

ACTIONS AND EXPENSES RELATED TO THE NATIONAL  
EMERGENCY WITH RESPECT TO THE FEDERAL  
REPUBLIC OF YUGOSLAVIA (SERBIA AND  
MONTENEGRO)

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MESSAGE

FROM

**THE PRESIDENT OF THE UNITED STATES**

TRANSMITTING

A REPORT ON ACTIONS AND EXPENSES DIRECTLY RELATED TO  
THE EXERCISE OF POWERS AND AUTHORITIES CONFERRED BY  
THE DECLARATION OF A NATIONAL EMERGENCY IN EXECUTIVE  
ORDER NO. 12808 AND EXECUTIVE ORDER NO. 12934 AND TO  
EXPANDED SANCTIONS AGAINST THE FEDERAL REPUBLIC OF  
YUGOSLAVIA (SERBIA AND MONTENEGRO) (THE "FRY (S/M)") AND  
THE BOSNIAN SERBS, PURSUANT TO 50 U.S.C. 1641(c) AND 1703(c)



DECEMBER 11, 1995.—Message and accompanying papers referred to the  
Committee on International Relations and ordered to be printed

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U.S. GOVERNMENT PRINTING OFFICE

*To the Congress of the United States:*

On May 30, 1992, in Executive Order No. 12808, the President declared a national emergency to deal with the threat to the national security, foreign policy, and economy of the United States arising from actions and policies of the Governments of Serbia and Montenegro, acting under the name of the Socialist Federal Republic of Yugoslavia or the Federal Republic of Yugoslavia, in their involvement in and support for groups attempting to seize territory in Croatia and the Republic of Bosnia and Herzegovina by force and violence utilizing, in part, the forces of the so-called Yugoslav National Army (57 FR 23299, June 2, 1992). I expanded the national emergency in Executive Order No. 12934 of October 25, 1994, to address the actions and policies of the Bosnian Serb forces and the authorities in the territory of the Republic of Bosnia and Herzegovina that they control.

The present report is submitted pursuant to 50 U.S.C. 1641(c) and 1703(c) and covers the period from May 30, 1995, to November 29, 1995. It discusses Administration actions and expenses directly related to the exercise of powers and authorities conferred by the declaration of a national emergency in Executive Order No. 12808 and Executive Order No. 12934 and to expanded sanctions against the Federal Republic of Yugoslavia (Serbia and Montenegro) (the "FRY (S&M)") and the Bosnian Serbs contained in Executive Order No. 12810 of June 5, 1992 (57 FR 24347, June 9, 1992), Executive Order No. 12831 of January 15, 1993 (58 FR 5253, January 21, 1993), Executive Order No. 12846 of April 25, 1993 (58 FR 25771, April 27, 1993), and Executive Order No. 12934 of October 25, 1994 (59 FR 54117, October 27, 1994).

1. Executive Order No. 12808 blocked all property and interests in property of the Governments of Serbia and Montenegro, or held in the name of the former Government of the Socialist Federal Republic of Yugoslavia or the Government of the Federal Republic of Yugoslavia, then or thereafter located in the United States or within the possession or control of United States persons, including their overseas branches.

Subsequently, Executive Order No. 12810 expanded U.S. actions to implement in the United States the United Nations sanctions against the FRY (S&M) adopted in United Nations Security Council (UNSC) Resolution 757 of May 30, 1992. In addition to reaffirming the blocking of FRY (S&M) Government property, this order prohibited transactions with respect to the FRY (S&M) involving imports, exports, dealing in FRY (S&M)-origin property, air and sea transportation, contract performance, funds transfers, activity promoting importation or exportation or dealings in property, and official sports, scientific, technical, or other cultural representation of, or sponsorship by, the FRY (S&M) in the United States.

Executive Order No. 12810 exempted from trade restrictions (1) transshipments through the FRY (S&M), and (2) activities related to the United Nations Protection Force (UNPROFOR), the Conference on Yugoslavia, or the European Community Monitor Mission.

On January 15, 1993, President Bush issued Executive Order No. 12831 to implement new sanctions contained in UNSC Resolution 787 of November 16, 1992. The order revoked the exemption for transshipments through the FRY (S&M) contained in Executive Order No. 12810, prohibited transactions within the United States or by a United States person relating to FRY (S&M) vessels and vessels in which a majority or controlling interest is held by a person or entity in, or operating from, the FRY (S&M), and stated that all such vessels shall be considered as vessels of the FRY (S&M), regardless of the flag under which they sail.

