

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

October 2010 - September 2012

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 TSRA from October 2010 through September 2012. 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 TSRA.

There was an 11.6 percent increase in the number of license applications received during this reporting period compared to the prior period (2859 for Oct. 2008 – Sept. 2010 and 3191 for Oct. 2010 – Sept. 2012). OFAC was able to issue licensing determinations¹ on 94.7 percent of all the license applications received during the October 2010 – September 2012 period (compared to 76.8 percent for the Oct. 2008 – Sept. 2010 period), and issued additional determinations after the two-year period ended. The average processing time for issuing licenses increased slightly to 93 business days in this reporting period (compared to 88 days in the Oct. 2008 – Sept. 2010 period), and the average time for issuing licensing determinations increased slightly to 75 business days during the October 2010 – September 2012 reporting period, versus 73 business days in the preceding reporting period.

The complexity, volume, and length of license applications (the majority of applications pertain to the export of medical devices to Iran) coupled with protracted scrutiny on the part of other reviewing agencies continued to affect 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 are controlled under independent export control regimes or are used to facilitate the design, development, or production of chemical or biological weapons, missiles, or weapons of mass destruction as provided in section 904(2) of TSRA.

II. Program Operation

From October 1, 2010, to September 30, 2012, OFAC’s Licensing Division received a total of 3191 license applications pursuant to Section 906(a)(1) of the TSRA. During this period, OFAC issued licensing determinations on 3022 of the 3191 license applications. A total of 2286

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.

licenses and 434 license amendments² were issued from October 1, 2010, through September 30, 2012 (**See Charts 1 and 2**). On average, licenses were issued within 93 business days and license amendments were issued within 20 business days of receipt of the application. In addition, OFAC issued 422 “return-without-action” letters (“RWA letters”) (average turnaround: 37 business days), and five (5) denial letters (average turnaround: 166 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 75 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 overwhelming majority of license applications submitted and licenses/license amendments issued was for Iran (**See Chart 3**). OFAC received a total of 2909 (91.2%) license applications for Iran, in contrast to 282 (8.8%) for Sudan. Likewise, 2476 licenses/license amendments (91%) were issued for the sale of agricultural commodities, medicine, and medical devices to Iran, versus 244 (9%) for Sudan. In keeping with the program’s trend, over half of the 3191 license applications (62.2%) and over half of the 2720 licenses/license amendments (64.7%) were for the export of medical devices to Iran and Sudan. Of the 2909 license applications for Iran, 831 (28.6%) were for agricultural commodities, 225 (7.7%) for medicine, and 1853 (63.7 %) for medical devices. Of the 2476 licenses/license amendments issued for Iran, 674 (27.2%) were for agricultural commodities, 167 (6.8%) for medicine, and 1635 (66%) for medical devices. The percentage breakdown of the 282 license applications for Sudan is: 111 (39.4%) for agricultural commodities, 40 (14.1%) for medicine, and 131 (46.5%) for medical devices. Of the 244 licenses/license amendments issued for Sudan, 87 (35.7%) were for agricultural commodities, 32 (13.1%) for medicine, and 125 (51.2%) for medical devices.

In order to address the concerns raised in the public comments for the October 2008 – September 2010 reporting period, OFAC launched an online application system for submitting TSRA applications in October 2010 and began accepting online applications for the export of agricultural commodities, medicine, and medical devices to Iran and areas of Sudan other than the Specified Areas of Sudan.

On October 12, 2011, OFAC amended the Sudanese Sanctions Regulations, 31 C.F.R. part 538, and the Iranian Transactions Regulations³, 31 C.F.R. part 560, by issuing general licenses that authorize the exportation or reexportation of food to individuals and entities in an area of Sudan other than the Specified Areas of Sudan and in Iran. Certain specified food items, as well as exports to certain persons, requiring a greater level of scrutiny were excluded from the authorization of the general licenses and remained subject to a specific licensing regime. During this reporting period, 110 applications were closed pursuant to these general licenses.

