



OUTGOING E-MAIL

DATE: 18 December 2020

Reference: S/AC.52/2020/NOTE.54/Add.5

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| TO: | The Representative Permanent Mission of India Permanent Mission of Ireland Permanent Mission of the Republic of Kenya Permanent Mission of Mexico Permanent Mission of Norway |
| CC: | The Representative Security Council Committee established pursuant to resolution 1970 (2011) concerning Libya |
| FROM: | Sana Khan <i>SK</i> Senior Committee Secretary |
| <input type="checkbox"/> For Action <input checked="" type="checkbox"/> For Information | |
| SUBJECT: | LIA's PowerPoint presentation - Closed VTC held on 15 December 2020 (NOTE.54/Add.5) |

| | |
|--|---|
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SECURITY COUNCIL COMMITTEE ESTABLISHED
PURSUANT TO RESOLUTION 1970 (2011)
CONCERNING LIBYA

S/AC.52/2020/NOTE.54/Add.5
18 December 2020

Note by the Chair

The Chair of the Security Council Committee established pursuant to resolution 1970 (2011) concerning Libya presents his compliments to the members of the Committee and has the honour to transmit, for their **information**, the PowerPoint presentation of the Libyan Investment Authority (LIA) which was displayed during the “informal informals” (closed VTC) of the Committee held on 15 December 2020.

For background information of the incoming members of the Security Council, previous relevant documentation, if any, originally circulated prior to 1 August 2020 have also been made available in the Committee’s e-deleGATE under the subfolder entitled “Documents for incoming members” in the “Relevant Documentation” folder.



Libyan Investment Authority

UN Sanctions Committee Presentation

December 2020

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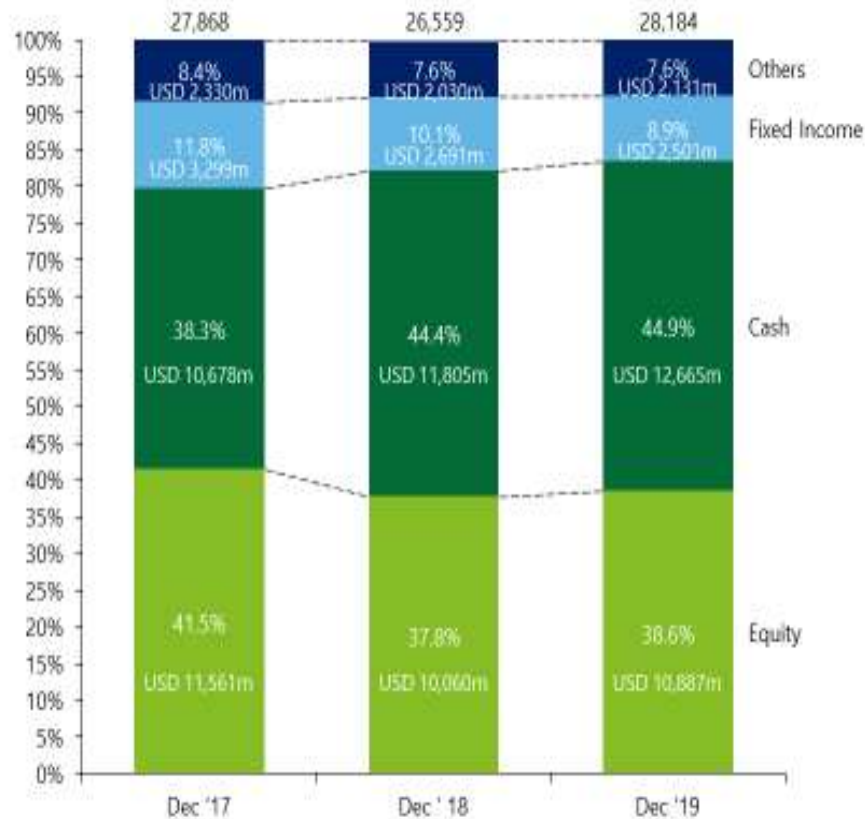




