

**DEPARTMENT OF THE TREASURY****Office of Foreign Assets Control****31 CFR Part 537****Burmese Sanctions Regulations**

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

**ACTION:** Interim final rule.

**SUMMARY:** The Office of Foreign Assets Control of the U.S. Department of the Treasury is amending and reissuing in their entirety the Burmese Sanctions Regulations to implement Executive Order 13310 of July 28, 2003, which placed new sanctions on Burma.

**DATES:** *Effective Date:* August 16, 2005.  
*Comments:* Written comments must be received no later than October 17, 2005.

**ADDRESSES:** You may submit comments by any of the following methods:

- Federal eRulemaking Portal: <http://www.regulations.gov>. Follow the instructions for submitting comments.

- Agency Web Site: <http://www.treas.gov/offices/enforcement/ofac/comment.html>.

- Fax: Chief of Records, (202) 622-1657.

- Mail: Chief of Records, ATTN: Request for Comments, Office of Foreign Assets Control, Department of the Treasury, 1500 Pennsylvania Avenue, NW., Washington, DC 20220.

*Instructions:* All submissions received must include the agency name and the FR Doc. number that appears at the end of this document. Comments received will be posted without change to <http://www.treas.gov/ofac>, including any personal information provided. For detailed instructions on submitting comments and additional information on the rulemaking process, see the "Public Participation" heading of the **SUPPLEMENTARY INFORMATION** section of this document. To read background documents or comments received, go to <http://www.treas.gov/ofac>.

**FOR FURTHER INFORMATION CONTACT:** Chief of Licensing, tel.: (202) 622-2480 or Chief of Policy Planning and Program Management, tel.: (202) 622-4855, Office of Foreign Assets Control, or Chief Counsel, tel.: (202) 622-2410, Office of Chief Counsel (Foreign Assets Control), Department of the Treasury, Washington, DC 20220 (not toll free numbers).

**SUPPLEMENTARY INFORMATION:****Electronic and Facsimile Availability**

This file is available for download without charge in ASCII and Adobe

Acrobat readable (\*.PDF) formats at *GPO Access*. *GPO Access* supports HTTP, FTP, and Telnet at <http://fedbbs.access.gpo.gov>. It may also be accessed by modem dialup at (202) 512-1387 followed by typing "/GO/FAC." Paper copies of this document can be obtained by calling the Government Printing Office at (202) 512-1530. This document and additional information concerning the programs of the Office of Foreign Assets Control are available for downloading from the Office's Internet Home Page: <http://www.treas.gov/ofac>, or via FTP at [ofacftp.treas.gov](ftp://ofacftp.treas.gov). Facsimiles of information are available through the Office's 24-hour fax-on-demand service: Call (202) 622-0077 using a fax machine, fax modem, or (within the United States) a touch-tone telephone.

**Background**

On May 20, 1997, in response to the Burmese government's large-scale repression of, and violence against, the democratic opposition, President Clinton issued Executive Order 13047, determining that these actions and policies of the Government of Burma constituted an unusual and extraordinary threat to the national security and foreign policy of the United States and declaring a national emergency to deal with that threat. Executive Order 13047 prohibits new investment in Burma by U.S. persons and any facilitation by a U.S. person of new investment in Burma by a foreign person.

On July 28, 2003, the Burmese Freedom and Democracy Act of 2003 (BFDA) was signed into law, to restrict the financial resources of Burma's ruling military junta, the State Peace and Development Council (SPDC). The BFDA requires the President to ban the importation into the United States of products of Burma, beginning 30 days after the date of enactment of the BFDA, as well as to consider blocking the assets of certain SPDC members and taking steps to prevent further financial or technical assistance to Burma until certain conditions are met.

To implement the BFDA and to take additional steps with respect to the Government of Burma's continued repression of the democratic opposition in Burma, the President issued Executive Order 13310 (the "Order") on July 28, 2003. The Order blocks all property and interests in property of the persons listed in the Annex to the Order and of certain persons determined, at a future point, by the Secretary of the Treasury, in consultation with the Secretary of State, to meet the criteria set forth in the Order. It also bans the

importation into the United States of products of Burma (while waiving the ban where it would conflict with the international obligations of the United States under certain conventions on diplomatic and consular relations and similar agreements) and the exportation or reexportation to Burma of financial services from the United States or by U.S. persons. The Order exempts from its blocking and financial service prohibitions any transactions pursuant to pre-May 21, 1997 agreements between a U.S. person and any entity in Burma. It authorizes the Secretary of the Treasury, in consultation with the Secretary of State, to take such actions, including the promulgation of rules and regulations, as may be necessary to carry out the purposes of the Order.

In implementation of the Order, the Office of Foreign Assets Control ("OFAC") is amending the Burmese Sanctions Regulations, 31 CFR part 537 (the "Regulations"), and, due to the extensive nature of these amendments, reissuing the Regulations in their entirety. Section 537.201 of the Regulations implements section 1 of the Order and blocks all property and interests in property of (1) persons listed in the Annex to the Order; and (2) persons determined by the Secretary of the Treasury, in consultation with the Secretary of State, to be senior officials of the Government of Burma or of certain Burmese political organizations, or to be owned or controlled by, or acting for or on behalf of, any person whose property or interests in property are blocked pursuant to the Order.

Section 537.202 of the Regulations implements section 2 of the Order. Section 537.202(a) prohibits the exportation or reexportation of financial services to Burma from the United States or by U.S. persons, wherever located. The term *exportation or reexportation of financial services to Burma* is defined in § 537.305 of the Regulations to mean any activity with a monetary aspect, including, but not limited to, banking services, insurance services, and brokering services. A note to § 537.305 explains the unique nature of this defined term. Section 537.202(b) prohibits any approval, financing, facilitation, or guarantee by a U.S. person, wherever located, of a foreign person's transaction in cases in which that transaction would be prohibited if engaged in by a U.S. person.

Section 537.203 of the Regulations implements section 3 of the Order and prohibits the importation into the United States of articles that are products of Burma.

The pre-existing prohibition on new investment in Burma is set forth in § 537.204.

Section 537.206 of the Regulations implements section 4 of the Order and prohibits any transaction by a U.S. person or within the United States that evades or avoids, or that has the purpose of evading or avoiding, or attempts to violate, any of the prohibitions set forth in the Order.

Exemptions from the prohibitions contained in the Regulations are set forth in § 537.210. Paragraphs (a), (b) and (d) of § 537.210 contain the exemptions from the President's powers under the International Emergency Economic Powers Act (50 U.S.C. 1702), as set forth in § 203 of that act. Paragraph (c) of section 537.210 implements section 13 of the Order by exempting from the prohibitions contained in the Regulations activities undertaken pursuant to pre-May 21, 1997 contracts, other than those for the importation of Burmese products, between U.S. persons and either the Government of Burma or a nongovernmental entity in Burma.

Subpart C of the Regulations contains definitions of terms used in the Regulations. Subpart D contains interpretations clarifying the prohibitions of this part. Transactions otherwise prohibited by this part but found to be consistent with U.S. policy may be authorized by a general license contained in subpart E of the Regulations or by a specific license issued pursuant to the procedures described in subpart D of the Reporting, Procedures and Penalties Regulations set forth in part 501 of chapter V of title 31, Code of Federal Regulations. Penalties for violations of the Regulations are set forth in subpart G of part 537.

As part of several general licenses issued prior to the publication of these regulations, OFAC had authorized certain transfers through financial institutions whose property or interests in property were blocked pursuant to § 537.201(a), provided that the account was not on the books of a financial institution that was a U.S. person. The text explaining this authorization has been removed from particular license sections and, to denote general application, appears in § 537.404, an interpretive section that explains the circumstances under which transactions incident to licensed transactions are authorized.

#### **Public Participation; Procedural Requirements**

Because the Regulations involve a foreign affairs function, the provisions

of Executive Order 12866 and the Administrative Procedure Act (5 U.S.C. 553) (the "APA") requiring notice of proposed rulemaking, opportunity for public participation, and delay in effective date are inapplicable. However, this rule is being issued in interim form, and comments will be considered in the development of final regulations. Accordingly, the Department encourages interested persons who wish to comment to do so at the earliest possible time to permit the fullest consideration of their views. Comments may address the impact of the Regulations on the submitter's activities, whether of a commercial, noncommercial or humanitarian nature, as well as changes that would improve the clarity and organization of the Regulations.

The period for submission of comments will close October 17, 2005. The Department will consider all comments postmarked before the close of the comment period in developing final regulations. Comments received after the end of the comment period will be considered if possible, but their consideration cannot be assured. The Department will not accept public comments accompanied by a request that a part or all of the submission be treated confidentially because of its business proprietary nature or for any other reason. The Department will return such submissions to the originator without considering them in the development of final regulations. In the interest of accuracy and completeness, the Department requires comments in written form.

All public comments on these Regulations will be a matter of public record. Copies of the public record concerning these Regulations will be made available not sooner than November 14, 2005 and will be obtainable from OFAC's Web site (<http://www.treas.gov/ofac>). If that service is unavailable, written requests for copies may be sent to: Office of Foreign Assets Control, U.S. Department of the Treasury, 1500 Pennsylvania Ave., NW., Washington, DC 20220, Attn: Chief, Records Division.