On April 25, 1993, I issued Executive Order No. 12846 to implement in the United States the sanctions adopted in UNSC Resolution 820 of April 17, 1993. That resolution called on the Bosnian Serbs to accept the Vance-Owen peace plan for the Republic of Bosnia and Herzegovina and, if they failed to do so by April 26, 1993, called on member states to take additional measures to tighten the embargo against the FRY (S&M) and Serbian-controlled areas of the Republic of Bosnia and Herzegovina and the United Nations Protected Areas in Croatia. Effective April 26, 1993, the order blocked all property and interests in property of commercial, industrial, or public utility undertakings or entities organized or located in the FRY (S&M), including property and interests in property of entities (wherever organized or located) owned or controlled by such undertakings or entities, that are or thereafter come within the possession or control of United States persons.

On October 25, 1994, in view of UNSC Resolution 942 of September 23, 1994, I issued Executive Order No. 12934 in order to take additional steps with respect to the crisis in the former Yugoslavia (59 *FR* 54117, October 27, 1994). Executive Order No. 12934 expands the scope of the national emergency declared in Executive Order No. 12808 to address the unusual and extraordinary threat to the national security, foreign policy, and economy of the United States posed by the actions and policies of the Bosnian Serb forces and the authorities in the territory in the Republic of Bosnia and Herzegovina that they control, including their refusal to accept the proposed territorial settlement of the conflict in the Republic of Bosnia and Herzegovina.

The Executive order 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 United States persons (including their overseas branches) of: (1) the Bosnian Serb military and paramilitary forces and the authorities in areas of the Republic of Bosnia and Herzegovina under the control of those forces; (2) any entity, including any commercial, industrial, or public utility undertaking, organized or located in those areas of the Republic of Bosnia and Herzegovina under the control of Bosnian Serb forces; (3) any entity, wherever organized or located, which is owned or controlled directly or indirectly by any person in, or resident in, those areas of the Republic

of Bosnia and Herzegovina under the control of Bosnian Serb forces; and (4) any person acting for or on behalf of any person within the scope of the above definitions.

The Executive order also prohibits the provision or exportation of services to those areas of the Republic of Bosnia and Herzegovina under the control of Bosnian Serb forces, or to any person for the purpose of any business carried on in those areas, either from the United States or by a United States person. The order also prohibits the entry of any U.S.-flagged vessel, other than a U.S. naval vessel, into the riverine ports of those areas of the Republic of Bosnia and Herzegovina under the control of Bosnian Serb forces. Finally, any transaction by any United States person that evades or avoids, or has the purpose of evading or avoiding, or attempts to violate any of the prohibitions set forth in the order is prohibited. Executive Order No. 12934 became effective at 11:59 p.m., e.d.t., on October 25, 1994.

2. The declaration of the national emergency on May 30, 1992, was made pursuant to the authority vested in the President by the Constitution and laws of the United States, including the International Emergency Economic Powers Act (50 U.S.C. 1701 *et seq.*), the National Emergencies Act (50 U.S.C. 1601 *et seq.*), and section 301 of title 3 of the United States Code. The emergency declaration was reported to the Congress on May 30, 1992, pursuant to section 204(b) of the International Emergency Economic Powers Act (50 U.S.C. 1703(b)) and the expansion of that national emergency under the same authorities was reported to the Congress on October 25, 1994. The additional sanctions set forth in related Executive orders were imposed pursuant to the authority vested in the President by the Constitution and laws of the United States, including the statutes cited above, section 1114 of the Federal Aviation Act (49 U.S.C. App. 1514), and section 5 of the United Nations Participation Act (22 U.S.C. 287c).

3. Effective June 30, 1995, the Federal Republic of Yugoslavia (Serbia and Montenegro) Sanctions Regulations, 31 C.F.R. Part 585 (the "Regulations"), were amended to implement Executive Order No. 12934 (60 *FR* 34144, June 30, 1995). The name of the Regulations was changed to reflect the expansion of the national emergency to the Bosnian Serbs, and now reads "Federal Republic of Yugoslavia (Serbia & Montenegro) and Bosnian Serb-Controlled Areas of the Republic of Bosnia and Herzegovina Sanctions Regulations." A copy of the amended Regulations is attached.

