

**OFFICE OF FOREIGN ASSETS CONTROL
BIENNIAL REPORT OF LICENSING ACTIVITIES PURSUANT TO
THE TRADE SANCTIONS REFORM AND EXPORT ENHANCEMENT
ACT OF 2000**

October 2006 - September 2008

I. Overview

This report is submitted pursuant to Section 906(c) of the Trade Sanctions Reform and Export Enhancement Act of 2000 (“TSRA”) and covers activities undertaken by the Treasury Department’s Office of Foreign Assets Control (“OFAC”) under Section 906(a)(1) of the TSRA from October 2006 through September 2008. Under the procedures established in its TSRA-related regulations, OFAC processes license applications requesting authorization to export agricultural commodities, medicine, and medical devices to Iran and Sudan under the specific licensing regime set forth in Section 906 of the TSRA.

There was a three percent increase in the number of license applications received during this reporting period compared to the prior period (1,794 for Oct. 2004 – Sep. 2006, 1,854 for Oct. 2006 – Sep. 2008). OFAC was able to issue licensing determinations¹ on 79.1 percent of all the license applications received during the October 2006 – September 2008 period (compared to 83.2 percent for the Oct. 2004 – Sep. 2006 period), and issued additional determinations after the two-year period ended. The average processing time for issuing licenses increased to 83 business days in this reporting period (compared to 33.1 business days in the Oct. 2004 – Sep. 2006 period), and the average time for issuing licensing determinations increased to 80 business days during the October 2006 – September 2008 reporting period versus 29.3 business days in the preceding reporting period.

The increased complexity, volume, and length of license applications (the majority of applications pertain to the export of medical devices to Iran) coupled with the more protracted scrutiny on the part of other reviewing agencies continued to affect the processing time of license applications in this reporting period (**See Graph 1**). These cases are evaluated by other agencies both in terms of whether the foreign entities involved in the transaction “promote international terrorism,” as required in section 906 of the TSRA, and in terms of whether the commodities at issue implicate independent export control regimes involving chemical or biological weapons, missiles, or weapons of mass destruction as provided in section 904(2)(C) of the TSRA.

¹A licensing determination is defined as any action, either intermediate or final, that OFAC takes on a license application. It may take the form of a license, a license amendment, a “return-without-action” letter, a general information letter, an interpretative letter, a denial letter, a telephone call, a fax, or an e-mail.

II. Program Operation

From October 1, 2006, to September 30, 2008, OFAC's Licensing Division received a total of 1,854 license applications^{2,3} pursuant to Section 906(a)(1) of the TSRA. During this period, OFAC issued licensing determinations on 1,467 of the 1,854 license applications. A total of 1,290 licenses and 84 license amendments⁴ were issued from October 1, 2006, through September 30, 2008 (**See Charts 1 and 2**). On average, licenses were issued within 83 business days of receipt of the application and license amendments were issued within 28 business days of receipt of the application. In addition, OFAC issued 135 "return-without-action" letters ("RWA letters") (average turnaround: 33 business days), and 67 denial letters (average turnaround: 100 business days) (**See Graph 1**). The average number of business days for the Licensing Division to issue a licensing determination in response to submissions to OFAC on any license application under the TSRA regulations was 80 business days. The total of licenses/license amendments, RWA letters, and denial letters issued does not equal the number of license applications received because: 1) not all license applications received during this reporting period were closed in this reporting period; 2) in some instances, multiple applications from the same license applicant were combined into one license; and 3) some license applications were handled via telephone, fax, or e-mail.

As in the preceding reporting period, the preponderance of license applications submitted and licenses/license amendments issued was for Iran (**See Chart 3**). Of the 1,854 applications received, a total of 1,635 license applications (88.2 %) was for Iran, in contrast to 219 (11.8 %) for Sudan. Likewise, of the 1374 licenses/license amendments issued, 1,222 (88.9%) were issued for the sale of agricultural commodities, medicine, and medical devices to Iran, versus 152 (11.1%) for Sudan. In keeping with the program's trend, over half of the 1,854 license applications (54.3%) and almost half (49.4 %) of the licenses/license amendments were for the export of medical devices to Iran and Sudan. Of the 1,635 license applications for Iran, 560 (34.2%) were for agricultural commodities, 178 (10.9%) for medicine, and 897 (54.9%) for medical devices. Of the 1,222 licenses/license amendments issued for Iran, 467 (38.2%) were for agricultural commodities, 137 (11.2%) for medicine, and 618 (50.6%) for medical devices. The percentage breakdown of the 219 license applications for Sudan is: 84 (38.4%) for agricultural commodities, 25 (11.4%) for medicine, and 110 (50.2%) for medical devices. Of the 152 licenses/license amendments issued for Sudan, 69 (45.3%) were for agricultural commodities, 22 (14.5%) for medicine, and 61 (40.1%) for medical devices.

² OFAC received three license applications for Libya in the Oct. 2006 – Sep. 2008 period. Effective September 21, 2004, Executive Order 13357 terminated the emergency declared in Executive Order 12543 with respect to the policies and actions of the Government of Libya and revoked this and related Executive Orders. Accordingly, no OFAC license was required for exports to Libya during this reporting period. Executive Order 13357 does not, however, eliminate the need to comply with the licensing provisions of the Export Administration Regulations, 15 C.F.R. Parts 730 et seq ("EAR").