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 Regulations are contained in 31 CFR part 501 (the "Reporting and Procedures Regulations"). Pursuant to the Paperwork Reduction Act of 1995 (44 U.S.C. 3507), those collections of information have been previously

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 537**

Administrative practice and procedure, Banks, Banking, Blocking of assets, Burma, Exports, Foreign trade, Humanitarian aid, Imports, Information, Investments, Loans, New Investment, Penalties, Reporting and recordkeeping requirements, Services, Specially Designated Nationals, Transportation.

■ For the reasons set forth in the preamble, part 537 of 31 CFR chapter V is revised to read as follows:

### **PART 537—BURMESE SANCTIONS REGULATIONS**

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

Sec.

537.101 Relation of this part to other laws and regulations.

#### **Subpart B—Prohibitions**

- 537.201 Prohibited transactions involving certain blocked property.
- 537.202 Prohibited exportation or reexportation of financial services to Burma.
- 537.203 Prohibited importation of products of Burma.
- 537.204 Prohibited new investment in Burma.
- 537.205 Prohibited facilitation.
- 537.206 Evasions; attempts; conspiracies.
- 537.207 Effect of transfers violating the provisions of this part.
- 537.208 Holding of funds in interest-bearing accounts; investment and reinvestment.
- 537.209 Expenses of maintaining blocked property; liquidation of blocked account.
- 537.210 Exempt transactions.

#### **Subpart C—General Definitions**

- 537.301 Blocked account; blocked property.
- 537.302 Economic development of resources located in Burma.
- 537.303 Effective date.
- 537.304 Entity.
- 537.305 Exportation or reexportation of financial services to Burma.
- 537.306 Foreign person.
- 537.307 Government of Burma.
- 537.308 Information or informational materials.
- 537.309 Interest.
- 537.310 Licenses; general and specific.
- 537.311 New investment.
- 537.312 Nongovernmental entity in Burma.
- 537.313 Person.
- 537.314 Product of Burma.
- 537.315 Property; property interest.
- 537.316 Resources located in Burma.
- 537.317 Transfer.
- 537.318 United States.
- 537.319 U.S. depository institution.

- 537.320 U.S. financial institution.  
 537.321 U.S. person.  
 537.322 U.S. registered broker or dealer in securities.  
 537.323 U.S. registered money transmitter.

#### Subpart D—Interpretations

- 537.401 Reference to amended sections.  
 537.402 Effect of amendment.  
 537.403 Termination and acquisition of an interest in blocked property.  
 537.404 Transactions incidental to a licensed transaction authorized.  
 537.405 Provision of services.  
 537.406 Offshore transactions.  
 537.407 Payments from blocked accounts to satisfy obligations prohibited.  
 537.408 Setoffs prohibited.  
 537.409 Activities under pre-May 21, 1997 agreements.  
 537.410 Contracts and subcontracts regarding economic development of resources in Burma.  
 537.411 Purchase of shares in economic development projects in Burma.  
 537.412 Investments in entities involved in economic development projects in Burma.  
 537.413 Sale of interest in economic development projects in Burma.

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

- 537.501 General and specific licensing procedures.  
 537.502 Effect of license or authorization.  
 537.503 Exclusion from licenses.  
 537.504 Payments and transfers to blocked accounts in U.S. financial institutions.  
 537.505 Entries in certain accounts for normal service charges authorized.  
 537.506 Investment and reinvestment of certain funds.  
 537.507 Provision of certain legal services authorized.  
 537.508 Authorization of emergency medical services.  
 537.509 Official activities of the U.S. Government and certain international organizations.  
 537.510 Third-country diplomatic and consular funds transfers.  
 537.511 Importation of accompanied baggage and household effects of U.S. diplomatic and consular officials.  
 537.512 Importation for official or personal use by foreign diplomatic and consular officials.  
 537.513 Importation and exportation of diplomatic pouches.  
 537.514 Importation of certain personal and household effects.  
 537.515 Importation of information or informational materials.  
 537.516 Importation of Burmese-origin articles and incidental transactions.  
 537.517 Noncommercial, personal remittances.  
 537.518 Transactions incident to exportations to Burma.  
 537.519 Activities undertaken pursuant to certain pre-May 21, 1997 agreements.  
 537.520 Payments for overflights of Burmese airspace.  
 537.521 Operation of accounts.

- 537.522 Certain transactions related to patents, trademarks and copyrights authorized.  
 537.523 Authorization of nongovernmental organizations to engage in humanitarian or religious activities.  
 537.524 Divestiture of U.S. person's investments in Burma.  
 537.525 Transactions related to U.S. citizens residing in Burma.  
 537.526 Authorized transactions necessary and ordinarily incident to publishing.

#### Subpart F—Reports

- 537.601 Records and Reports.

#### Subpart G—Penalties

- 537.701 Penalties.  
 537.702 Prepenalty notice.  
 537.703 Response to prepenalty notice; informal settlement.  
 537.704 Penalty imposition or withdrawal.  
 537.705 Administrative collection; referral to United States Department of Justice.

#### Subpart H—Procedures

- 537.801 Procedures.  
 537.802 Delegation by the Secretary of the Treasury.

#### Subpart I—Paperwork Reduction Act

- 537.901 Paperwork Reduction Act notice.

**Authority:** 3 U.S.C. 301; 31 U.S.C. 321(b); 50 U.S.C 1601–1651, 1701–1706; Sec. 570, Pub. L. 104–208, 110 Stat. 3009; Pub. L. 108–61, 117 Stat. 864; E.O. 13047, 62 FR 28301, 3 CFR 1997 Comp., p. 202; E.O. 13310, 68 FR 44853, 3 CFR 2004 Comp., p. 241.

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

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

This part is separate from, and independent of, the other parts of this chapter, with the exception of part 501 of this chapter, the recordkeeping and reporting requirements and license application and other procedures of which apply to this part. Actions taken pursuant to part 501 of this chapter with respect to the prohibitions contained in this part are considered actions taken pursuant to this part. Differing foreign policy and national security circumstances may result in differing interpretations of similar language among the parts of this chapter. No license or authorization contained in or issued pursuant to those other parts authorizes any transaction prohibited by this part. No license or authorization contained in or issued pursuant to any other provision of law or regulation authorizes any transaction prohibited by this part. No license or authorization contained in or issued pursuant to this part relieves the involved parties from complying with any other applicable laws or regulations.

#### Subpart B—Prohibitions

##### § 537.201 Prohibited transactions involving certain blocked property.

(a) Except as authorized by regulations, orders, directives, rulings, instructions, licenses or otherwise, and notwithstanding any contracts entered into or any license or permit granted prior to 12:01 a.m. eastern daylight time, July 29, 2003, all property and interests in property of the following persons that are in the United States, that hereafter come within the United States, or that are or hereafter come within the possession or control of U.S. persons, including their overseas branches, are blocked and may not be transferred, paid, exported, withdrawn or otherwise dealt in:

(1) Any person listed in the Annex to Executive Order 13310 of July 28, 2003 (68 FR 44853, July 30, 2003); and

(2) Any person determined by the Secretary of the Treasury, in consultation with the Secretary of State,

(i) To be a senior official of the Government of Burma, the State Peace and Development Council of Burma, the Union Solidarity and Development Association of Burma, or any successor entity to any of the foregoing, or

(ii) To be owned or controlled by, or acting or purporting to act for or on behalf of, directly or indirectly, any person whose property or interests in property are blocked pursuant to this section.

##### NOTE TO PARAGRAPH (a) OF § 537.201:

The names of persons whose property or interests in property are blocked pursuant to § 537.201(a) are announced in the **Federal Register**, published on OFAC's Web site, and incorporated on an ongoing basis with the identifier [BURMA] into Appendix A to this chapter V.

(b) Unless otherwise authorized by this part or by a specific license expressly referring to this section, any dealing in any security (or evidence thereof) held within the possession or control of a U.S. person and either registered or inscribed in the name of or known to be held for the benefit of any person whose property or interests in property are blocked pursuant to paragraph (a) of this section is prohibited. This prohibition includes but is not limited to the transfer (including the transfer on the books of any issuer or agent thereof), disposition, transportation, importation, exportation, or withdrawal of any such security or the endorsement or guaranty of signatures on any such security. This prohibition applies irrespective of the fact that at any time (whether prior to, on, or subsequent to 12:01 a.m. eastern daylight time, July 29, 2003) the

registered or inscribed owner of any such security may have or might appear to have assigned, transferred, or otherwise disposed of the security.

**§ 537.202 Prohibited exportation or reexportation of financial services to Burma.**

Except as authorized, and notwithstanding any contracts entered into or any license or permit granted prior to July 29, 2003, the exportation or reexportation of financial services to Burma, directly or indirectly, from the United States or by a U.S. person, wherever located, is prohibited.

**§ 537.203 Prohibited importation of products of Burma.**

Except as otherwise authorized, and notwithstanding any contracts entered into or any license or permit granted prior to August 28, 2003, the importation into the United States of any article that is a product of Burma is prohibited.

NOTE TO § 537.203: Section 3(b) of the Burmese Freedom and Democracy Act of 2003 provides that the prohibition contained in this section may be waived by the President for any or all articles that are a product of Burma if the President determines and notifies specified committees of Congress that to do so is in the national interest of the United States. Therefore, the Office of Foreign Assets Control will not issue licenses authorizing transactions prohibited under this section in the absence of such a waiver process. The President's waiver functions and authorities under section 3(b) have been delegated to the Secretary of State.

**§ 537.204 Prohibited new investment in Burma.**

Except as otherwise authorized, new investment, as defined in § 537.311, in Burma by U.S. persons is prohibited.

