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respect to transactions authorized by paragraphs (a) and (c) of this section.

[71 FR 58744, Oct. 5, 2006]

§ 597.512 Transactions with the Palestinian Authority authorized.

(a) As of June 20, 2007, U.S. persons are authorized to engage in all transactions otherwise prohibited under this part with the Palestinian Authority.

(b) For purposes of this section only, the term *Palestinian Authority* means the Palestinian Authority government of Prime Minister Salam Fayyad and President Mahmoud Abbas, including all branches, ministries, offices, and agencies (independent or otherwise) thereof.

[72 FR 61518, Oct. 31, 2007]

§ 597.513 Payments from funds originating outside the United States and the formation of legal defense funds authorized.

(a) *Payments from funds originating outside the United States.* Effective December 7, 2010, receipts of payment through a U.S. financial institution of professional fees and reimbursement of incurred expenses for the provision of legal services specified in § 597.505 are authorized from funds originating outside the United States, provided that:

(1) Prior to receiving payment through a U.S. financial institution for legal services specified in § 597.505 rendered to a foreign terrorist organization or agent thereof, the U.S. person that is an attorney, law firm, or legal services organization provides to the Office of Foreign Assets Control a copy of a letter of engagement or a letter of intent to engage specifying the services to be performed and signed by the individual to whom such services are to be provided or, where services are to be provided to an entity, by a legal representative of the entity. The copy of a letter of engagement or a letter of intent to engage, accompanied by correspondence referencing this paragraph § 597.513(a), is to be mailed to: Licensing Division, Office of Foreign Assets Control, U.S. Department of the Treasury, 1500 Pennsylvania Avenue, NW., Annex, Washington, DC 20220;

(2) The funds received by U.S. persons through a U.S. financial institution as payment of professional fees and reim-

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bursement of incurred expenses for the provision of legal services specified in § 597.505 must not originate from:

- (i) A source within the United States;
- (ii) Any source, wherever located, within the possession or control of a U.S. person; or
- (iii) Any individual or entity, other than the person on whose behalf the legal services specified in § 597.505 are to be provided, whose property and interests in property are blocked pursuant to any part of this chapter or any Executive order;

NOTE TO PARAGRAPH (a)(2) OF § 597.513: This paragraph authorizes the person on whose behalf the legal services specified in § 597.505 are to be provided to make payments for specified legal services using funds originating outside the United States that were not previously blocked. Nothing in this paragraph authorizes payments for legal services using funds in which any other person whose assets and funds are subject to the prohibitions in § 597.201(a) or whose property and interests in property are blocked pursuant to any other part of this chapter holds an interest.

(3) *Reports.* (i) U.S. persons who receive payments in connection with legal services specified in § 597.505 must submit quarterly reports no later than 30 days following the end of the calendar quarter during which the payments were received providing information on the funds received. Such reports shall specify:

(A) The individual or entity from whom the funds originated and the amount of funds received; and

(B) If applicable:

(1) The names of any individuals or entities providing related services to the U.S. person receiving payment in connection with specified legal services, such as private investigators or expert witnesses;

(2) A general description of the services provided; and

(3) The amount of funds paid in connection with such services.

(ii) In the event that no transactions occur or no funds are received during the reporting period, a statement is to be filed to that effect.

(iii) Reports, which must reference this paragraph (a), are to be mailed to: Licensing Division, Office of Foreign Assets Control, U.S. Department of the

Treasury, 1500 Pennsylvania Avenue, NW., Annex, Washington, DC 20220; and

NOTE TO PARAGRAPH (a)(3) OF §597.513: U.S. persons who receive payments in connection with legal services specified in §597.505 do not need to obtain specific authorization to make payments through a U.S. financial institution for related services that are ordinarily incident to the provision of those legal services, such as those provided by private investigators or expert witnesses.

(4) Nothing in this paragraph (a) authorizes the receipt of payment through a U.S. financial institution of professional fees or reimbursement of incurred expenses for the provision of legal services not specified in §597.505.

NOTE 1 TO PARAGRAPH (a) OF §597.513: Any payment authorized in or pursuant to this paragraph that is routed through the U.S. financial system should reference this paragraph (a) to avoid the blocking of the transfer.

NOTE 2 TO PARAGRAPH (a) OF §597.513: Nothing in this paragraph authorizes the transfer of any blocked property, the debiting of any blocked account, the entry of any judgment or order that effects a transfer of blocked property, or the execution of any judgment against property blocked pursuant to any Executive order or this chapter. U.S. persons seeking administrative reconsideration or judicial review of their designation or the blocking of their property and interests in property may apply for a specific license from the Office of Foreign Assets Control to authorize the release of a limited amount of blocked funds for the payment of legal fees where alternative funding sources are not available. For more information, see OFAC's *Guidance on the Release of Limited Amounts of Blocked Funds for Payment of Legal Fees and Costs Incurred in Challenging the Blocking of U.S. Persons in Administrative or Civil Proceedings*, which is available at: http://www.treas.gov/resource-center/sanctions/Documents/legal_fee_guide.pdf.

