

E-ALERT | International Trade Controls

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DEVELOPMENTS IN US, EU, AND UN SANCTIONS AGAINST LIBYA

US AND UN LIFT MOST SANCTIONS AGAINST LIBYA, THOUGH CERTAIN PROPERTY REMAINS BLOCKED

ADDITIONAL EU SANCTIONS AGAINST SYRIA EXPECTED

The US Treasury Department's Office of Foreign Assets Control ("OFAC"), acting pursuant to a recent United Nations ("UN") Security Council Resolution, has lifted most of the prohibitions on dealings by US persons with the government of Libya, its agencies, instrumentalities, and controlled entities, including the Central Bank of Libya, and with the Libyan National Oil Corporation ("NOC") and entities it owns or controls. Property and property interests that were blocked, however, other than property of the NOC and its affiliates, remain blocked. Certain persons and entities affiliated with Muammar Qadhafi remain subject to the sanctions.

The European Union ("EU") is expected to implement the UN Resolution regarding Libya in the coming days. In addition, the EU is reportedly preparing additional sanctions against Syria.

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On September 16, 2011, the United Nations Security Council unanimously passed [Resolution 2009](#), which eased UN sanctions against Libya that had been imposed by Security Council resolutions adopted earlier this year. Resolution 2009 lifted the asset freeze imposed on the NOC and its affiliate, Zueitina Oil Company ("Zueitina"), and modified the asset freeze imposed on four Libyan entities, namely the Central Bank of Libya, the Libyan Foreign Bank, the Libyan Investment Authority, and the Libyan Africa Investment Portfolio.

Pursuant to Resolution 2009, blocked assets belonging to the NOC and Zueitina are no longer blocked and may be released to them. Blocked assets belonging to the other four Libyan financial entities remain blocked, but may be released for humanitarian purposes, government use, and some specific commercial uses, provided that (i) the party releasing the formerly frozen assets has consulted with the Libyan government and the UN Security Council, and (ii) neither body has objected to the release. Resolution 2009 also eased the UN arms embargo against Libya, reduced restrictions on Libyan-operated aircraft flying abroad, and announced the UN's decision to establish a three-month mission to Libya intended to protect human rights, facilitate the provision of foreign aid, and assist in rebuilding the Libyan economy. Libya's interim government and the UN will be allowed to import into Libya light weapons to maintain security.

Consistent with Resolution 2009, OFAC published [Libya General Licenses Nos. 7A and 8](#) on September 19, 2011. These new OFAC licenses replace more limited licenses previously issued by OFAC. Specifically, General License No. 7A supersedes General License No. 7, issued on September

9, 2011 (which authorized prospective dealings with subsidiaries of NOC other than Zueitina), and General License No. 8 supersedes General License No. 1B, issued on June 21, 2011.

General License No. 7A unblocks all assets of, and permits all transactions with, NOC and its owned or controlled affiliates, provided that (i) such transactions do not involve any other persons whose property is blocked, and (ii) the release of any blocked assets is reported to OFAC within ten business days after the release. Importantly, this General License does not apply to Libya Oil, which is not an affiliate of NOC (but had been mistakenly so identified in General License 7). Thus, property in which Libya Oil or its affiliates have an interest remains blocked.

General License No. 8 authorizes US persons to engage in transactions with agencies and instrumentalities of, and entities controlled by, the government of Libya and with the Central Bank of Libya, subject to two limitations: (i) such transactions may not involve Muammar Qadhafi or a handful of individuals and entities associated with him whose names are listed in an Annex to the General License; and (ii) all property and interests in property blocked pursuant to the sanctions against Libya as of September 19, 2011—other than assets belonging to NOC and its owned or controlled affiliates and addressed by General License 7A—remain blocked. This General License authorizes dealings not only with the Central Bank of Libya, which is expressly named in the license, but also with the Libyan Foreign Bank, the Libyan Investment Authority, and the Libyan Africa Investment Portfolio, which are entities controlled by the government of Libya and expressly covered by the UN Security Council Resolution.

Together, General Licenses Nos. 7A and 8 lift most of the remaining US sanctions against Libya and authorize US persons to engage in all transactions involving the Libyan government, its agencies, instrumentalities, and controlled entities so long as parties who remain blocked (and who are identified in the Annex to General License No. 8) are not involved in such transactions. Other than the property of NOC and its affiliates, however, all property and interests in property that were previously blocked under the US sanctions as of September 19 continue to be blocked.

On September 17, 2011, the EU removed Afriqiyah Airlines of Libya from the EU's list of designated parties. Pursuant to Resolution 2009, the EU is also expected to delist the parties which are no longer subject to the UN sanctions in the next few days. Until these parties are officially delisted, the EU sanctions against them will continue to remain in force. Significantly, however, some Member States have indicated informally that pending delisting they will no longer enforce sanctions against entities that were previously "owned or controlled" by designated parties but are now under the control of the Libyan Transitional National Council.

In parallel, the EU is reportedly working on further sanctions against Syria, and is anticipated to adopt new sanctions by September 24, 2011. These sanctions will likely include a ban on new investment in Syria's oil sector and an asset freeze and travel ban on additional individuals and companies.

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Interest in reintegrating Libya in the world economy remains strong. World leaders discussed how to support Libya's transition and reconstruction today at the UN General Assembly. President Obama is scheduled to meet with the chairman of the Transitional National Council, Mustafa Abdel Jalil, next week to discuss transition plans. We will circulate additional e-alerts concerning these developments as circumstances warrant.

If you have any questions concerning the material discussed in this client alert, please contact the following members of our international trade controls practice group:

Peter Flanagan	+1 202.662.5163	pflanagan@cov.com
Corinne Goldstein	+1 202.662.5534	cgoldstein@cov.com
Peter Lichtenbaum	+1 202.662.5557	plichtenbaum@cov.com
Lisa Peets	+44.(0)20.7067.2031	lpeets@cov.com
Kimberly Strosnider	+1 202.662.5816	kstrosnider@cov.com
David Addis	+1 202.662.5182	daddis@cov.com
Peter Trooboff	+1 202.662.5512	ptrooboff@cov.com
Agnieszka Polcyn	+32.(0)2.549.5242	apolcyn@cov.com
Eric Sandberg-Zakian	+1 202.662.5603	esandbergzakian@cov.com

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