

§ 586.408 Exempt financial transactions within the territory of the FRY (S&M); prohibition on establishment of new offices in Serbia.

(a) Section 586.201(c) exempts financial transactions, including trade financing, from the prohibitions contained in § 586.201 by U.S. persons physically located within the territory of the FRY (S&M), where those transactions are conducted exclusively through the domestic banking system within the FRY (S&M) in local currency (dinars), or using bank notes or barter. A U.S. entity must have a permanent establishment, such as a branch or representative office, within the territory of the FRY (S&M) to be considered physically located there for purposes of this paragraph (a).

(b) The prohibition on new investment within Serbia contained in § 586.204, as defined in § 586.312, precludes the establishment after the effective date of a new representative or branch office or joint venture or other entity within the territory of the Republic of Serbia, because such activity would necessarily involve a commitment or contribution of funds or other assets to a public or private undertaking, entity, or project within Serbia. See § 586.513 concerning the authorization of certain trade-related transactions conducted using bank notes or barter by U.S. persons located outside of the territory of the FRY (S&M).

NOTE TO § 586.408: All transactions with respect to property in which the Government of the Republic of Montenegro has an interest are authorized pursuant to § 586.516. Therefore, all financial transactions by U.S. persons within the territory of the Republic of Montenegro are authorized, unless the transaction involves property in which another interest exists that is blocked pursuant to § 586.201 or any other part of this chapter. See § 586.403.

§ 586.409 Approval or other facilitation of other persons' investment in the territory of the Republic of Serbia.

(a) The prohibition contained in § 586.204 against approval or other facilitation by U.S. persons of other persons' investment in the territory of the Republic of Serbia bars any action by a U.S. person that assists or supports other persons' activity that would con-

stitute prohibited new investment under that section if engaged in by a U.S. person. Such approval or other facilitation with respect to persons whose property or interests in property are blocked pursuant to § 586.201 also constitutes a violation of that section. See the definition of the term *new investment* in § 586.312.

(b) *Examples:* (1) A U.S. person is prohibited from brokering, financing, guaranteeing, or approving the purchase by any other person, including a foreign affiliate, of shares, including an equity interest, in a publicly or privately held undertaking, entity or project located in the territory of the Republic of Serbia, except as provided in § 586.514.

(2) The sale to a non-U.S. person of a U.S. person's equity or income interest in an entity in the territory of the Republic of Serbia constitutes facilitation of that other person's investment in Serbia, and would otherwise be prohibited but for the authorization contained in § 586.514.

(3) A U.S. national or permanent resident alien employed by a foreign person may not participate in any decision-making role in an activity by the foreign person that includes investment in the territory of the Republic of Serbia.

§ 586.410 Transfer of funds to the benefit of certain persons in the territory of the FRY (S&M).

Section 586.201 does not prohibit U.S. financial institutions that are not blocked, including their foreign branches, from transferring funds to accounts in financial institutions for the benefit of individuals, non-governmental organizations and other persons located in the territory of the FRY (S&M) whose property and interests in property are not blocked pursuant to that section, provided that such transactions do not result in the transfer of funds to or for the benefit of persons whose property or interests in property are blocked pursuant to § 586.201.