Treasury's blocking authority as applied to FRY (S&M) subsidiaries and vessels in the United States has been challenged in court. In *Milena Ship Management Company, Ltd. v. Newcomb*, 804 F.Supp. 846, 855, and 859 (E.D.L.A. 1992) *aff'd*, 995 F.2d 620 (5th Cir. 1993), *cert. denied*, 114 S.Ct. 877 (1994), involving five ships owned or controlled by FRY (S&M) entities blocked in various U.S. ports, the blocking authority as applied to these vessels was upheld. In *IPT Company, Inc. v. United States Department of the Treasury*, No. 92 CIV 5542 (S.D.N.Y. 1994), the district court also upheld the blocking authority as applied to the property of a Yugoslav subsidiary located in the United States, and the case was subsequently settled.

4. Over the past 6 months, the Departments of State and Treasury have worked closely with European Union (the "EU") member states and other U.N. member nations to coordinate implementation of the U.N. sanctions against the FRY (S&M). This has included continued deployment of Organization for Security and Cooperation in Europe (OSCE) sanctions assistance missions (SAMs) to Albania, Bulgaria, Croatia, the Former Yugoslav Republic of Macedonia, Hungary, Romania, and Ukraine to assist in monitoring land and Danube River traffic; support for the International Conference on the Former Yugoslavia (ICFY) monitoring missions along the Serbia-Montenegro-Bosnia border; bilateral contracts between the United States and other countries for the purpose of tightening financial and trade restrictions on the FRY (S&M); and ongoing multilateral meetings by financial sanctions enforcement authorities from various countries to coordinate enforcement efforts and to exchange technical information.

5. In accordance with licensing policy and the Regulations, the Office of Foreign Assets Control (FAC) has exercised its authority to license certain specific transactions with respect to the FRY (S&M), which are consistent with U.S. foreign policy and the Security Council sanctions. During the reporting period, FAC has issued 90 specific licenses regarding transactions pertaining to the FRY (S&M) or assets it owns or controls, bringing the total specific licenses issued as of October 13, 1995, to 1,020. Specific licenses have been issued: (1) for payment to U.S. or third country secured creditors, under certain narrowly defined circumstances, for preembargo import and export transactions; (2) for legal representation or advice to the Government of the FRY (S&M) or FRY (S&M)-located or controlled entities; (3) for the liquidation or protection of tangible assets of subsidiaries of FRY (S&M)-located or controlled firms located in the United States; (4) for limited transactions related to FRY (S&M) diplomatic representation in Washington and New York; (5) for patent, trademark, and copyright protection in the FRY (S&M) not involving payment to the FRY (S&M) Government; (6) for certain communications, news media, and travel-related transactions; (7) for the payment of crews' wages, vessel maintenance, and emergency supplies for FRY (S&M)-controlled ships blocked in the United States; (8) for the removal from the FRY (S&M), or protection within the FRY (S&M), of certain property owned and controlled by U.S. entities; (9) to assist the United Nations in its relief operations and the activities of the UNPROFOR; and (10) for payment from funds outside the United States where a third country has licensed the transaction in accordance with U.N. sanctions. Pursuant to U.S. regulations implementing UNSC Resolutions, specific licenses have also been issued to authorize exportation of food, medicine, and supplies intended for humanitarian purposes in the FRY (S&M).

During the period, FAC addressed the status of the unallocated debt of the former Yugoslavia by authorizing nonblocked U.S. creditors under the New Financing Agreement for Yugoslavia (Blocked Debt) to exchange a portion of the Blocked Debt for new debt (bonds) issued by the Republic of Slovenia. The completion of this exchange will mark the transfer to Slovenia of sole liability for a portion of the face value of the \$4.2 billion unallocated debt of the

FRY (S&M) for which Slovenia, prior to the authorized exchange, was jointly and severally liable. The exchange will relieve Slovenia of the joint and several liability for the remaining unallocated FRY (S&M) debt and pave the way for its entry into international capital markets.

