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## OFAC Clamps Down Focus On Mid-East Business

Recent actions taken by the U.S. Department of the Treasury's Office of Foreign Assets Control ("OFAC") evidence a steady increase of restrictions imposed by the U.S. Government on U.S. persons conducting business in the Middle East.

In the most recent action, on September 12, 2006, OFAC amended the Iranian Transactions Regulations to cut-off Bank Saderat, one of the largest Iranian government-owned banks, from the U.S. financial system. The new rule effectively prohibits all transactions directly or indirectly involving Bank Saderat, which OFAC determined has been a significant facilitator of Hizballah's financial activities and has served as a conduit between the Government of Iran and Hizballah, Hamas, the Popular Front for the Liberation of Palestine-General Command and the Palestinian Islamic Jihad.

This decision is part of the OFAC economic sanctions against various countries and persons from those countries. In the Middle East specifically, OFAC currently administers comprehensive sanctions, including an export ban, against Iran and its government. U.S. persons are prohibited from exporting goods or services (including financial services or investment) from the United States to Iran or a national of Iran. This also affects any U.S. citizen employed in a foreign corporation, including foreign subsidiaries of U.S. companies.

The U.S. also maintains more limited sanctions against Syria and Iraq, which consist mainly of blocking orders on assets of certain designated persons and entities. However, the U.S. government is trending towards more stringent restrictions on U.S. business transactions in or with Syria, or Syrian entities. In April 2006, OFAC expanded the list of blocked Syrian individuals and entities.

Libya is the only exception to this recent trend by the U.S. Government. Earlier this year, the U.S. Government normalized relations with Libya, removing the economic sanctions and most export restrictions against the country. The U.S. Government no longer designates Libya as a "state sponsor of terrorism."

The likelihood of additional Middle East-focused restrictions was evidenced in President Bush's September 20, 2006 address to the UN General Assembly. The President's speech focused almost entirely on the increasing tensions between the United States and the Middle East. Bush singled out Iran and Syria as sponsors of terrorism. The President also directly addressed the citizens of Iran and Syria stating that Iran is using its "resources to fund terrorism, and fuel extremism" and accusing the Syrian government of turning Syria "into a tool of Iran."

U.S. persons who conduct business in any of the Middle Eastern regions discussed above should take care to ensure that their activities are in compliance with current OFAC restrictions.



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