NOTE TO § 537.204: Section 570 of the Foreign Operations, Export Financing, and Related Programs Appropriations Act, 1997 (*Public Law 104-208*) provides that the prohibition contained in this section may be waived, temporarily or permanently, by the President if he determines and certifies to Congress that the application of this sanction would be contrary to the national interests of the United States. Licenses are thus not available for purposes of authorizing transactions prohibited under this section in the absence of such a waiver determination and certification to Congress.

**§ 537.205 Prohibited facilitation.**

(a) Except as otherwise authorized, U.S. persons, wherever located, are prohibited from approving, financing, facilitating, or guaranteeing a transaction by a person who is a foreign person where the transaction would be prohibited if performed by a U.S. person or within the United States.

(b) With respect to new investment in Burma, the prohibition against facilitation does not include the entry into, performance of, or financing of a contract to sell or purchase goods, services, or technology unless such contract includes any of the activities described in § 537.311(a)(2), (3) or (4).

NOTE TO § 537.205: This section's prohibitions include, but are not limited to, the approval, financing, facilitation, or guarantee of transactions prohibited by either section 570 of the Foreign Operations, Export Financing, and Related Programs Appropriations Act, 1997 (Pub. L. 104-208), or the Burmese Freedom and Democracy Act of 2003 (Pub. L. 108-61). The prohibitions of these two statutes may be waived by the President upon the making of certain determinations and notification to Congress. Therefore, the Office of Foreign Assets Control will not issue licenses authorizing the approval, financing, facilitation, or guarantee of the transactions prohibited by these statutes in the absence of such waivers.

**§ 537.206 Evasions; attempts; conspiracies.**

(a) Any transaction by a U.S. person or within the United States on or after the effective date that evades or avoids, has the purpose of evading or avoiding, or attempts to violate any of the prohibitions set forth in this part is prohibited.

(b) Any conspiracy formed to violate any of the prohibitions set forth in this part is prohibited.

NOTE TO § 537.206: See § 537.303 for a definition of the term *effective date*.

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

(a) Any transfer after July 28, 2003, that is in violation of any provision of this part or of any regulation, order, directive, ruling, instruction, or license issued pursuant to this part, and that involves any property or interest in property blocked pursuant to § 537.201(a), 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 July 29, 2003 shall be the basis for the assertion or recognition of any right, remedy, power, or privilege with respect to, or any interest in, any property or interest in property blocked pursuant to § 537.201(a), unless the person with whom such property is held or maintained, prior to that date, had written notice of the transfer or by any written evidence had recognized such transfer.

(c) Unless otherwise provided, an appropriate license or other authorization issued by or pursuant to

the direction or authorization of the Director of the Office of Foreign Assets Control before, during, or after a transfer shall validate such transfer or make it enforceable to the same extent that it would be valid or enforceable but for the provisions of the International Emergency Economic Powers Act (50 U.S.C. 1701-1706), this part, and any regulation, order, directive, ruling, instruction, or license issued pursuant to this part.

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

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

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

(3) The person with whom such property was held or maintained filed with the Office of Foreign Assets Control a report setting forth in full the circumstances relating to such transfer promptly upon discovery that:

(i) Such transfer was in violation of the provisions of this part or any regulation, ruling, instruction, license, or other direction or authorization issued pursuant to this part;

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

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

NOTE TO PARAGRAPH (d) OF § 537.207: The filing of a report in accordance with the provisions of paragraph (d)(3) of this section shall not be deemed evidence that the terms of paragraphs (d)(1) and (d)(2) of this section have been satisfied.

(e) Except to the extent otherwise provided by law or unless licensed pursuant to this part, any attachment, judgment, decree, lien, execution, garnishment, or other judicial process is null and void with respect to any property in which, at or since 12:01 a.m. eastern daylight time, July 29, 2003, there existed an interest of a person whose property or interests in property are blocked pursuant to § 537.201(a).

**§ 537.208 Holding of funds in interest-bearing accounts; investment and reinvestment.**

(a) Except as provided in paragraph (c) or (d) of this section, or as otherwise directed by the Office of Foreign Assets Control, any U.S. person holding funds, such as currency, bank deposits, or liquidated financial obligations, subject to § 537.201(a) shall hold or place such funds in a blocked interest-bearing account located in the United States.

(b)(1) For purposes of this section, the term *blocked interest-bearing account* means a blocked account:

(i) In a federally-insured U.S. bank, thrift institution, or credit union, provided the funds are earning interest at rates that are commercially reasonable; or

(ii) With a broker or dealer registered with the Securities and Exchange Commission under the Securities Exchange Act of 1934, provided the funds are invested in a money market fund or in U.S. Treasury bills.

(2) For purposes of this section, a rate is commercially reasonable if it is the rate currently offered to other depositors on deposits or instruments of comparable size and maturity.

(3) Funds held or placed in a blocked account pursuant to this paragraph (b) may not be invested in instruments the maturity of which exceeds 180 days. If interest is credited to a separate blocked account or subaccount, the name of the account party on each account must be the same.

(c) Blocked funds held in instruments the maturity of which exceeds 180 days at the time the funds become subject to § 537.201(a) may continue to be held until maturity in the original instrument, provided any interest, earnings, or other proceeds derived therefrom are paid into a blocked interest-bearing account in accordance with paragraph (b) or (d) of this section.

(d) Blocked funds held in accounts or instruments outside the United States at the time the funds become subject to § 537.201(a) may continue to be held in the same type of accounts or instruments, provided the funds earn interest at rates that are commercially reasonable.

(e) This section does not create an affirmative obligation for the holder of blocked tangible property, such as chattels or real estate, or of other blocked property, such as debt or equity securities, to sell or liquidate such property at the time the property becomes subject to § 537.201(a). However, the Office of Foreign Assets Control may issue licenses permitting or directing such sales in appropriate cases.

(f) Funds subject to this section may not be held, invested, or reinvested in a manner that provides immediate financial or economic benefit or access to any person whose property or interests in property are blocked pursuant to § 537.201(a), nor may their holder cooperate in or facilitate the pledging or other attempted use as collateral of blocked funds or other assets.

**§ 537.209 Expenses of maintaining blocked property; liquidation of blocked account.**

(a) Except as otherwise authorized, and notwithstanding the existence of any rights or obligations conferred or imposed by any international agreement or contract entered into or any license or permit granted before 12:01 a.m. eastern daylight time, July 29, 2003, all expenses incident to the maintenance of physical property blocked pursuant to § 537.201(a) shall be the responsibility of the owners or operators of such property, which expenses shall not be met from blocked funds.

(b) Property blocked pursuant to § 537.201(a) may, in the discretion of the Director, Office of Foreign Assets Control, be sold or liquidated and the net proceeds placed in a blocked interest-bearing account in the name of the owner of the property.

**§ 537.210 Exempt transactions.**

(a) *Personal communications.* The prohibitions contained in this part, other than those set forth in § 537.203, do not apply to any postal, telegraphic, telephonic, or other personal communication that does not involve the transfer of anything of value.

(b) *Information or informational materials.* (1) The prohibitions contained in this part, other than those set forth in § 537.203, do not apply to the importation from any country, or the exportation to any country, whether commercial or otherwise, of information or informational materials, regardless of format or medium of transmission.

NOTE TO PARAGRAPH (b)(1) of § 537.210: Section 537.203 prohibits the importation of products of Burma into the United States pursuant to the Burmese Freedom and

Democracy Act of 2003. Therefore, the importation into the United States of information or informational materials that are products of Burma is not exempt from the prohibition set forth in § 537.203. However, such transactions are authorized by the general license set forth in § 537.515.

(2) This section does not exempt from regulation or authorize transactions related to information or informational materials not fully created and in existence at the date of the transactions, or to the substantive or artistic alteration or enhancement of informational materials, or to the provision of marketing and business consulting services. Such prohibited transactions include, but are not limited to, payment of advances for information or informational materials not yet created and completed (with the exception of prepaid subscriptions for widely-circulated magazines and other periodical publications); provision of services to market, produce or co-produce, create, or assist in the creation of information or informational materials; and, with respect to information or informational materials imported from persons whose property or interests in property are blocked pursuant to § 537.201(a), payment of royalties with respect to income received for enhancements or alterations made by U.S. persons to such information or informational materials.

(3) This section does not exempt from regulation or authorize transactions incident to the exportation of software subject to the Export Administration Regulations, 15 CFR parts 730–774, or to the exportation of goods, technology or software, or to the provision, sale, or leasing of capacity on telecommunications transmission facilities (such as satellite or terrestrial network connectivity) for use in the transmission of any data. The exportation of such items or services and the provision, sale, or leasing of such capacity or facilities to a person whose property or interests in property are blocked pursuant to § 537.201(a) are prohibited.

(c) *Pre-1997 contracts.* The prohibitions contained in this part, other than those set forth in § 537.203, do not apply to any activity undertaken pursuant to an agreement, or pursuant to the exercise of rights under such an agreement, that was entered into by a U.S. person with the Government of Burma or a non-governmental entity in Burma prior to 12:01 a.m. eastern daylight time on May 21, 1997.

(d) *Travel Exemption.* The prohibitions contained in this part, other than the prohibition against the importation into the United States of

products of Burma set forth in § 537.203, do not apply to transactions ordinarily incident to travel to or from any country, including exportation or importation of accompanied baggage (other than importation of baggage that comes within the prohibition set forth in § 537.203) for personal use, maintenance within any country, including payment of living expenses and acquisition of goods or services for personal use, and arrangement or facilitation of such travel, including nonscheduled air, sea, or land voyages.