Impact of Sanctions

Portfolio Overview | Overall

LIA group portfolio composition (including subsidiaries)



Source: Management information

UN Sanctions Committee Presentation

As at 31 December 2019, total investment funds held by LIA and its subsidiaries amounted to **USD 28,184m** broken down as follows:

- **LIA – USD 20,056m (71%)**
- **LTP – USD 7,095m (25%)**
- **LAIP – USD 1,033m (4%)**

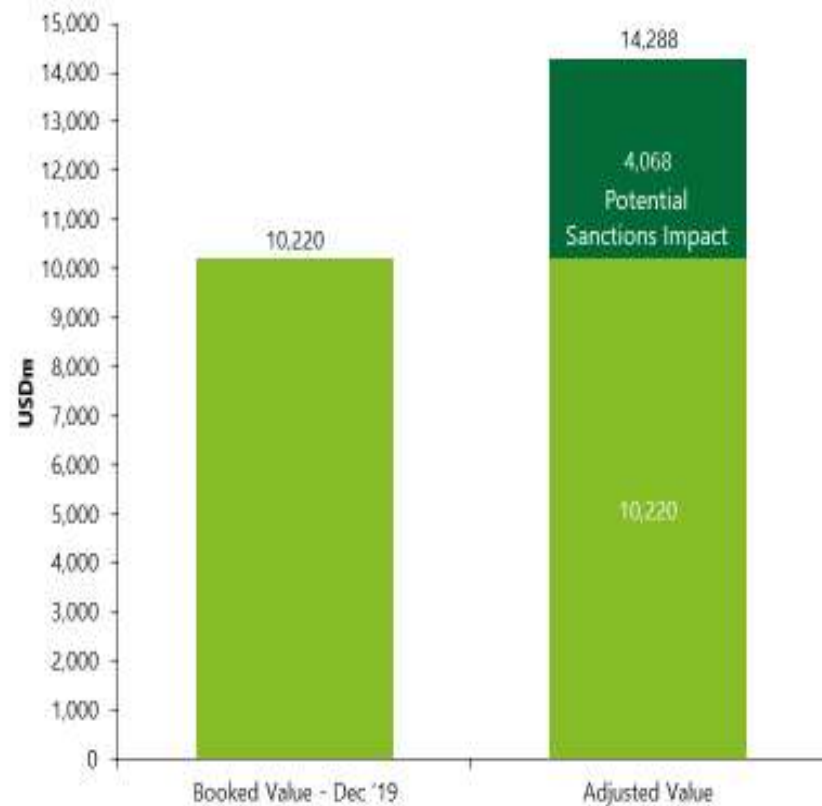
The analysis segregated the assets into three main categories:

- 📊 Equity
 - 🏠 Cash
 - 📄 Fixed income
- (Other investments include minor alternative investments)
- Focus of this analysis**



Portfolio Overview | Equity

LIA group equity composition (including subsidiaries)



Assuming sanctions had not been imposed and the equity assets performed in line with the market between 2011 and 2019, the total value of LIA and LTP's equity portfolios in 2019 would have been **USD 14.3bn** compared to the actual total value of **USD 10.2bn** (i.e. a potential impact of **USD 4.1bn**)