During the past 6 months, FAC has continued to oversee the liquidation of tangible assets of the 15 U.S. subsidiaries of entities organized in the FRY (S&M). Subsequent to the issuance of Executive Order No. 12846, all operating licenses issued for these U.S.-located Serbian or Montenegrin subsidiaries or joint ventures were revoked, and the net proceeds of the liquidation of their assets placed in blocked accounts.

In order to reduce the drain on blocked assets caused by continuing to rent commercial space, FAC arranged to have the blocked personalty, files, and records of the two Serbian banking institutions in New York moved to secure storage. The personalty is being liquidated, with the net proceeds placed in blocked accounts.

Following the sale of the M/V Kapetan Martinovic in January 1995, five Yugoslav-owned vessels remain blocked in the United States. Approval of the UNSC's Serbian Sanctions Committee was sought and obtained for the sale of the M/V Kapetan Martinovic (and the M/V Bor, which was sold in June 1994).

With the FAC-licensed sales of the M/V Kapetan Martinovic and the M/V Bor, those vessels were removed from the list of blocked FRY (S&M) entities and merchant vessels maintained by FAC. As of October 12, 1995, five additional vessels have been removed from the list of blocked FRY (S&M) entities and merchant vessels maintained by FAC as a result of sales conditions that effectively extinguished any FRY (S&M) interest: the M/V Blue Star, M/V Budva, M/V Bulk Star, M/V Hanuman, and M/V Sumadija. The new owners of several other formerly Yugoslav-owned vessels, which have been sold in other countries, have petitioned FAC to remove those vessels from the list.

During the past 6 months, U.S. financial institutions have continued to block funds transfers in which there is a possible interest of the Government of the FRY (S&M) or an entity or undertaking located in or controlled from the FRY (S&M), and to stop prohibited transfers to persons in the FRY (S&M). The value of transfers blocked has amounted to \$137.5 million since the issuance of Executive Order No. 12808, including some \$13.9 million during the past 6 months.

To ensure compliance with the terms of the licenses that have been issued under the program, stringent reporting requirements are imposed. More than 318 submissions have been reviewed by FAC since the last report, and more than 130 compliance cases are currently open.

6. Since the issuance of Executive Order No. 12810, FAC has worked closely with the U.S. Customs Service to ensure both that prohibited imports and exports (including those in which the Government of the FRY (S&M) or Bosnian Serb authorities have an interest) are identified and interdicted, and that permitted imports and exports move to their intended destination without undue delay. Violations and suspected violations of the embargo are being investigated and appropriate enforcement actions are being taken.

Numerous investigations carried over from the prior reporting period are continuing. Since the last report, FAC has collected 10 civil penalties totaling more than \$27,000. Of these, five were paid by U.S. financial institutions for violative funds transfers involving the Government of the FRY (S&M), persons in the FRY (S&M), or entities located or organized in or controlled from the FRY (S&M). One U.S. company and one air carrier have also paid penalties related to unlicensed payments to the Government of the FRY (S&M) or other violations of the Regulations. Two companies and one law firm have also remitted penalties for their failure to follow the conditions of FAC licenses.

7. The expenses incurred by the Federal Government in the 6-month period from May 30, 1995, through November 29, 1995, that are directly attributable to the declaration of a national emergency with respect to the FRY (S&M) and the Bosnian Serb forces and authorities are estimated at about \$3.5 million, most of which represent wage and salary costs for Federal personnel. Personnel costs were largely centered in the Department of the Treasury (particularly in FAC and its Chief Counsel's Office, and the U.S. Customs Service), the Department of State, the National Security Council, the U.S. Coast Guard, and the Department of Commerce.

8. The actions and policies of the Government of the FRY (S&M), in its involvement in and support for groups attempting to seize and hold territory in the Republics of Croatia and Bosnia and Herzegovina by force and violence, and the actions and policies of the Bosnian Serb forces and the authorities in the areas of Bosnia and Herzegovina under their control, continue to pose an unusual and extraordinary threat to the national security, foreign policy, and economy of the United States. The United States remains committed to a multilateral resolution of the conflict through implementation of the United Nations Security Council resolutions.

I shall continue to exercise the powers at my disposal to apply economic sanctions against the FRY (S&M) and the Bosnian Serb forces, civil authorities, and entities, as long as these measures are appropriate, and will continue to report periodically to the Congress on significant developments pursuant to 50 U.S.C. 1703(c).