NOTE TO § 537.211: See the authorizations relating to the importation of certain personal and household effects set forth in §§ 537.511 and 537.514.

### Subpart C—General Definitions

#### § 537.301 Blocked account; blocked property.

The terms *blocked account* and *blocked property* shall mean any account or property subject to the prohibitions in § 537.201 held in the name of a person whose property or interests in property are blocked pursuant to § 537.201(a), or in which such person has an interest, and with respect to which payments, transfers, exportations, withdrawals, or other dealings may not be made or effected except pursuant to an authorization or license from the Office of Foreign Assets Control expressly authorizing such action.

#### § 537.302 Economic development of resources located in Burma.

(a) The term *economic development of resources located in Burma* means activities pursuant to a contract the subject of which includes responsibility for the development or exploitation of resources located in Burma, including making or attempting to make those resources accessible or available for exploitation or economic use. The term shall not be construed to include not-for-profit educational, health, or other humanitarian programs or activities.

(b) *Examples:* The economic development of resources located in Burma includes a contract conferring rights to explore for, develop, extract, or refine petroleum, natural gas, or minerals in the ground in Burma; or a contract to assume control of a mining operation in Burma, acquire a forest or agricultural area for commercial use of the timber or other crops, or acquire land for the construction and operation of a hotel or factory.

#### § 537.303 Effective date.

The term *effective date* refers to the effective date of the applicable

prohibitions and directives contained in this part as follows:

(a) With respect to prohibited transfers or other dealings in blocked property or interests in property of persons listed in the Annex to Executive Order 13310 of July 28, 2003 (68 FR 44853, July 30, 2003), 12:01 a.m. eastern daylight time, July 29, 2003;

(b) With respect to prohibited transfers or other dealings in blocked property or interests in property of persons designated pursuant to § 537.201(a)(2), the earlier of the date on which either actual notice or constructive notice is received of such person's designation;

(c) With respect to the exportation or reexportation of financial services to Burma prohibited by § 537.202, 12:01 a.m. eastern daylight time, July 29, 2003;

(d) With respect to the importation into the United States of products of Burma prohibited by § 537.203, 12:01 a.m. eastern daylight time, August 28, 2003;

(e) With respect to new investment prohibited by § 537.204, 12:01 a.m. eastern daylight time, May 21, 1997.

#### § 537.304 Entity.

The term *entity* means a partnership, association, trust, joint venture, corporation, group, subgroup, or other organization.

#### § 537.305 Exportation or reexportation of financial services to Burma.

The term *exportation or reexportation of financial services to Burma* means:

(a) The transfer of funds, directly or indirectly, from the United States or by a U.S. person, wherever located, to Burma; or

(b) The provision, directly or indirectly, to persons in Burma of insurance services, investment or brokerage services (including but not limited to brokering or trading services regarding securities, debt, commodities, options or foreign exchange), banking services, money remittance services; loans, guarantees, letters of credit or other extensions of credit; or the service of selling or redeeming traveler's checks, money orders and stored value.

NOTE TO § 537.305: This defined term has not appeared in other parts of 31 CFR chapter V and is specifically tailored to further the goals of the sanctions prohibitions set forth in this part.

#### § 537.306 Foreign person.

The term *foreign person* means any person that is not a U.S. person.

#### § 537.307 Government of Burma.

The term *Government of Burma* means the Government of Burma

(sometimes referred to as Myanmar), its agencies, instrumentalities and controlled entities, and the Central Bank of Burma.

#### § 537.308 Information or informational materials.

(a) For purposes of this part, the term *information or informational materials* includes, but is not limited to, publications, films, posters, phonograph records, photographs, microfilms, microfiche, tapes, compact disks, CD ROMs, artworks, and news wire feeds.

NOTE TO PARAGRAPH (a) OF § 537.307: To be considered information or informational materials, artworks must be classified under chapter heading 9701, 9702, or 9703 of the Harmonized Tariff Schedule of the United States.

(b) The term *information or informational materials*, with respect to United States exports, does not include items:

(1) That were, as of April 30, 1994, or that thereafter become, controlled for export pursuant to section 5 of the Export Administration Act of 1979, 50 U.S.C. App. 2401–2420 (1979) (the “EAA”), or section 6 of the EAA to the extent that such controls promote the nonproliferation or antiterrorism policies of the United States; or

(2) With respect to which acts are prohibited by 18 U.S.C. chapter 37.

#### § 537.309 Interest.

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

#### § 537.310 Licenses; general and specific.

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

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

(c) The term *specific license* means any license or authorization not set forth in subpart E of this part but issued pursuant to this part.

NOTE TO § 537.309: See § 501.801 of this chapter on licensing procedures.

#### § 537.311 New investment.

(a) The term *new investment* means any of the following activities if such activity is undertaken pursuant to an agreement, or pursuant to the exercise of rights under such an agreement, that is entered into with the Government of Burma or a nongovernmental entity in Burma on or after May 21, 1997:

(1) The entry into a contract that includes the economic development of

resources located in Burma, as defined in § 537.302;

(2) The entry into a contract providing for the general supervision and guarantee of another person's performance of a contract that includes the economic development of resources located in Burma;

(3) The purchase of a share of ownership, including an equity interest, in the economic development of resources located in Burma; or

(4) The entry into a contract providing for the participation in royalties, earnings, or profits in the economic development of resources located in Burma, without regard to the form of the participation.

(b) The term *new investment* shall not include the entry into, performance of, or financing of a contract to sell or purchase goods, services, or technology unless such contract includes any of the activities described in paragraph (a)(2), (a)(3) or (a)(4) of this section.

**§ 537.312 Nongovernmental entity in Burma.**

The term *nongovernmental entity in Burma* means a partnership, association, trust, joint venture, corporation, or other organization, wherever organized, that is located in Burma or exists for the exclusive or predominant purpose of engaging in the economic development of resources located in Burma or derives its income predominantly from such economic development, and is not the Government of Burma.

**§ 537.313 Person.**

The term *person* means an individual or entity.

**§ 537.314 Product of Burma.**

The term *product of Burma* means goods of Burmese origin pursuant to rules of origin of U.S. Customs and Border Protection.

**§ 537.315 Property; property interest.**

The terms *property* and *property interest* include, but are not limited to, money, checks, drafts, bullion, bank deposits, savings accounts, debts, indebtedness, obligations, notes, guarantees, debentures, stocks, bonds, coupons, any other financial instruments, bankers acceptances, mortgages, pledges, liens or other rights in the nature of security, warehouse receipts, bills of lading, trust receipts, bills of sale, any other evidences of title, ownership or indebtedness, letters of credit and any documents relating to any rights or obligations thereunder, powers of attorney, goods, wares, merchandise, chattels, stocks on hand, ships, goods on ships, real estate mortgages, deeds of trust, vendors' sales

agreements, land contracts, leaseholds, ground rents, real estate and any other interest therein, options, negotiable instruments, trade acceptances, royalties, book accounts, accounts payable, judgments, patents, trademarks or copyrights, insurance policies, safe deposit boxes and their contents, annuities, pooling agreements, services of any nature whatsoever, contracts of any nature whatsoever, and any other property, real, personal, or mixed, tangible or intangible, or interest or interests therein, present, future or contingent.

**§ 537.316 Resources located in Burma.**

The term *resources located in Burma* means any resources, including natural, agricultural, commercial, financial, industrial and human resources, located within the territory of Burma, including the territorial sea, or located within the exclusive economic zone or continental shelf of Burma.

**§ 537.317 Transfer.**

The term *transfer* means any actual or purported act or transaction, whether or not evidenced by writing, and whether or not done or performed within the United States, the purpose, intent, or effect of which is to create, surrender, release, convey, transfer, or alter, directly or indirectly, any right, remedy, power, privilege, or interest with respect to any property and, without limitation upon the foregoing, shall include the making, execution, or delivery of any assignment, power, conveyance, check, declaration, deed, deed of trust, power of attorney, power of appointment, bill of sale, mortgage, receipt, agreement, contract, certificate, gift, sale, affidavit, or statement; the making of any payment; the setting off of any obligation or credit; the appointment of any agent, trustee, or fiduciary; the creation or transfer of any lien; the issuance, docketing, filing, or levy of or under any judgment, decree, attachment, injunction, execution, or other judicial or administrative process or order, or the service of any garnishment; the acquisition of any interest of any nature whatsoever by reason of a judgment or decree of any foreign country; the fulfillment of any condition; the exercise of any power of appointment, power of attorney, or other power; or the acquisition, disposition, transportation, importation, exportation, or withdrawal of any security.

**§ 537.318 United States.**

The term *United States* means the United States, its territories and

possessions, and all areas under the jurisdiction or authority thereof.

**§ 537.319 U.S. depository institution.**

The term *U.S. depository institution* means any entity (including its foreign branches) organized under the laws of the United States or of any jurisdiction within the United States, or any agency, office or branch located in the United States of a foreign entity, that is engaged primarily in the business of banking (for example, banks, savings banks, savings associations, credit unions, trust companies and United States bank holding companies) and is subject to regulation by federal or state banking authorities.

**§ 537.320 U.S. financial institution.**

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

**§ 537.321 U.S. person.**

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

**§ 537.322 U.S. registered broker or dealer in securities.**

The term *U.S. registered broker or dealer in securities* means any U.S. citizen, permanent resident alien, or entity organized under the laws of the United States or of any jurisdiction within the United States, including its foreign branches, or any agency, office or branch of a foreign entity located in the United States, that:

(a) Is a "broker" or "dealer" in securities within the meanings set forth in the Securities Exchange Act of 1934;

(b) Holds or clears customer accounts; and

(c) Is registered with the Securities and Exchange Commission under the Securities Exchange Act of 1934.