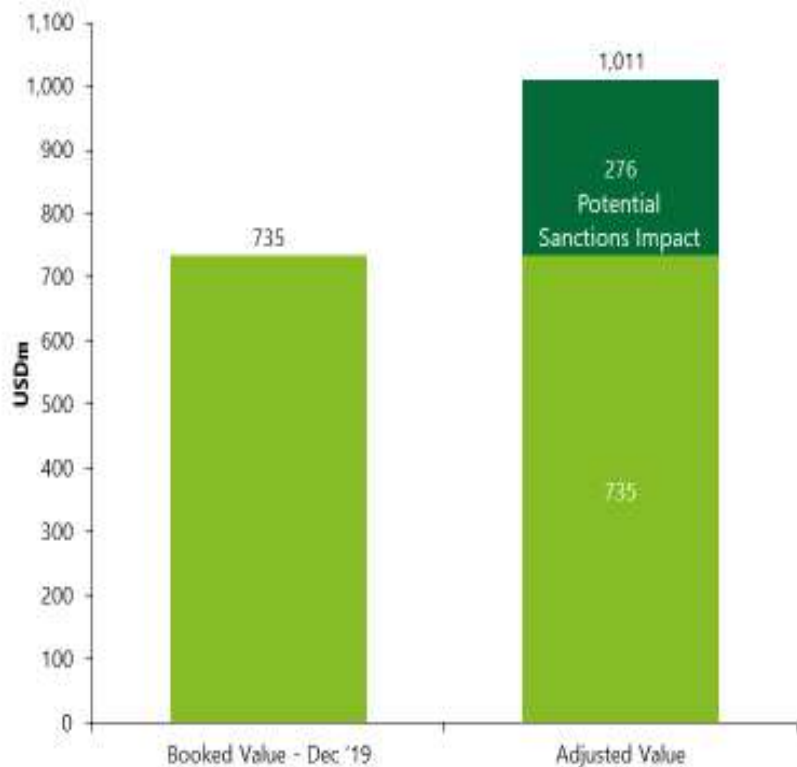
Source: Management information and Deloitte Analysis

UN Sanctions Committee Presentation



Portfolio Overview | Fixed Income

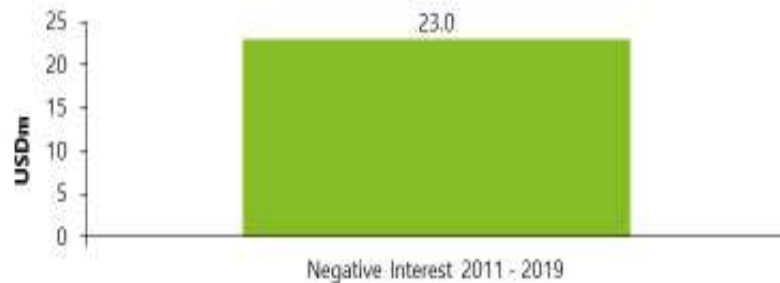
LIA group fixed income composition (including subsidiaries)



Had LIA and LTP been able to renew matured bonds, interest generated from the fixed income portfolio between 2011 and 2019 would have been **USD 1,011m** compared to actual interest of **USD 735m** (i.e. potential lost interest of **USD 276m**).

Portfolio Overview | Cash

LIA group negative interest (including subsidiaries)



In total, LIA and LTP incurred around **USD 23.0m** of negative interest imposed on the Euroclear accounts between 2011 and 2019.

LIA group cash composition (including subsidiaries)



- The proportion of cash investments of LIA and LTP portfolios, combined, has increased from **39%** at Dec'17 to **46%** at Dec'19.
- Our analysis is limited to negative interest incurred on Euroclear accounts and does not consider potential lost interest income; therefore, **the quantification of impact should be considered as conservative.**