WILLIAM J. CLINTON.

THE WHITE HOUSE, *December 8, 1995.*

and the areas of the Republic of Bosnia and Herzegovina that they control, in view of United Nations Security Council Resolution No. 942; provide an agency interpretation of the new prohibitions as preventing certain financial services to the areas of the Republic of Bosnia and Herzegovina under the control of Bosnian Serb forces and to entities worldwide owned or controlled from such areas; make additional conforming amendments to reflect the implementation of Executive Order 12846 of April 25, 1993; and make certain clarifying and technical amendments.

**EFFECTIVE DATE:** June 30, 1995.

**FOR FURTHER INFORMATION CONTACT:** Steven I. Pinter, Chief of Licensing, tel.: 202/622-2400, or William B. Hoffman, Chief Counsel, tel.: 202/622-2410, Office of Foreign Assets Control, Department of the Treasury, Washington, DC 20220.

**SUPPLEMENTARY INFORMATION:**

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**Background**

On October 25, 1994, the President issued Executive Order 12934, 59 FR 54117 (October 27, 1994), expanding the scope of the national emergency declared in Executive Order 12808 to extend certain sanctions to the Bosnian Serb forces and authorities and the areas of the Republic of Bosnia and Herzegovina that they control, taking into account the provisions of United Nations Security Council Resolution No. 942 of September 23, 1994. Effective October 25, 1994, the Executive order blocks all property and interests in property of the Bosnian Serb military and paramilitary forces and the authorities in those areas of the

Republic of Bosnia and Herzegovina under the control of Bosnian Serb forces; entities organized or located in those areas; entities owned or controlled directly or indirectly by any person in, or resident in, those areas; and any person acting for or on behalf of any of the above. A partial listing of such persons was published on April 18, 1995, 60 FR 19448. The part heading is revised to read: "The Federal Republic of Yugoslavia (Serbia and Montenegro) and the Bosnian Serb-Controlled Areas of the Republic of Bosnia and Herzegovina Sanctions Regulations, 31 CFR part 585 (the "Regulations")," and § 585.201 of the Regulations is amended to implement this provision. E.O. 12808, section 1.

Section 585.217 of the Regulations is amended to implement the Executive order's prohibition in section 2(f) against the entry of U.S.-flag vessels into the riverine ports of those areas of the Republic of Bosnia and Herzegovina controlled by Bosnian Serb forces. Section 585.218 of the Regulations, which already prohibits exportation to, importation from, and transshipment through those areas of the Republic of Bosnia and Herzegovina controlled by Bosnian Serb forces, is amended to reflect the Executive order's prohibition in section 2(a) against the provision or exportation of services to those areas or to any person for the purpose of any business carried on in those areas, either from the United States or by a U.S. person.

The prohibitions of Executive Order 12934 apply notwithstanding any prior contracts, international agreements, licenses or authorizations, but may be modified by regulation, order or license issued pursuant to that Executive order.

In addition to implementing the provisions of Executive Order 12934, this final rule amends several provisions of the Regulations pertaining to property interests blocked under § 585.201 by substituting a simple reference to "property or interests in property blocked pursuant to § 585.201" for a lengthy list of all persons whose property interests are blocked pursuant to Executive Orders 12808, 12810, 12846, or 12934.

Section 585.420 is added interpreting new §§ 585.201(c) and 585.218(b) of the Regulations to prohibit the transfer of funds by U.S. financial institutions to or for the benefit of persons whose property and interests in property are blocked pursuant to § 585.201(c), on the basis that such transfers are blocked by operation of law upon their initiation, and that such transfers involve an illegal exportation of financial services from

**31 CFR Part 585**

**Federal Republic of Yugoslavia (Serbia and Montenegro) Sanctions Regulations; Bosnian Serb Sanctions**

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

**ACTION:** Final rule; amendments.

**SUMMARY:** This rule amends the Federal Republic of Yugoslavia (Serbia and Montenegro) Sanctions Regulations to implement Executive Order 12934 of October 25, 1994, imposing sanctions on the Bosnian Serb forces and authorities

the United States or by a United States person.

Finally, paragraph (c) of § 585.512 of the Regulations, which states that charge cards may not be used by U.S. persons authorized to engage in certain travel-related transactions under this section while in the FRY (S&M), is amended to clarify (but not modify) the authorizations contained in that section.