**§ 537.323 U.S. registered money transmitter.**

The term *U.S. registered money transmitter* means any U.S. citizen, permanent resident alien, or entity organized under the laws of the United States or of any jurisdiction within the United States, including its foreign branches, or any agency, office or branch of a foreign entity located in the United States, that is a money transmitter, as defined in 31 CFR 103.11(uu)(5), and that is registered pursuant to 31 CFR 103.41.

**Subpart D—Interpretations**

**§ 537.401 Reference to amended sections.**

Except as otherwise specified, reference to any provision in or appendix to this part or chapter or to any regulation, ruling, order, instruction, direction, or license issued pursuant to this part refers to the same as currently amended.

**§ 537.402 Effect of amendment.**

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

**§ 537.403 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) away from a person, such property shall no longer be deemed to be property blocked pursuant to § 537.201(a), unless there exists in the property another interest that is blocked pursuant to § 537.201(a) 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 interests in property are blocked pursuant to § 537.201(a), such property shall be deemed to be property in which that person has an interest and therefore blocked.

**§ 537.404 Transactions incidental to a licensed transaction authorized.**

(a) Any transaction ordinarily incident to a licensed transaction and necessary to give effect thereto is also authorized, except:

(1) A transaction, not explicitly authorized within the terms of the license, by or with a person whose property or interests in property are blocked pursuant to § 537.201(a), except as provided in paragraph (b) of this section; or

(2) A transaction, not explicitly authorized within the terms of the license, involving a debit to a blocked account or a transfer of blocked property, except as provided in paragraph (b) of this section.

(b) Transactions licensed pursuant to subpart E of this part and those transactions falling within the scope of paragraph (a) of this section are authorized even though they may involve transfers to or from an account of a financial institution whose property or interests in property are blocked pursuant to § 537.201(a), provided that the account is not on the books of a financial institution that is a U.S. person.

**§ 537.405 Provision of services.**

(a) Except as provided in § 537.210, the prohibitions on transactions involving blocked property contained in § 537.201 apply to services performed in the United States or by U.S. persons, wherever located, including by an overseas branch of an entity located in the United States:

(1) On behalf of or for the benefit of a person whose property or interests in property are blocked pursuant to § 537.201(a); or

(2) With respect to property interests subject to § 537.201.

(b) *Example:* U.S. persons may not, except as authorized by or pursuant to this part, provide legal, accounting, financial, brokering, freight forwarding, transportation, public relations, or other services to a person whose property or interests in property are blocked pursuant to § 537.201(a).

NOTE TO § 537.405: See §§ 537.507 and 537.508 on licensing policy with regard to

the provision of certain legal or medical services, respectively.

**§ 537.406 Offshore transactions.**

The prohibitions in § 537.201 on transactions involving blocked property apply to transactions by any U.S. person in a location outside the United States with respect to property that the U.S. person knows, or has reason to know, is held in the name of a person whose property or interests in property are blocked pursuant to § 537.201(a) or in which the U.S. person knows, or has reason to know, a person whose property or interests in property are blocked pursuant to § 537.201(a) has or has had an interest since the effective date.

**§ 537.407 Payments from blocked accounts to satisfy obligations prohibited.**

Pursuant to § 537.201, no debits may be made to a blocked account to pay obligations to U.S. persons or other persons, except as authorized by or pursuant to this part.

**§ 537.408 Setoffs prohibited.**

A setoff against blocked property (including a blocked account), whether by a U.S. bank or other U.S. person, is a prohibited transfer under § 537.201 if effected after the effective date.

**§ 537.409 Activities under pre-May 21, 1997 agreements.**

Section 537.210(c) exempts from all prohibitions contained in this part, except those contained in § 537.203, activities undertaken by a U.S. person pursuant to an agreement entered into prior to May 21, 1997, between a U.S. person and the Government of Burma or a nongovernmental entity in Burma. A U.S. person who is a party to a pre-May 21, 1997 agreement falling outside the scope of § 537.203 may enter into subsequent agreements with foreign persons where such agreements are pursuant to, or in exercise of rights under, the pre-May 21, 1997 agreement and are specifically contemplated by the pre-May 21, 1997 agreement. The exercise of rights under a pre-May 21, 1997 agreement falling outside the scope of § 537.203 may include the exercise of options to extend the contract, depending on such factors as the degree of specificity with which the option to extend is described in the pre-May 21, 1997 agreement, and the degree to which the party wishing to renew can enforce its decision to exercise the option.

**§ 537.410 Contracts and subcontracts regarding economic development of resources in Burma.**

Section 537.204 prohibits new investment in Burma by U.S. persons. Section 537.311 defines the term *new investment* to include certain contracts providing for the general supervision and guarantee of another person's performance of a contract that includes the economic development of resources located in Burma. With respect to entry into such contracts, only the following will be considered new investment in Burma:

(a) Entry into contracts for supervision and guarantee at the highest level of project management, such as entry into a contract with a development project's sponsor or owner to become a prime contractor or general manager for a development project;

(b) Entry into subcontracts where the functional scope of the subcontractor's obligations is substantially similar to that of a prime contractor's or general manager's obligations for a development project; or

(c) Entry into a contract or subcontract where the consideration includes a share of ownership in, or participation in the royalties, earnings or profits of, the economic development of resources located in Burma.

**§ 537.411 Purchase of shares in economic development projects in Burma.**

The purchase, directly or indirectly, from the Government of Burma or a nongovernmental entity in Burma of shares of ownership, including an equity interest, in the economic development of resources located in Burma is prohibited unless the purchase is pursuant to an agreement entered into prior to May 21, 1997.

**§ 537.412 Investments in entities involved in economic development projects in Burma.**

(a) The purchase of shares in a third-country company that is engaged in the economic development of resources located in Burma is prohibited by § 537.204 where the company's profits are predominantly derived from the company's economic development of resources located in Burma.

(b) If a U.S. person holds shares in an entity which subsequently engages predominantly in the economic development of resources located in Burma or subsequently derives its income exclusively or predominantly from such economic development, the U.S. person is not required to relinquish its shares, but may not purchase additional shares. Divestiture of the shares in such an entity to a foreign

person—otherwise constituting the facilitation of that foreign person's investment in Burma—is authorized under general license pursuant to § 537.524.

**§ 537.413 Sale of interest in economic development projects in Burma.**

The sale to a foreign person of a U.S. person's equity or income interest in a development project in Burma constitutes facilitation of that foreign person's investment in Burma, unless pursuant to a pre-May 21, 1997 agreement. Such a sale, however, is authorized by general license under § 537.524.

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

**§ 537.501 General and specific licensing procedures.**

For provisions relating to licensing procedures, see part 501, subpart D, of this chapter. Licensing actions taken pursuant to part 501 of this chapter with respect to the prohibitions contained in this part are considered actions taken pursuant to this part.

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

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

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

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

**§ 537.503 Exclusion from licenses.**

The Director of the Office of Foreign Assets Control reserves the right to exclude any person, property, or transaction from the operation of any license or from the privileges conferred by any license. The Director of the Office of Foreign Assets Control also reserves the right to restrict the applicability of any license to particular persons, property, transactions, or classes thereof. Such actions are binding upon all persons receiving actual or constructive notice of the exclusions or restrictions.

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

Any payment of funds or transfer of credit in which a person whose property or interests in property are blocked pursuant to § 537.201(a) has any interest, that comes within the possession or control of a U.S. financial institution, must be blocked in an account on the books of that financial institution. A transfer of funds or credit by a U.S. financial institution between blocked accounts in its branches or offices is authorized, provided that no transfer is made from an account within the United States to an account held outside the United States, and further provided that a transfer from a blocked account may only be made to another blocked account held in the same name.

NOTE TO § 537.504: Please refer to § 501.603 of this chapter for mandatory reporting requirements regarding financial transfers. See also § 537.208 concerning the obligation to hold blocked funds in interest-bearing accounts.

**§ 537.505 Entries in certain accounts for normal service charges authorized.**

(a) A U.S. financial institution is authorized to debit any blocked account held at that financial institution in payment or reimbursement for normal service charges owed it by the owner of that blocked account.

(b) As used in this section, the term *normal service charge* shall include charges in payment or reimbursement for interest due; cable, telegraph, internet, or telephone charges; postage costs; custody fees; small adjustment charges to correct bookkeeping errors; and, but not by way of limitation, minimum balance charges, notary and protest fees, and charges for reference books, photocopies, credit reports, transcripts of statements, registered mail, insurance, stationery and supplies, and other similar items.

**§ 537.506 Investment and reinvestment of certain funds.**

Subject to the requirements of § 537.208, U.S. financial institutions are authorized to invest and reinvest assets blocked pursuant to § 537.201, subject to the following conditions:

(a) The assets representing such investments and reinvestments are credited to a blocked account or subaccount which is held in the same name at the same U.S. financial institution, or within the possession or control of a U.S. person, but funds shall not be transferred outside the United States for this purpose;

(b) The proceeds of such investments and reinvestments shall not be credited to a blocked account or subaccount under any name or designation that differs from the name or designation of the specific blocked account or subaccount in which such funds or securities were held; and

(c) No immediate financial or economic benefit accrues (*e.g.*, through pledging or other use) to persons whose property or interests in property are blocked pursuant to § 537.201(a).

