. person or in the United States.

8. Add new paragraph (e) to § 560.510 to read as follows:

§ 560.510 Transactions related to the resolution of disputes between the United States or United States nationals and the Government of Iran.

* * * * *

(e) This section does not authorize any transaction by an entity owned or controlled by a United States person and established or maintained outside the United States otherwise prohibited by § 560.215 if the transaction would be prohibited by any other part of this chapter V if engaged in by a U.S. person or in the United States.

9. Amend § 560.522 by redesignating the existing text as paragraph (a) and adding new paragraph (b) to read as follows:

**§ 560.522 Allowable payments for overflights of Iranian
airspace.**

* * * * *

(b) This section does not authorize any transaction by an entity owned or controlled by a United States person and established or maintained outside the United States otherwise prohibited by § 560.215 if the transaction would be prohibited by any other part of this chapter V if engaged in by a U.S. person or in the United States.

10. Add new paragraph (e) to § 560.525 to read as follows:

§ 560.525 Provision of certain legal services.

* * * * *

(e) This section does not authorize any transaction by an entity owned or controlled by a United States person and established or maintained outside the United States otherwise prohibited by § 560.215 if the transaction would be prohibited

by any other part of this chapter V if engaged in by a U.S. person or in the United States.

11. Add new paragraph (g) to § 560.530 to read as follows:

§ 560.530 Commercial sales, exportation, and reexportation of agricultural commodities, medicine, and medical devices.

* * * * *

(g) Excluded transactions by U.S.-owned or -controlled foreign entities. Nothing in this section or in any general license set forth in or issued pursuant to this section authorizes any transaction by an entity owned or controlled by a United States person and established or maintained outside the United States otherwise prohibited by § 560.215 if the transaction would be prohibited by any other part of this chapter V if engaged in by a U.S. person or in the United States.

12. Amend § 560.532 by revising paragraphs (a)(3) and (a)(4) and adding new paragraph (e) to read as follows:

§ 560.532 Payment for and financing of exports and reexports of agricultural commodities, medicine, and medical devices.

(a) * * *

(3) Financing by third-country financial institutions that are not United States persons, entities owned or controlled by United States persons and established or maintained outside the United States, Iranian financial institutions, or the Government of Iran. Such financing may be confirmed or advised by U.S. financial institutions and by financial institutions that are entities owned or controlled by United States persons and established or maintained outside the United States; or

(4) Letter of credit issued by an Iranian financial institution whose property and interests in property are blocked solely pursuant to this part. Such letter of credit must be initially advised, confirmed, or otherwise dealt in by a third-country financial institution that is not a United States person, an entity owned or controlled by a United States person and established or maintained outside the United States, an Iranian financial institution, or the Government of Iran before it is advised, confirmed, or dealt in by a U.S. financial institution or a financial institution that is an entity owned

or controlled by a United States person and established or maintained outside the United States.

* * * * *

(e) Nothing in this section authorizes any transaction by an entity owned or controlled by a United States person and established or maintained outside the United States otherwise prohibited by § 560.215 if the transaction would be prohibited by any other part of this chapter V if engaged in by a U.S. person or in the United States.

13. Amend § 560.539 by revising paragraphs (a) (4), (a) (5), (b) (2), and (b) (3) and adding new paragraph (b) (4) to read as follows:

§ 560.539 Official activities of certain international organizations.

(a) * * *

(4) Funds transfers to or from accounts of the international organizations covered in this section, provided that funds transfers to or from Iran are not routed through an

account of an Iranian bank on the books of a U.S. financial institution or a financial institution that is an entity owned or controlled by a United States person and established or maintained outside the United States; and

(5) The operation of accounts for employees, contractors, and grantees located in Iran of the international organizations covered in this section. Transactions conducted through these accounts must be solely for the employee's, contractor's, or grantee's personal use and not for any commercial purposes in or involving Iran. Any funds transfers to or from an Iranian bank must be routed through a third-country bank that is not a United States person or an entity owned or controlled by a United States person and established or maintained outside the United States.

(b) * * *

(2) The reexportation to Iran of any U.S.-origin goods or technology listed on the CCL;

(3) The exportation or reexportation from the United States or by a U.S. person, wherever located, to Iran of any services not necessary and ordinarily incident to the official business

in Iran. Such transactions require separate authorization from OFAC; or

(4) Any transaction by an entity owned or controlled by a United States person and established or maintained outside the United States otherwise prohibited by § 560.215 if the transaction would be prohibited by any other part of this chapter V if engaged in by a U.S. person or in the United States.

* * * * *

14. Add new paragraph (d) to § 560.553 to read as follows:

§ 560.553 Payments from funds originating outside the United States authorized.

* * * * *

(d) Nothing in this section authorizes any transaction by an entity owned or controlled by a United States person and established or maintained outside the United States otherwise prohibited by § 560.215 if the transaction would be prohibited

by any other part of this chapter V if engaged in by a U.S. person or in the United States.

* * * * *

15. Add new § 560.555 to read as follows:

§ 560.555 Winding-down of transactions prohibited by § 560.215.

(a) Except as set forth in paragraphs (b) and (c) of this section, all transactions ordinarily incident and necessary to the winding-down of transactions prohibited by § 560.215 are authorized from October 9, 2012, through March 8, 2013, provided that those ordinarily incident and necessary transactions do not involve a U.S. person or occur in the United States.

(b) Nothing in this section authorizes any transactions prohibited by § 560.205.

(c) Transactions involving Iranian financial institutions are authorized pursuant to paragraph (a) of this section only if the property and interests in property of the Iranian financial institution are blocked solely pursuant to this part.

16. Add new § 560.556 to read as follows:

§ 560.556 Foreign entities owned or controlled by U.S. persons authorized to engage in transactions that are authorized by general license if engaged in by a U.S. person or in the United States.

(a) Except as set forth in paragraph (b) of this section, an entity owned or controlled by a United States person and established or maintained outside the United States (a "U.S.-owned or -controlled foreign entity") is authorized to engage in a transaction otherwise prohibited by § 560.215 that would be authorized by a general license set forth in or issued pursuant to this part if engaged in by a U.S. person or in the United States, provided the U.S.-owned or -controlled foreign entity is authorized to engage in the transaction only to the same extent as the U.S. person is authorized to engage in the transaction and subject to all the conditions and requirements set forth in the general license for the U.S. person.

(b) This section does not authorize any transaction by a U.S.-owned or -controlled foreign entity otherwise prohibited by § 560.215 if the transaction would be prohibited by any other

part of this chapter V if engaged in by a U.S. person or in the United States.

Subpart G-Civil Penalties

17. Amend § 560.701 by adding new paragraph (a)(3) to read as follows:

§ 560.701 Penalties.

(a) * * *

(3) As set forth in section 218 of the Iran Threat Reduction and Syria Human Rights Act of 2012 (Pub. L. 112-158), a civil penalty not to exceed the amount set forth in section 206 of IEEPA may be imposed on a United States person if an entity owned or controlled by the United States person and established or maintained outside the United States violates, attempts to violate, conspires to violate, or causes a violation of the prohibition set forth in § 560.215 or of any order, regulation, or license set forth in or issued pursuant to this part concerning such prohibition. The penalties set forth in this paragraph shall not apply with respect to a transaction described in § 560.215 by an entity owned or controlled by the

United States person and established or maintained outside the United States if the United States person divests or terminates its business with the entity not later than February 6, 2013, such that the U.S. person no longer owns or controls the entity, as defined in § 560.215(b)(1).

* * * * *

Dated: December 14_, 2012.

Adam J. Szubin,
Director, Office of Foreign Assets Control.

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