³ OFAC received 11 license applications for Syria in the Oct. 2006 – Sep. 2008 period. On December 12, 2003, President Bush signed the Syria Accountability and Lebanese Sovereignty Restoration Act ("SAA") (Public Law 108-175). On May 11, 2004, President Bush issued Executive Order 13338 to implement sections 5(a)(1), 5(a)(2)(A), and 5(a)(2)(D) of the SAA. Section 5(a)(1) of the SAA requires a prohibition on the export to Syria of all items on the United States Munitions List or the Commerce Control List. Section 5(a)(2)(A) provides authority for the President to prohibit the export or reexport to Syria of all products of the United States, with the exception of food and medicine. The result of the implementation of sections 5(a)(1) and 5(a)(2)(A) of the SAA is to restrict the export and reexport of all items subject to the EAR to Syria. The Department of Commerce's Bureau of Industry and Security is responsible for licensing exports and reexports, including food and medicine, to Syria.

⁴ A "license amendment" is an amendment to an existing license previously issued by OFAC. Some license amendment applications require interagency review, such as adding additional commodities to an existing license.

On January 9, 2007, Bank Sepah was designated under Executive Order 13382 of June 28, 2005 (70 FR 38567, July 1, 2005), "Blocking Property of Weapons of Mass Destruction Proliferators and Their Supporters." This designation blocked all property and interests in property of Bank Sepah and prohibited U.S. persons from engaging in any transaction or dealing with it. The same year, on October 25, 2007, Bank Saderat, including its branches and certain subsidiaries were designated pursuant to Executive Order 13224 of September 23, 2001, "Blocking Property and Prohibiting Transactions With Persons Who Commit, Threaten to Commit, or Support Terrorism." The same day, Bank Mellat and Bank Melli, as well as their branches and certain subsidiaries, were designated pursuant to E.O. 13382. These designations blocked all property and interests in property of Bank Saderat, Bank Mellat, and Bank Melli, and further prohibited U.S. persons from engaging in any transactions, directly or indirectly, with these banks. Further focusing on preventing the financing of such activities, another Iranian Bank, Future Bank B.S.C. and all its branches worldwide, were designated pursuant to E.O. 13382 on March 12, 2008. TSRA licensees are not authorized to engage in any transactions with these designated entities.

CHART 1
Number of License Applications and Licenses Issued by Product

	Agricultural Commodities	Medicine	Medical Devices	TOTAL
License Applications	644	203	1007	1854
Licenses Issued	488	149	653	1290
License Amendments Issued	48	10	26	84
Applications Denied	4	16	47	67

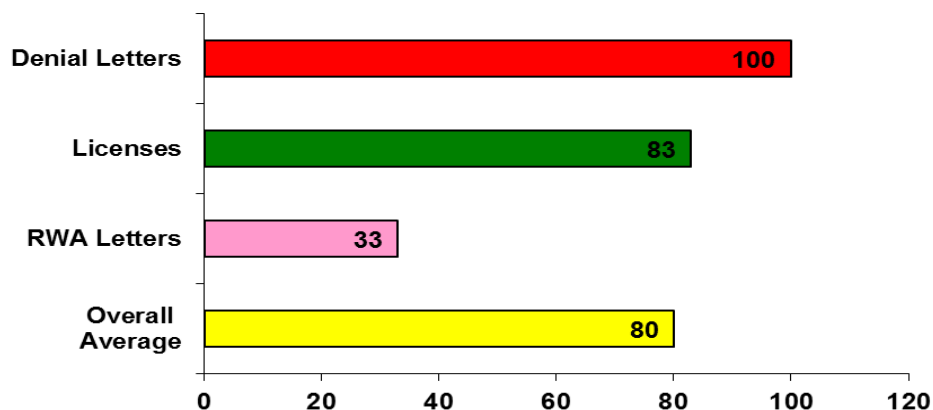
CHART 2
Number of License Applications and Licenses Issued by Country

	Iran	Sudan	TOTAL
License Applications	1635	219	1854
Licenses Issued	1145	145	1290
License Amendments Issued	77	7	84
Applications Denied	67	0	67

CHART 3
Number of License Applications and Licenses Issued by Country and Product

	Agricultural Commodities	Medicine	Medical Devices	TOTAL
IRAN				
License Applications	560	178	897	1635
Licenses and License Amendments Issued	467	137	618	1222
SUDAN				
License Applications	84	25	110	219
Licenses and License Amendments Issued	69	22	61	152

GRAPH 1
Average Processing Time for Issuing
Licensing Determinations (Business Days)



III. Public Comments

In accordance with Section 906(c)(5) of the TSRA, OFAC published in the *Federal Register* a request for comments on the effectiveness of OFAC's TSRA licensing procedures on November 17, 2008. For the October 2006 – September 2008 reporting period, OFAC received one set of comments submitted on behalf of four trade associations. The comments received expressed concern about the delays, developments, and trends within the licensing procedures.

Among the perceived concerns that commentators requested that OFAC redress were:

- Delays in the licensing process;
- Difficulty in obtaining specific information concerning the status of pending license applications; and
- The requirement for a specific license to send product samples to Iran or Sudan.

Among the suggestions submitted for improving the licensing procedures were the following:

- Develop an electronic license application system;
- Process and issue one-year TSRA licenses on a more expedited schedule;
- Implement a streamlined system for renewals of expired licenses; and
- Provide suppliers with guidance on how they can submit samples to their customers in Iran and Sudan “without” an OFAC license or issue a general license authorizing exporters to ship small quantities of sample products.

In order to ensure the continued efficient and effective operation of the TSRA licensing procedures, OFAC will undertake a review of its licensing procedures to better meet the needs of license applicants. All comments made will be considered in the process of this review.