**§ 537.507 Provision of certain legal services authorized.**

(a) The provision of the following legal services to or on behalf of persons whose property or interests in property are blocked pursuant to § 537.201(a) is authorized, provided that all receipts of payment of professional fees and reimbursement of incurred expenses must be specifically licensed:

(1) Provision of legal advice and counseling on the requirements of and compliance with the laws of any jurisdiction within the United States, provided that such advice and counseling are not provided to facilitate transactions in violation of this part;

(2) Representation of persons when named as defendants in or otherwise made parties to domestic U.S. legal, arbitration, or administrative proceedings;

(3) Initiation and conduct of domestic U.S. legal, arbitration, or administrative proceedings in defense of property interests subject to U.S. jurisdiction;

(4) Representation of persons before any federal or state agency with respect to the imposition, administration, or enforcement of U.S. sanctions against such persons; and

(5) Provision of legal services in any other context in which prevailing U.S. law requires access to legal counsel at public expense.

(b) The provision of any other legal services to persons whose property or interests in property are blocked pursuant to § 537.201(a), not otherwise

authorized in this part, requires the issuance of a specific license.

(c) Entry into a settlement agreement affecting property or interests in property or the enforcement of any lien, judgment, arbitral award, decree, or other order through execution, garnishment, or other judicial process purporting to transfer or otherwise alter or affect property or interests in property blocked pursuant to § 537.201(a) is prohibited except to the extent otherwise provided by law or unless specifically licensed in accordance with § 537.207(e).

**§ 537.508 Authorization of emergency medical services.**

The provision of nonscheduled emergency medical services in the United States to persons whose property or interests in property are blocked pursuant to § 537.201(a) is authorized, provided that all receipt of payment for such services must be specifically licensed.

**§ 537.509 Official activities of the U.S. Government and certain international organizations.**

All transactions and activities otherwise prohibited by this part that are for the conduct of the official business of the United States Government, the United Nations, the World Bank, or the International Monetary Fund are authorized. This section does not authorize any importation into the United States of any article that is a product of Burma.

**§ 537.510 Third-country diplomatic and consular funds transfers.**

All transactions that are related to funds transfers otherwise prohibited by §§ 537.201 and 537.202 and that are for the conduct of diplomatic or consular activities of third-country diplomatic or consular missions in Burma are authorized.

**§ 537.511 Importation of accompanied baggage and household effects of U.S. diplomatic and consular officials.**

U.S. diplomatic or consular officials entering the United States directly or indirectly from Burma are authorized to engage in all transactions incident to the importation into the United States of products of Burma as accompanied baggage or household effects, provided that such products are not intended for any other person or for sale and are not otherwise prohibited from importation under applicable United States laws.

**§ 537.512 Importation for official or personal use by foreign diplomatic and consular officials.**

All transactions incident to the importation into the United States of

any article that is a product of Burma that is destined for official or personal use by personnel employed by a diplomatic mission or consulate in the United States are authorized, provided that such article is not intended for any other person or for sale and is not otherwise prohibited from importation under applicable United States laws.

**§ 537.513 Importation and exportation of diplomatic pouches.**

All transactions in connection with the importation into the United States or the exportation from the United States of diplomatic pouches and their contents are authorized.

**§ 537.514 Importation of certain personal and household effects.**

(a) A U.S. person who maintained a residence in Burma prior to July 28, 2003, is authorized to import into the United States personal and household effects that are products of Burma, including accompanied baggage and articles for family use, provided the imported items were purchased by the U.S. person prior to July 28, 2003, have been actually used abroad by the U.S. person or by other family members arriving from the same foreign household, are not intended for any other person or for sale, and are not otherwise prohibited from importation.

(b) A national of Burma who arrives in the United States after July 28, 2003, is authorized to import into the United States personal and household effects that are products of Burma, including accompanied baggage and articles for family use, provided the imported items are ordinarily incident to the Burmese national's arrival in the United States, have been actually used abroad by the Burmese national or by other family members arriving from the same foreign household, are not intended for any other person or for sale, and are not otherwise prohibited from importation.

**§ 537.515 Importation of information or informational materials.**

The importation of information or informational materials that are products of Burma and all transactions directly incident to such importation are authorized.

**§ 537.516 Importation of Burmese-origin articles and incidental transactions.**

(a) The importation of an article that is a product of Burma, otherwise prohibited by § 537.203, is authorized, provided the article was purchased prior to July 28, 2003, shipped from Burma to the United States prior to August 28, 2003, and is not property in which a person whose property or

interests in property are blocked pursuant to § 537.201(a) has an interest.

(b) All transactions otherwise prohibited by §§ 537.201 and 537.202 that are directly incident to the importation into the United States of an article that is a product of Burma are authorized, provided that:

(1) The importation is authorized pursuant to paragraph (a) of this section; or

(2) The importation occurred prior to August 28, 2003, and was not from a person whose property or interests in property are blocked pursuant to § 537.201(a).

(c) All transactions otherwise prohibited by §§ 537.201 and 537.202 that are directly incident to the importation into a country other than the United States or Burma of an article that is a product of Burma are authorized, provided that:

(1) The article was purchased prior to July 28, 2003, shipped from Burma prior to August 28, 2003, and is not property in which a person whose property or interests in property are blocked pursuant to § 537.201(a) has an interest; or

(2) The importation occurred prior to August 28, 2003, and was not from a person whose property or interests in property are blocked pursuant to § 537.201(a).

(d) Financing agreements with respect to the importations described in paragraphs (a), (b) and (c) of this section may be performed only according to their terms and may not be extended or renewed.

**§ 537.517 Noncommercial, personal remittances.**

(a)(1) U.S. depository institutions, U.S. registered brokers or dealers in securities, and U.S. registered money transmitters are authorized to process transfers of funds to or from Burma or for or on behalf of an individual ordinarily resident in Burma in cases in which the transfer involves a noncommercial, personal remittance, provided the following conditions are met:

(i) The transfer is not by, to, or through a person whose property or interests in property are blocked pursuant to § 537.201(a), except as explained in § 537.404 of this part; and

(ii) Total remittances to the territory of Burma in any consecutive 3-month period do not exceed \$300 per Burmese household, regardless of the number of individuals comprising the household.

(2) Noncommercial, personal remittances do not include charitable donations to or for the benefit of an

entity or funds transfers for use in supporting or operating a business.

NOTE TO PARAGRAPH (a) OF § 537.517: U.S. persons may make charitable donations to nongovernmental organizations in Burma that are authorized to operate pursuant to § 537.523, provided that the donations are made pursuant to § 537.523 and the terms of the authorization.

(b) The transferring institutions identified in paragraph (a) of this section may rely on the originator of a funds transfer with regard to compliance with paragraph (a) of this section, provided that the transferring institution does not know or have reason to know that the funds transfer is not in compliance with paragraph (a) of this section.

(c) This section does not authorize transactions with respect to property blocked pursuant to § 537.201, except as explained in § 537.404(b) of this part.

**§ 537.518 Transactions incident to exportations to Burma.**

All transactions otherwise prohibited by §§ 537.201 and 537.202 that are ordinarily incident to an exportation to Burma of goods, technology or services, other than financial services, are authorized, provided the exportation is not to or on behalf of a person whose property or interests in property are blocked pursuant to § 537.201(a). This section does not authorize a financial institution that is a U.S. person to advise or confirm any financing by a person whose property or interests in property are blocked pursuant to § 537.201(a).

**§ 537.519 Activities undertaken pursuant to certain pre-May 21, 1997 agreements.**

Except as prohibited by § 537.203, U.S. persons are authorized to engage in any activity, or any transaction incident to an activity, undertaken pursuant to an agreement entered into prior to 12:01 a.m., eastern daylight time, on May 21, 1997, or pursuant to the exercise of rights under such an agreement, provided that the parties to the agreement include:

(a) The Government of Burma or a nongovernmental entity in Burma, and

(b) An entity organized under the laws of a foreign state.

NOTE TO § 537.519: The authorization contained in § 537.519 pertains to pre-May 21, 1997 contracts between foreign business entities and either the Government of Burma or a nongovernmental entity in Burma. Pre-May 21, 1997 contracts between U.S. persons and the Government of Burma or a nongovernmental entity in Burma are exempt from all prohibitions contained in this part except those contained in § 537.203. See § 537.210 (exemptions).

**§ 537.520 Payments for overflights of Burmese airspace.**

Payments to Burma of charges for services rendered by the Government of Burma in connection with the overflight of Burma or emergency landing in Burma of aircraft owned or operated by a U.S. person or registered in the United States are authorized.

**§ 537.521 Operation of accounts.**

The operation of an account in a U.S. financial institution for an individual ordinarily resident in Burma, other than an individual whose property or interests in property are blocked pursuant to § 537.201(a), is authorized, provided that each transaction processed through the account:

(a) Is of a personal nature and not for use in supporting or operating a business;

(b) Does not involve a transfer directly or indirectly to Burma or for the benefit of individuals ordinarily resident in Burma unless authorized by § 537.517; and

(c) Is not otherwise prohibited by this part.

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

(a) All of the following transactions in connection with patent, trademark, copyright or other intellectual property protection in the United States or Burma, except for those transactions prohibited by § 537.203, are authorized:

(1) The filing and prosecution of any application to obtain a patent, trademark, copyright or other form of intellectual property protection;

(2) The receipt of a patent, trademark, copyright or other form of intellectual property protection;

(3) The renewal or maintenance of a patent, trademark, copyright or other form of intellectual property protection; and

(4) The filing and prosecution of opposition or infringement proceedings with respect to a patent, trademark, copyright or other form of intellectual property protection, or the entrance of a defense to any such proceedings.