Because the Regulations 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 Part 585

Administrative practice and procedure, Banks, banking, Foreign investments in United States, Foreign trade, Penalties, Reporting and recordkeeping requirements, Securities, Transportation, Yugoslavia.

For the reasons set forth in the preamble, 31 CFR part 585 is amended as set forth below:

1. The heading to part 585 is revised to read as follows:

**PART 585—FEDERAL REPUBLIC OF YUGOSLAVIA (SERBIA AND MONTENEGRO) AND BOSNIAN SERB-CONTROLLED AREAS OF THE REPUBLIC OF BOSNIA AND HERZEGOVINA SANCTIONS REGULATIONS**

2. The authority citation for part 585 is revised to read as follows:

Authority: 3 U.S.C. 301; 22 U.S.C. 287c; 49 U.S.C. 40106(b); 50 U.S.C. 1801-1851; 50 U.S.C. 1701-1706; E.O. 12808, 57 FR 23289, 3 CFR, 1992 Comp., p. 305; E.O. 12810, 57 FR 24347, 3 CFR, 1992 Comp., p. 307; E.O. 12831, 3 CFR, 1992 Comp., p. 576; E.O. 12846, 58 FR 25771, 3 CFR, 1993 Comp., p. 599; E.O. 12934, 59 FR 54117 (October 27, 1994).

#### Subpart B—Prohibitions

3. Section 585.201 is amended as follows: in paragraph (a) by removing "are" wherever it appears and adding "is"; by removing "come" wherever it appears and adding "comes"; by redesignating paragraph (c) as paragraph (d); and by adding new paragraph (c) to read as follows:

**§ 585.201 Prohibited transactions involving blocked property; transactions with respect to securities.**

(c) Except as otherwise authorized, and notwithstanding the existence of any rights or obligations conferred or imposed by any international agreement or any contract entered into or any license or permit granted before 11:59 p.m. EDT, October 25, 1994, no property or interest in property of the following persons that is in the United States, that hereafter comes within the United States, or that is or hereafter comes within the possession or control of United States persons, including their overseas branches, may be transferred, paid, exported, withdrawn, or otherwise dealt in:

(1) The Bosnian Serb military and paramilitary forces and the authorities in those areas of the Republic of Bosnia and Herzegovina under the control of those forces;

(2) Any entity, including any commercial, industrial, or public utility undertaking, organized or located in those areas of the Republic of Bosnia and Herzegovina under the control of Bosnian Serb forces;

(3) Any entity, wherever organized or located, which is owned or controlled directly or indirectly by any person in, or resident in, those areas of the Republic of Bosnia and Herzegovina under the control of Bosnian Serb forces; and

(4) Any person acting for or on behalf of any person included within the scope of paragraphs (c)(1), (2) or (3) of this section.

4. Paragraphs (a), (b), and (e) of § 585.202 are revised to read as follows:

**§ 585.202 Effect of transfers violating the provisions of this part.**

(a) Any transfer after the effective date specified in § 585.301 which is in violation of any provision of this part or of any regulation, order, directive, ruling, instruction, license, or other authorization hereunder and involves any property or interest in property blocked pursuant to § 585.201 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 or property interests.

(b) No transfer before the effective date shall be the basis for the assertion or recognition of any right, remedy, power, or privilege with respect to, or interest in, any property or interest in property blocked pursuant to § 585.201, unless the person with whom such property is held or maintained, prior to such date, had written notice of the

transfer or by any written evidence had recognized such transfer.

(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 or interest in property blocked pursuant to § 585.201.

#### § 585.203 (Amended)

5. Section 585.203 is amended as follows: In paragraph (a)(2) by removing "entity of the FRY (S&M)" and adding "person(s)" in its place, and in paragraph (c) by revising the first sentence to read as follows: "U.S. financial institutions receiving instructions to execute a payment or transfer of funds they hold in which a person has an interest whose property or interests in property are blocked pursuant to § 585.201, shall block the funds and provide written notification to the Compliance Programs Division, Office of Foreign Assets Control, U.S. Treasury Department, 1500 Pennsylvania Ave., NW—2131 Annex, Washington, DC 20226, within 10 business days from the value date of the payment or transfer."