² 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.

³ On October 22, 2012, OFAC published a final rule in the Federal Register, changing the heading of the Iranian Transactions Regulations, 31 C.F.R. part 560, to the Iranian Transactions and Sanctions Regulations, 31 C.F.R. part 560 (the “ITSR”), and amending the renamed ITSR to implement Executive Order 13599 (other than section 11) and sections 1245(c) and (d)(1)(B) of the National Defense Authorization Act for Fiscal Year 2012.

CHART 1
Number of License Applications and Licenses Issued by Product

| | Agricultural Commodities | Medicine | Medical Devices | TOTAL |
|---------------------------|--------------------------|----------|-----------------|-------|
| License Applications | 942 | 265 | 1984 | 3191 |
| Licenses Issued | 629 | 176 | 1481 | 2286 |
| License Amendments Issued | 132 | 23 | 279 | 434 |
| Applications Denied | 0 | 2 | 3 | 5 |

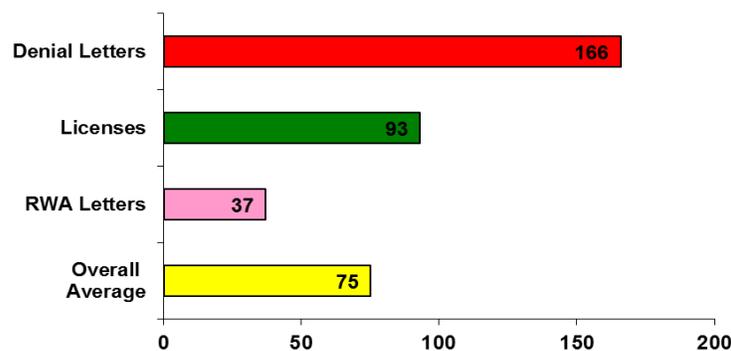
CHART 2
Number of License Applications and Licenses Issued by Country

| | Iran | Sudan | TOTAL |
|---------------------------|------|-------|-------|
| License Applications | 2909 | 282 | 3191 |
| Licenses Issued | 2081 | 205 | 2286 |
| License Amendments Issued | 395 | 39 | 434 |
| Applications Denied | 4 | 1 | 5 |

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

| | Agricultural Commodities | Medicine | Medical Devices | TOTAL |
|--|--------------------------|----------|-----------------|-------|
| IRAN | | | | |
| License Applications | 831 | 225 | 1853 | 2909 |
| Licenses and License Amendments Issued | 674 | 167 | 1635 | 2476 |
| SUDAN | | | | |
| License Applications | 111 | 40 | 131 | 282 |
| Licenses and License Amendments Issued | 87 | 32 | 125 | 244 |

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 September 3, 2013. For the October 2010 – September 2012 reporting period, OFAC received one (1) written comment letter from a private company. The company applauds the improvements OFAC made by developing an online system to process applications. The company also provides recommendations on how to further streamline the TSRA application process:

- Expanding an existing Iran general license to authorize additional items.
- Electronic improvements: 1) Implementing a standard electronic notification procedure for licensing determinations; and 2) Redesigning the TSRA portal to mirror the U.S. Department of Commerce's SNAP-R Portal for submitting applications.

In order to ensure the continued efficient and effective operation of the TSRA licensing procedures, OFAC continually reviews and updates its licensing processes⁴. All comments made will be considered in the process of this review.

⁴ On October 22, 2012, OFAC published a general license authorizing the export/reexport of medicines and basic medical supplies to Iran. The list of basic medical supplies authorized by this general license was updated on July 25, 2013. And on April 7, 2014, OFAC amended the existing general license for basic medical supplies by renaming the category of eligible products as "medical supplies" and by adding additional export/reexport items to this general license. On April 7, 2014, OFAC also amended the existing Iran general license for food to include the broader category of agricultural commodities.