(b) This section authorizes the payment of fees currently due to the United States Government, or of the reasonable and customary fees and charges currently due to attorneys or representatives within the United States, in connection with the transactions authorized in paragraph (a) of this section. Payment effected pursuant to the terms of this paragraph may not be made from a blocked account.

(c) This section authorizes the payment of fees currently due to the

Government of Burma, or of the reasonable and customary fees and charges currently due to attorneys or representatives within Burma, in connection with the transactions authorized in paragraph (a) of this section.

(d) Nothing in this section affects obligations under any other provision of law.

**§ 537.523 Authorization of nongovernmental organizations to engage in humanitarian or religious activities.**

(a) Specific licenses may be issued on a case-by-case basis authorizing nongovernmental organizations to engage in transactions otherwise prohibited by §§ 537.201 and 537.202 that are necessary for their humanitarian or religious activities in Burma. Applications for specific licenses must include:

- (1) The organization's name in English, in the language of origin, and any acronym or other names used to identify the organization;
- (2) Address and phone number of the organization's headquarters location;
- (3) Identification of field offices and partner offices, including addresses and organizational names used;
- (4) Identification of key staff, such as directors and senior officers, at the organization's headquarters and partner offices, including the nationality, citizenship, current country of residence, place and date of birth, and current position of each person identified;
- (5) Identification of subcontracting organizations, if any, to the extent known or contemplated at the time of the application;
- (6) Existing sources of income, such as official grants, private endowments, commercial activities;
- (7) Financial institutions that hold deposits on behalf of or extend lines of credit to the organization (names of individuals and organizations shall be provided in English, in the language of origin, and shall include any acronym or other names used to identify the individuals or organizations);
- (8) Independent accounting firms, if employed in the production of the organization's financial statements (names of individuals and organizations shall be provided in English, in the language of origin, and shall include any acronym or other names used to identify the individuals or organizations);
- (9) A detailed description of the organization's humanitarian, environmental or religious activities and projects in countries or geographic areas subject to economic sanctions pursuant

to this chapter V, including, if applicable, a summary of all information provided in grant proposals or funding requests made in connection with the proposed activities;

(10) Most recent official registry documents, annual reports, and annual filings with the pertinent government, as applicable; and

(11) Names and addresses of organizations to which the applicant currently provides or proposes to provide funding, services or material support, to the extent known at the time of the application, as applicable.

(b) This section does not authorize transfers from blocked accounts.

NOTE TO § 537.523: Authorization pursuant to this section does not excuse a U.S. person from compliance with other applicable U.S. laws governing the exportation or reexportation of U.S.-origin goods, software, or technology (including technical data). *See, e.g.*, the Export Administration Regulations administered by the U.S. Department of Commerce (15 CFR parts 730–774).

**§ 537.524 Divestiture of U.S. person's investments in Burma.**

All transactions, except those prohibited by § 537.203, related to the divestiture or transfer to a foreign person of a U.S. person's share of ownership, including an equity interest, in the economic development of resources located in Burma are authorized. U.S. persons participating in such a transaction valued at more than \$10,000 are required, within 10 business days after the transaction takes place, to file a report for statistical purposes with the Office of Foreign Assets Control, U.S. Treasury Department, 1500 Pennsylvania Avenue NW.—Annex, Washington, DC 20220.

**§ 537.525 Transactions related to U.S. citizens residing in Burma.**

To the extent otherwise prohibited, U.S. citizens who reside on a permanent basis in Burma are authorized to pay their personal living expenses and engage in other transactions in Burma ordinarily incident to their routine and necessary personal maintenance.

**§ 537.526 Authorized transactions necessary and ordinarily incident to publishing.**

(a) To the extent that such activities are not exempt from this part, and subject to the restrictions set forth in paragraphs (b) through (d) of this section, U.S. persons are authorized to engage in all transactions necessary and ordinarily incident to the publishing and marketing of manuscripts, books, journals, and newspapers (collectively, "written publications"), in paper or

electronic format. This section does not apply if the parties to the transactions described in this paragraph include the State Peace and Development Council of Burma or the Union Solidarity and Development Association of Burma, or any successor entity to any of the foregoing entities, or any person, other than personnel of academic and research institutions, acting or purporting to act directly or indirectly on behalf of the foregoing entities with respect to the transactions described in this paragraph. Pursuant to this section, the following activities are not prohibited, provided that U.S. persons ensure that they are not engaging, without specific authorization, in the activities identified in paragraph (d) of this section:

- (1) Commissioning and making advance payments for identifiable written publications not yet in existence, to the extent consistent with industry practice;
- (2) Collaborating on the creation and enhancement of written publications;
- (3) Augmenting written publications through the addition of items such as photographs, artwork, translation, and explanatory text;
- (4) Substantive and artistic editing of written publications;
- (5) Payment of royalties for written publications;
- (6) Creating or undertaking a marketing campaign to promote a written publication; and
- (7) Other transactions necessary and ordinarily incident to the publishing and marketing of written publications as described in this paragraph (a).

(b) This section does not authorize transactions constituting the exportation or reexportation of financial services from the United States or by U.S. persons to Burma that are not necessary and ordinarily incident to the publishing and marketing of written publications as described above. For example, this section does not authorize U.S. persons to transfer funds to Burma relating to the following:

- (1) The provision or receipt of individualized or customized services (including, but not limited to, accounting, legal, design, or consulting services), other than those necessary and ordinarily incident to the publishing and marketing of written publications, even though such individualized or customized services are delivered through the use of information and informational materials;
- (2) The creation or undertaking of a marketing campaign for any person with respect to any service or product other than a written publication, or the

creation or undertaking of a marketing campaign of any kind for the benefit of the State Peace and Development Council of Burma or the Union Solidarity and Development Association of Burma; or

(3) The operation of a publishing house, sales outlet, or other office in Burma.

(c) This section does not authorize U.S. persons to engage in transactions constituting the exportation or reexportation of financial services to Burma that relate to the services of publishing houses or translators in Burma unless such activity is primarily for the dissemination of written publications in Burma.

(d) This section does not authorize:

(1) The importation into the United States of any article that is a product of Burma other than information and informational materials;

(2) Transactions constituting the exportation or reexportation of financial services from the United States or by U.S. persons to Burma that relate to the development, production, design, or marketing of technology specifically controlled by the International Traffic in Arms Regulations, 22 CFR parts 120 through 130 (ITAR), the Export Administration Regulations, 15 CFR parts 730 through 774 (EAR), or the Department of Energy Regulations set forth at 10 CFR part 810.

(3) Transactions constituting the exportation or reexportation of financial services from the United States or by U.S. persons to Burma that relate to the exportation of information or technology subject to the authorization requirements of 10 CFR part 810, or Restricted Data as defined in section 11(y) of the Atomic Energy Act of 1954, as amended, or of other information, data, or technology the release of which is controlled under the Atomic Energy Act and regulations therein;

(4) Transactions constituting the exportation or reexportation of financial services from the United States or by U.S. persons to Burma that relate to the exportation of information subject to license application requirements under the EAR. These EAR license application requirements cover not only the exportation of information controlled on the Commerce Control List, 15 CFR part 774, but also the exportation of any information subject to the EAR where a U.S. person knows or has reason to know that the information will be used, directly or indirectly, with respect to certain nuclear, missile, chemical and biological weapons, and nuclear-maritime end-uses. In addition, U.S. persons are precluded from exporting any information subject to the EAR to

certain restricted end-users, as provided in the Commerce Department's end-user and end-use based controls set forth at 15 CFR part 744; or

(5) Transactions constituting the exportation or reexportation of financial services from the United States or by U.S. persons to Burma that relate to the exportation of information subject to licensing requirements under the ITAR, or exchanges of information that are subject to regulation by other government agencies.

#### Subpart F—Reports

##### § 537.601 Records and reports.

For provisions relating to required records and reports, see part 501, subpart C, of this chapter. Recordkeeping and reporting requirements imposed by part 501 of this chapter with respect to the prohibitions contained in this part are considered requirements arising pursuant to this part.

#### Subpart G—Penalties

##### § 537.701 Penalties.

(a) Attention is directed to section 206 of the International Emergency Economic Powers Act (the "Act") (50 U.S.C. 1705), which is applicable to violations of the provisions of any license, ruling, regulation, order, direction, or instruction issued by or pursuant to the direction or authorization of the Secretary of the Treasury pursuant to this part or otherwise under the Act. Section 206 of the Act, as adjusted by the Federal Civil Penalties Inflation Adjustment Act of 1990 (Pub. L. 101-410, as amended, 28 U.S.C. 2461 note), provides that:

(1) A civil penalty not to exceed \$11,000 per violation may be imposed on any person who violates or attempts to violate any license, order, or regulation issued under the Act;

(2) Whoever willfully violates or willfully attempts to violate any license, order, or regulation issued under the Act, upon conviction, shall be fined not more than \$50,000, and if a natural person, may also be imprisoned for not more than 10 years; and any officer, director, or agent of any corporation who knowingly participates in such violation may be punished by a like fine, imprisonment, or both.

(b) The criminal penalties provided in the Act are subject to increase pursuant to 18 U.S.C. 3571.