6. Section 585.217 is revised to read as follows:

**§ 585.217 Entry into the territorial waters of the FRY (S&M) or the riverine ports of the Republic of Bosnia and Herzegovina prohibited.**

Except as otherwise authorized by the Director of the Office of Foreign Assets Control pursuant to this part, no vessel registered in the United States or owned or controlled by U.S. persons, other than a United States naval vessel, may enter:

(a) The territorial waters of the FRY (S&M); or

(b) The riverine ports of those areas of the Republic of Bosnia and Herzegovina under the control of Bosnian Serb forces.

7. Section 585.218 is revised to read as follows:

**§ 585.218 Trade in United Nations Protected Areas of Croatia and those areas of the Republic of Bosnia and Herzegovina under the control of Bosnian Serb forces.**

The following are prohibited, except as otherwise authorized by the Director of the Office of Foreign Assets Control pursuant to this part:

(a) Any dealing by a United States person relating to the importation from, exportation to, or transshipment of goods through the United Nations Protected Areas in the Republic of Croatia and those areas of the Republic of Bosnia and Herzegovina under the control of Bosnian Serb forces, or

activity of any kind that promotes or is intended to promote such dealing (see § 585.524); and

(b) The provision or exportation of services to those areas of the Republic of Bosnia and Herzegovina under the control of Bosnian Serb forces, or to any person for the purpose of any business carried on in those areas, either from the United States or by a United States person.

#### Subpart C—General Definitions

8. Section 585.301 is amended as follows: In paragraph (a) by removing the reference “§§ 585.201 (a) & (c)” and adding “§§ 585.201 (a) and (d)” in its place; in paragraph (a) by adding “(a)” after the references to “585.217” and “585.218”; and by removing “and” from the end of paragraph (d) and the period from the end of paragraph (e), by adding a semicolon and “and” to the end of paragraph (e), and by adding a new paragraph (f) to read as follows:

§ 585.301 Effective date.

(f) With respect to §§ 585.201(c), 585.217(b), and 585.218(b), 11:59 p.m. EDT, October 25, 1994.

9. Section 585.302 is revised to read as follows:

§ 585.302 Blocked account; blocked property.

The terms *blocked account* and *blocked property* shall mean any account and any property or interest in property blocked pursuant to § 585.201 with respect to which payments, transfers, exportations, withdrawals, or other dealings may not be made or effected except pursuant to an authorization or license from the Office of Foreign Assets Control authorizing such action.

#### Subpart D—Interpretations

10. Section 585.403 is revised to read as follows:

§ 585.403 Termination and acquisition of an interest in blocked property.

(a) Whenever a transaction licensed or authorized by or pursuant to this part results in the transfer of property (including any property interest) from a person whose property or property interests are blocked pursuant to § 585.201, such property shall no longer be deemed to be property blocked pursuant to § 585.201, unless there exists in the property another interest that is blocked pursuant to § 585.201 or any other part of this chapter, the transfer of which has not been effected pursuant to license or other authorization.

(b) Unless otherwise specifically provided in a license or authorization issued pursuant to this part, if property (including any property interest) is transferred or attempted to be transferred to a person whose property or property interests are blocked pursuant to § 585.201, such property shall be deemed to be property in which that person has an interest and therefore blocked.

#### § 585.405 [Amended]

11. Section 585.405 is amended by removing “the Government of the FRY (S&M) or the former Government of the Social Federal Republic of Yugoslavia,” and adding “a person whose property or interests in property are blocked pursuant to § 585.201”, and by removing “and” between the references to “§ 585.201” and “§§ 585.204–585.212”, adding a comma in its place, and adding “and §§ 585.217–585.218” to the end of the first sentence.

12. Paragraph (a) of § 585.406 is revised to read as follows:

§ 585.406 Extensions of credits or loans.

(a) The prohibition in § 585.210 applies to the unlicensed renewal of credits or loans held in the name of a person whose property or interests in property are blocked pursuant to § 585.201 that were in existence on the effective date, whether by affirmative action or operation of law.

13. Paragraph (a) of § 585.408 is revised to read as follows:

§ 585.408 Offshore transactions.

