

## EU Extends Libyan Asset Freeze to Key Financial Entities

On March 10, 2011, the EU Council of Ministers (the “Council”) adopted an implementing decision<sup>1</sup> and an implementing regulation<sup>2</sup> concerning the EU’s existing Libyan sanctions.<sup>3</sup> These measures extend the scope of the EU’s asset freeze to the funds and economic resource of several government bodies and government-owned companies. This development brings the EU’s Libyan sanctions a step closer to the U.S. regime,<sup>4</sup> but the EU measures remain less restrictive, as they do not include a general freeze of assets of all Libyan State-owned or controlled companies.

The new measures freeze the funds and economic resources of the following entities:

- The Central Bank of Libya;
- The Libya Africa Investment Portfolio;
- The Libyan Foreign Bank;
- The Libyan Housing and Infrastructure Board; and
- The Libyan Investment Authority (the “LIA”).

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<sup>1</sup> Decision 2011/156/CFSP concerning restrictive measures in view of the situation in Libya. <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2011:064:0029:0030:EN:PDF>

<sup>2</sup> Regulation No 233/2011 implementing Article 16 (2) of Regulation 204/2011. <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2011:064:0013:0014:EN:PDF>

<sup>3</sup> Council Decision 2011/137 of February 28, 2011 and Council Regulation 204/2011 of March 2, 2011. For more details, please see [http://www.cgsh.com/eu\\_imposes\\_arms\\_embargo\\_and\\_targeted\\_sanctions\\_on\\_libya/](http://www.cgsh.com/eu_imposes_arms_embargo_and_targeted_sanctions_on_libya/).

<sup>4</sup> United States Imposes Sanctions on the Government of Libya - [http://www.cgsh.com/united\\_states\\_imposes\\_sanctions\\_on\\_the\\_government\\_of\\_libya/](http://www.cgsh.com/united_states_imposes_sanctions_on_the_government_of_libya/)

Mr. Mustafa Zarti, an Austrian citizen, vice CEO of the LIA and the head of Tamoil, has also been added to the list of designated persons and entities.

Some of the sanctioned entities – in particular the Libyan Investment Authority -- have substantial investments in EU companies. These companies and their assets, even if ultimately controlled by a designated entity, are not covered by the EU freeze. Accordingly, EU companies and other companies subject to EU jurisdiction that have or intend to establish commercial relationships with Libyan-controlled companies not specifically designated can conduct those relations without running afoul of the EU sanctions.

For persons and entities that are covered by the EU freeze, under certain circumstances the competent authorities may release frozen funds, for example to satisfy basic needs, to satisfy pre-existing judicial, administrative or arbitral liens and to make payments due under pre-existing contracts. Additions to frozen accounts are not prohibited, but the amounts added are also frozen; therefore, for instance, the designated entities will cease to benefit from the payment of dividends.

Apart from freezing the funds and economic resources of designated persons and entities, the EU's Libyan sanctions include an arms embargo, which prohibits (subject to certain exceptions, in particular for humanitarian purposes) transfers to and from Libya of arms, ammunition and related material that might be used for internal repression. The provision of technical and financial assistance, brokering services, and financing in relation to arms and related material is also prohibited. Member States are required to inspect all cargo to and from Libya if there are reasonable grounds to believe that it contains prohibited items. Moreover, the EU also imposed a visa ban on Muammar Qadhafi, five members of his family, and 20 individuals found to be involved in ordering, controlling or otherwise directing the execution of serious human rights abuses against persons in Libya. However, the EU sanctions do not oblige Member States to refuse the entry of their own nationals. Exemptions can be granted, for example for humanitarian or reconciliation purposes.

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If you have any questions, please feel free to contact any of your regular contacts at the firm.

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