(c) Attention is also directed to 18 U.S.C. 1001, which provides that whoever, in any matter within the jurisdiction of the executive, legislative, or judicial branch of the Government of

the United States, knowingly and willfully falsifies, conceals, or covers up by any trick, scheme, or device, a material fact, or makes any materially false, fictitious, or fraudulent statement or representation, or makes or uses any false writing or document knowing the same to contain any materially false, fictitious, or fraudulent statement or entry shall be fined under title 18, United States Code, or imprisoned not more than five years, or both.

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

##### § 537.702 Prepenalty notice.

(a) *When required.* If the Director of the Office of Foreign Assets Control has reason to believe that there has occurred a violation of any provision of this part or a violation of the provisions of any license, ruling, regulation, order, direction, or instruction issued by or pursuant to the direction or authorization of the Secretary of the Treasury pursuant to this part or otherwise under the International Emergency Economic Powers Act, and the Director determines that further proceedings are warranted, the Director shall notify the alleged violator of the agency's intent to impose a monetary penalty by issuing a prepenalty notice. The prepenalty notice shall be in writing. The prepenalty notice may be issued whether or not another agency has taken any action with respect to the matter.

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

(2) *Right to respond.* The prepenalty notice also shall inform the respondent of the respondent's right to make a written presentation within the applicable 30-day period set forth in § 537.703 as to why a monetary penalty should not be imposed or why, if imposed, the monetary penalty should be in a lesser amount than proposed.

(c) *Informal settlement prior to issuance of prepenalty notice.* At any time prior to the issuance of a prepenalty notice, an alleged violator may request in writing that, for a period not to exceed 60 days, the agency withhold issuance of the prepenalty notice for the exclusive purpose of effecting settlement of the agency's potential civil monetary penalty claims. In the event the Director grants the request, under terms and conditions within the Director's discretion, the Office of Foreign Assets Control will agree to withhold issuance of the

prepenalty notice for a period not to exceed 60 days and will enter into settlement negotiations of the potential civil monetary penalty claim.

**§ 537.703 Response to prepenalty notice; informal settlement.**

(a) *Deadline for response.* The respondent may submit a response to the prepenalty notice within the applicable 30-day period set forth in this paragraph. The Director may grant, at the Director's discretion, an extension of time in which to submit a response to the prepenalty notice. The failure to submit a response within the applicable time period set forth in this paragraph shall be deemed to be a waiver of the right to respond.

(1) *Computation of time for response.* A response to the prepenalty notice must be postmarked or date-stamped by the U.S. Postal Service (or foreign postal service, if mailed abroad) or courier service provider (if transmitted to OFAC by courier) on or before the 30th day after the postmark date on the envelope in which the prepenalty notice was mailed. If the respondent refused delivery or otherwise avoided receipt of the prepenalty notice, a response must be postmarked or date-stamped on or before the 30th day after the date on the stamped postal receipt maintained at the Office of Foreign Assets Control. If the prepenalty notice was personally delivered to the respondent by a non-U.S. Postal Service agent authorized by the Director, a response must be postmarked or date-stamped on or before the 30th day after the date of delivery.

(2) *Extensions of time for response.* If a due date falls on a federal holiday or weekend, that due date is extended to include the following business day. Any other extensions of time will be granted, at the Director's discretion, only upon the respondent's specific request to the Office of Foreign Assets Control.

(b) *Form and method of response.* The response must be submitted in typewritten form and signed by the respondent or a representative thereof. The response need not be in any particular form. A copy of the written response may be sent by facsimile, but the original also must be sent to the Office of Foreign Assets Control Civil Penalties Division by mail or courier and must be postmarked or date-stamped, in accordance with paragraph (a) of this section.

(c) *Contents of response.* A written response must contain information sufficient to indicate that it is in response to the prepenalty notice.

(1) A written response must include the respondent's full name, address,

telephone number, and facsimile number, if available, or those of the representative of the respondent.

(2) A written response should either admit or deny each specific violation alleged in the prepenalty notice and also state if the respondent has no knowledge of a particular violation. If the written response fails to address any specific violation alleged in the prepenalty notice, that alleged violation shall be deemed to be admitted.

(3) A written response should include any information in defense, evidence in support of an asserted defense, or other factors that the respondent requests the Office of Foreign Assets Control to consider. Any defense or explanation previously made to the Office of Foreign Assets Control or any other agency must be repeated in the written response. Any defense not raised in the written response will be considered waived. The written response also should set forth the reasons why the respondent believes the penalty should not be imposed or why, if imposed, it should be in a lesser amount than proposed.

(d) *Failure to Respond.* Where OFAC receives no response to a prepenalty notice within the applicable time period set forth in paragraph (a) of this section, a penalty notice generally will be issued, taking into account the mitigating and/or aggravating factors present in the record. If there are no mitigating factors present in the record, or the record contains a preponderance of aggravating factors, the proposed prepenalty amount generally will be assessed as the final penalty.

(e) *Informal settlement.* In addition to or as an alternative to a written response to a prepenalty notice, the respondent or respondent's representative may contact the Office of Foreign Assets Control as advised in the prepenalty notice to propose the settlement of allegations contained in the prepenalty notice and related matters. However, the requirements set forth in paragraph (f) of this section as to oral communication by the representative must first be fulfilled. In the event of settlement at the prepenalty stage, the claim proposed in the prepenalty notice will be withdrawn, the respondent will not be required to take a written position on allegations contained in the prepenalty notice, and the Office of Foreign Assets Control will make no final determination as to whether a violation occurred. The amount accepted in settlement of allegations in a prepenalty notice may vary from the civil penalty that might finally be imposed in the event of a formal determination of violation. In the event no settlement is reached, the time limit specified in

paragraph (a) of this section for written response to the prepenalty notice will remain in effect unless additional time is granted by the Office of Foreign Assets Control.

(f) *Guidelines.* Guidelines for the imposition or settlement of civil penalties by the Office of Foreign Assets Control have been codified in the Appendix to the Reporting, Procedures and Penalties Regulations, 31 CFR part 501.

(g) *Representation.* A representative of the respondent may act on behalf of the respondent, but any oral communication with the Office of Foreign Assets Control prior to a written submission regarding the specific allegations contained in the prepenalty notice must be preceded by a written letter of representation, unless the prepenalty notice was served upon the respondent in care of the representative.

**§ 537.704 Penalty imposition or withdrawal.**

(a) *No violation.* If, after considering any response to the prepenalty notice and any relevant facts, the Director of the Office of Foreign Assets Control determines that there was no violation by the respondent named in the prepenalty notice, the Director shall notify the respondent in writing of that determination and of the cancellation of the proposed monetary penalty.

(b) *Violation.*—(1) If, after considering any written response to the prepenalty notice, or default in the submission of a written response, and any relevant facts, the Director of the Office of Foreign Assets Control determines that there was a violation by the respondent named in the prepenalty notice, the Director is authorized to issue a written penalty notice to the respondent of the determination of the violation and the imposition of the monetary penalty.

(2) The penalty notice shall inform the respondent that payment or arrangement for installment payment of the assessed penalty must be made within 30 days of the date of mailing of the penalty notice by the Office of Foreign Assets Control.

(3) The penalty notice shall inform the respondent of the requirement to furnish the respondent's taxpayer identification number pursuant to 31 U.S.C. 7701 and that such number will be used for purposes of collecting and reporting on any delinquent penalty amount.

(4) The issuance of the penalty notice finding a violation and imposing a monetary penalty shall constitute final agency action. The respondent has the right to seek judicial review of that final agency action in federal district court.

**§ 537.705 Administrative collection; referral to United States Department of Justice.**

In the event that the respondent does not pay the penalty imposed pursuant to this part or make payment arrangements acceptable to the Director of the Office of Foreign Assets Control within 30 days of the date of mailing of the penalty notice, the matter may be referred for administrative collection measures by the Department of the Treasury or to the United States Department of Justice for appropriate action to recover the penalty in a civil suit in a federal district court.

**Subpart H—Procedures**

**§ 537.801 Procedures.**

For license application procedures and procedures relating to amendments, modifications, or revocations of licenses; administrative decisions; rulemaking; and requests for documents

pursuant to the Freedom of Information and Privacy Acts (5 U.S.C. 552 and 552a), see part 501, subpart D, of this chapter.

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

Any action that the Secretary of the Treasury is authorized to take pursuant to Executive Order 13047 of May 20, 1997 (62 FR 28299, May 22, 1997) and Executive Order 13310 of July 28, 2003 (68 FR 44853, July 30, 2003), and any further Executive orders relating to the national emergency declared therein, may be taken by the Director of the Office of Foreign Assets Control or by any other person to whom the Secretary of the Treasury has delegated authority so to act.

**Subpart I—Paperwork Reduction Act**

**§ 537.901 Paperwork Reduction Act notice.**

For approval by the Office of Management and Budget (“OMB”)

under the Paperwork Reduction Act of 1995 (44 U.S.C. 3507) of information collections relating to record keeping and reporting requirements, licensing procedures (including those pursuant to statements of licensing policy), and other procedures, see § 501.901 of this chapter. An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a valid control number assigned by OMB.

Dated: June 10, 2005.

**Robert W. Werner,**

*Director, Office of Foreign Assets Control.*

Approved: July 25, 2005.

**Stuart A. Levey,**

*Under Secretary, Office of Terrorism and Financial Intelligence, Department of the Treasury.*

[FR Doc. 05-16144 Filed 8-11-05; 9:03 am]

**BILLING CODE 4810-25-P**