(b) *Legal defense funds.* Effective December 7, 2010, U.S. persons that are attorneys, law firms, or legal services organizations are authorized to form legal defense funds from which payments of professional fees and reimbursement for expenses incurred in connection with the provision of legal services specified in §597.505 may be debited provided that:

(1) The legal defense fund must be held in a savings or checking account at a financial institution located in the United States;

(2) Prior to debiting the legal defense fund, the U.S. person responsible for establishing the legal defense fund must submit the following information to the Office of Foreign Assets Control: A copy of a letter of engagement or a letter of intent to engage specifying the services to be performed and signed by the individual to whom such services are to be provided or, where services are to be provided to an entity, by a legal representative of the entity; the name of the individual or entity responsible for establishing the legal defense fund; the name of the financial institution at which the account for the legal defense fund will be held; a point of contact at the financial institution holding the account for the legal defense fund; and the account name and account number for the legal defense fund. The foregoing information must be accompanied by correspondence referencing this paragraph (b) and is to be mailed to: Licensing Division, Office of Foreign Assets Control, U.S. Department of the Treasury, 1500 Pennsylvania Avenue, NW., Annex, Washington, DC 20220;

(3) The legal defense fund may not receive funds from a person whose assets and funds are subject to the prohibitions in §597.201(a) or whose property and interests in property are blocked pursuant to any other part of this chapter;

(4) The U.S. person responsible for establishing the legal defense fund must notify the financial institution at which the account for the legal defense fund is held that the account may only be debited to make payments of professional fees and reimburse expenses incurred in connection with the provision of legal services specified in §597.505;

(5) *Reports.* (i) U.S. persons responsible for establishing legal defense funds from which payments of professional fees and reimbursement for expenses incurred in connection with the provision of legal services specified in §597.505 may be debited must submit quarterly reports no later than 30 days following the end of the calendar quarter during which the funds were deposited with or debited from the account of the legal defense fund providing information on the funds received by the legal defense fund and debits made to

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the legal defense fund during the reporting period. Such reports shall specify:

(A) The individual or entity from whom the funds originated and the amount of funds received; and

(B) Any individual or entity to whom any payments were made, including, if applicable:

(1) The names of any individuals or entities providing related services to the U.S. person receiving payment in connection with specified legal services, such as private investigators or expert witnesses;

(2) A general description of the services provided; and

(3) The amount of funds paid in connection with such services.

(ii) In the event that no transactions occur or no funds are received during the reporting period, a statement is to be filed to that effect.

(iii) Reports, which must reference this paragraph (b), are to be mailed to: Licensing Division, Office of Foreign Assets Control, U.S. Department of the Treasury, 1500 Pennsylvania Avenue, NW., Annex, Washington, DC 20220; and

NOTE TO PARAGRAPH (b)(5) OF § 597.513: U.S. persons who receive payments in connection with legal services specified in § 597.505 do not need to obtain specific authorization to make payments through a U.S. financial institution for related services that are ordinarily incident to the provision of those legal services, such as those provided by private investigators or expert witnesses.

(6) Nothing in this paragraph (b) authorizes the formation or debiting of legal defense funds in connection with the provision of legal services not specified in § 597.505.

NOTE 1 TO PARAGRAPH (b) OF § 597.513: Any payment authorized in or pursuant to this paragraph that is routed through the U.S. financial system should reference this paragraph (b) to avoid the blocking of the transfer.

NOTE 2 TO PARAGRAPH (b) OF § 597.513: Any funds remaining in a legal defense fund account after all payments of professional fees and reimbursement of incurred expenses authorized pursuant to this paragraph have been made or upon termination of the legal services for which payment is authorized pursuant to this paragraph are deemed to be funds of the foreign terrorist organization or agent thereof to or on whose behalf the legal services were rendered and subject to the prohibitions of this part. U.S. financial insti-

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tutions in the possession or control of such remaining funds may apply for the unblocking of the funds by following the procedures set forth at § 501.801 of this chapter.

[75 FR 75909, Dec. 7, 2010]

Subpart F—Reports

§ 597.601 Records and reports.

For provisions relating to records and reports, see subpart C of part 501 of this chapter; provided, however, that all of the powers afforded the Director pursuant to the first 3 sentences of § 501.602 of this chapter may also be exercised by the Attorney General in conducting administrative investigations pursuant to 18 U.S.C. 2339B(e); provided further, that the investigative authority of the Director pursuant to § 501.602 of this chapter shall be exercised in accordance with 18 U.S.C. 2339B(e); and provided further, that for purposes of this part no person other than a U.S. financial institution and its directors, officers, employees, and agents shall be required to maintain records or to file any reports or furnish any information under §§ 501.601, 501.602, or 501.603 of this chapter.

Subpart G—Penalties

§ 597.701 Penalties.

(a) Attention is directed to 18 U.S.C. 2339B(a)(1), as added by Public Law 104–132, 110 Stat. 1250–1253, section 303, which provides that whoever, within the United States or subject to the jurisdiction of the United States, knowingly provides material support or resources to a foreign terrorist organization, or attempts or conspires to do so, shall be fined under title 18, United States Code, or imprisoned for not more than 10 years, or both.

(b) Attention is directed to 18 U.S.C. 2339B(b), as added by Public Law 104–132, 110 Stat. 1250–1253, section 303, which, as adjusted pursuant to the Federal Civil Penalties Inflation Adjustment Act of 1990 (Pub. L. 101–410, as amended, 28 U.S.C. 2461 note), provides that, except as authorized by the Secretary of the Treasury, any financial institution that knowingly fails to retain possession of or maintain control over funds in which a foreign terrorist