(a) The prohibitions contained in §§ 585.201 and 585.206 apply to transactions by U.S. persons in locations outside the United States with respect to property in which the U.S. person knows, or has reason to know, that a person whose property or interests in property are blocked pursuant to § 585.201 has or has had an interest since the effective date specified in § 585.301, or that such property is held in the name of a person whose property or interests in property are blocked pursuant to § 585.201.

14. The note to § 585.412 is revised to read as follows:

§ 585.412 Release of goods originating in the FRY (S&M) from a bonded warehouse or foreign trade zone.

(Note: Property blocked pursuant to § 585.201 may not be released unless authorized or licensed by the Office of Foreign Assets Control.)

#### § 585.413 [Amended]

15. Section 585.413 is amended by revising the second sentence to read as follows: “However, any payment in connection with such importation is subject to the prohibitions contained in §§ 585.201 and 585.210.”

16. Section 585.420 is added to subpart D to read as follows:

§ 585.420 Prohibited transfer of funds involving those areas of the Republic of Bosnia and Herzegovina under the control of Bosnian Serb forces.

Sections 585.201(c) and 585.218(b) prohibit U.S. financial institutions from committing or transferring, directly or indirectly, funds or other financial or economic resources to or for the benefit of any person whose property or interests in property are blocked pursuant to § 585.201(c).

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

17. The introductory text and paragraph (c) of § 585.504 are revised to read as follows:

§ 585.504 Investment and reinvestment of certain funds.

U.S. financial institutions are hereby authorized to invest and reinvest assets blocked pursuant to § 585.201, subject to the following conditions:

(c) No immediate financial or economic benefit accrues (e.g., through pledging or other use) to any person whose property or interests in property are blocked pursuant to § 585.201.

18. Paragraphs (a) and (b) of § 585.505 are revised to read as follows:

§ 585.505 Completion of certain transactions related to bankers acceptances authorized.

(a) Persons other than those whose property or interests in property are blocked pursuant to § 585.201 are authorized to buy, sell, and satisfy obligations with respect to bankers acceptances, and to pay under deferred payment undertakings, relating to a property interest blocked pursuant to § 585.201, as long as the bankers acceptances were created or the deferred payment undertakings were incurred prior to the effective date.

(b) Persons other than those whose property or interests in property are blocked pursuant to § 585.201 are authorized to buy, sell, and satisfy obligations with respect to bankers acceptances, and to pay under deferred payment undertakings, relating to the importation or exportation of goods to or from the FRY (S&M) that do not involve a property interest blocked

pursuant to § 585.201, as long as the bank's acceptances or the deferred payment undertakings were accepted prior to the effective date.

19. The section heading and paragraphs (a) and (b) of § 585.506 are revised to read as follows:

**§ 585.506** *Payments of obligations to persons within the United States authorized.*

(a) The transfer of funds after the effective date by, through, or to any U.S. financial institution or other U.S. person not blocked pursuant to this chapter solely for the purpose of payment of obligations of a person whose property or interests in property are blocked pursuant to § 585.201 to persons or accounts within the United States is authorized, provided that the obligation arose prior to the effective date, and the payment requires no debit to a blocked account. Property is not blocked by virtue of being transferred or received pursuant to this section.

(b) A person receiving payment under this section may distribute all or part of that payment to any person, provided that any such payment to a person whose property or interests in property are blocked pursuant to § 585.201 must be to a blocked account in a U.S. financial institution.

**§ 585.512** *(Amended)*

20. Paragraph (c) of § 585.512 is amended by removing ". or to engage in transactions, while traveling in the FRY (SRM)." and by adding "in the FRY (SRM) in connection with any transactions authorized by this section." in its place.

**§ 585.524** *(Amended)*

21. The section heading of § 585.524 is amended by removing "Serb-controlled areas of Bosnia-Herzegovina" and adding "those areas of the Republic of Bosnia and Herzegovina controlled by Bosnian Serb forces" in its place. Paragraphs (a) and (b) of § 585.524 are amended by removing "Bosnia-Herzegovina" wherever it appears and adding "Bosnia and Herzegovina" in its place.

Dated: June 23, 1995.

**Richard Newcomb,**  
Director, Office of Foreign Assets Control.

Approved: June 23, 1995.

**Tom F. Simpson,**  
Deputy Assistant Secretary (Regulatory, Tariff and Trade Enforcement).

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