

INFORMATIONAL

Terrorist Activity

Executive Order Targeting Terrorists

SUGGESTED ROUTING

The Suggested Routing function is meant to aid the reader of this document. Each NASD member firm should consider the appropriate distribution in the context of its own organizational structure.

- Executive Representatives
- Legal & Compliance
- Senior Management

KEY TOPICS

- Office of Foreign Assets Control
- Terrorist Activity

Executive Summary

At midnight on September 24, 2001, President Bush issued Executive Order 13224 (Executive Order) freezing the property of and prohibiting transactions with persons who commit, threaten to commit, or support terrorism. The order was issued through the United States Treasury Department's Office of Foreign Assets Control (OFAC), and the offices of the Secretaries of State and Treasury and the Attorney General determined the persons and organizations affected.

National Association of Securities Dealers, Inc. (NASD[®]) members should establish procedures to ensure that they are complying with the rules and regulations set forth by the Treasury Department as outlined below. The OFAC Web Site (<http://www.treas.gov/ofac/>) lists those persons and organizations affected by the Executive Order, as well as those persons, organizations, and countries that the Administration suspects are involved in terrorist activities.

Questions/Further Information

Members should direct questions regarding this *Notice* to Andrew Labadie, Member Regulation, NASD Regulation, Inc., at (202) 728-8397; or Nancy Libin, Office of General Counsel, NASD Regulation, Inc., at (202) 728-8835.

Background:

OFAC administers and enforces economic and trade sanctions against certain foreign countries, terrorism-sponsoring organizations, and international narcotics traffickers based on U.S. foreign policy and national

security goals. OFAC acts under Presidential wartime and national emergency powers, as well as specific legislative authority, to impose controls on transactions and freeze foreign assets under U.S. jurisdiction. Many of the sanctions are based on United Nations and other international mandates, are multilateral in scope, and involve close cooperation with allied governments.

Due to the breadth of foreign terrorists' financial assets, President Bush issued an Executive Order freezing the property of and prohibiting transactions with persons who commit, threaten to commit, or support terrorism. The President also indicated that the Administration would pursue further consultation and cooperation with foreign financial institutions as an additional tool to enable the United States to curtail the financing of terrorism.

The number of persons and organizations ultimately affected by the Executive Order could be quite broad. Beyond those specifically named, the Administration will likely name additional persons and entities who:

- pose a significant risk of committing acts of terrorism;
- assist in, sponsor, or provide financial, material, or technological support for terrorist activities; or
- act on behalf of, or associate with, those previously recognized by the Administration as terrorists.

The Executive Order prohibits transactions with those persons and organizations listed on the OFAC Web Site (www.treas.gov/ofac/) under

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“Terrorists” and “Specially Designated Nationals and Blocked Persons” (SDN List), as well as with the listed embargoed countries and regions. The names of those persons and organizations included in the September 24, 2001 Executive Order, and not currently reflected in one of the categories on the OFAC Web Site are as follows:

- Al Qaida/Islamic Army
- Abu Sayyaf Group
- Armed Islamic Group (GIA)
- Harakat ul-Mujahidin (HUM)
- Al-Jihad (Egyptian Islamic Jihad)
- Islamic Movement of Uzbekistan (IMU)
- Asbat al-Ansar
- Salafist Group for Call and Combat (GSPC)
- Libyan Islamic Fighting Group
- Al-Itihaad al-Islamiya (AIAl)
- Islamic Army of Aden
- Usama bin Laden
- Muhammad Atif (aka, Subhi Abu Sitta, Abu Hafs Al Masri)
- Sayf al-Adl
- Shaykh Sai'id (aka, Mustafa Muhammad Ahmad)
- Abu Hafs the Mauritanian (aka, Mahfouz Ould al-Walid, Khalid Al-Shanqiti)
- Ibn Al-Shaykh al-Libi
- Abu Zubaydah (aka, Zayn al-Abidin Muhammad Husayn, Tariq)
- Abd al-Hadi al-Iraqi (aka, Abu Abdallah)

- Ayman al-Zawahiri
- Thirwat Salah Shihata
- Tariq Anwar al-Sayyid Ahmad (aka, Fathi, Amr al-Fatih)
- Muhammad Salah (aka, Nasr Fahmi Nasr Hasanayn)
- Makhtab Al-Khidamat/Al Kifah
- Wafa Humanitarian Organization
- Al Rashid Trust
- Mamoun Darkazanli Import-Export Company

Note that all of these groups have aliases, so it is important that members obtain all of the names from the Web Site to be certain that they can properly identify all of the groups.

Guidance

As recommended by OFAC, broker/dealers should establish compliance programs to avoid violations and possible enforcement actions. The Treasury Department through OFAC can penalize member firms for initiating a transaction that should be prohibited, *even if a clearing or other intermediary entity refuses to deliver or “blocks” the transaction* based on the customer’s inclusion on OFAC’s SDN List. OFAC’s Web Site gives examples of how violations may arise and notes that they can occur even in cases where a financial institution or intermediary is unaware that the initiating party is publicly suspected of being involved in, or directly supporting, terrorist activities.

If your firm blocks or is subject to a block on the movement of cash or securities, your firm should report the incident and the names of the

persons or organizations involved to the OFAC Compliance Division at (202) 622-2426 (facsimile). Debits to blocked customer accounts are prohibited, although credits are authorized. Cash balances in customer accounts must earn interest at commercially reasonable rates. Blocked securities may not be paid, withdrawn, transferred (even by book transfer), endorsed, or guaranteed.

OFAC also requires the filing of a comprehensive annual report by September 30 each year on blocked property held as of June 30. The report is to be filed using Form TDF 90-22.50, which is available from OFAC’s fax-on-demand service, electronically by clicking on the GPO ACCESS button on OFAC’s Home Page, or by going directly to The Federal Bulletin Board and accessing OFAC’s extended electronic information reading room, which is called the FAC_MISC file library. Members may request to submit the information in an alternative format or an extension of the reporting deadline. OFAC will consider these requests on a case-by-case basis.

Again, for additional information, visit the OFAC Web Site at www.treas.gov/ofac.

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