Source: Management information and Deloitte Analysis

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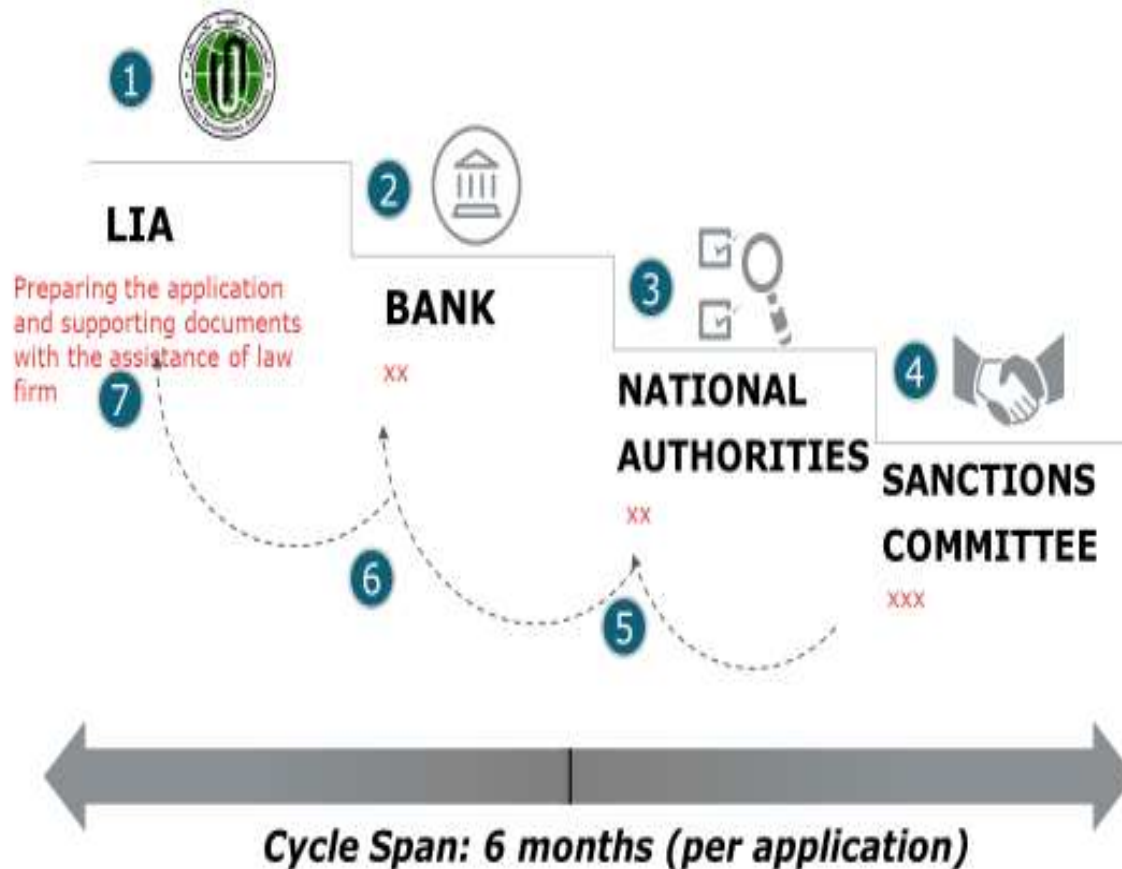





Impact of Licensing Process

Access to Frozen Funds | Process Overview

Dr Salah to input brief summary of actions in each step of the process



 **Overview**

Applications take their cycle in accordance with the agreed resolutions and are submitted to the national authorities within the Member States who intend to authorize access to frozen funds

Notes:
Sources:

UN Sanctions Committee Presentation

Licensing Process Challenges | Key Examples



Amount: \$1,742,850

Application date: Feb 2020
 Response date: 25 Aug 2020
 Type of response: License granted

Challenge: License not used because the approval came long after the invoices were due, forcing LIA to pay out from its limited unfrozen funds



Amount: \$9,086,175

Application date: Feb 2020
 Response date: Sep 2020
 Type of response: Received some queries from the UN SC (Oct 6th)

Challenge: LIA responded to queries and requested application withdrawal due to lengthy process time (forcing LIA to pay out from its limited unfrozen funds)



Amount: \$2,457,000

Application date: March 2020
 Response date: Oct 2020
 Type of response: Queries received from the UN SC

Challenge: Responses sent to CBB through Bank ABC - nature of questions included the reason behind completing payments from frozen funds and not through unfrozen funds



Amount: \$2,898,345 and 2,326,433

Application date: Feb 2020
 Response date: Pending
 Type of response: Pending

Challenge: N/A

Licensing Process | Impact on LIA

- ❖ **LIA cannot continue to renege on contractual payments** that have become long overdue
- ❖ LIA has been forced to **draw extensively on unfrozen funds** in order to meet its payment obligations to both Oliver Wyman and Deloitte. The sum of payments to both suppliers is greater than USD 11.5 million
- ❖ As of the date of this presentation, the **total remaining unfrozen funds** on which LIA can draw is **less than USD 20 million**
- ❖ The expected **running costs of LIA in 2021 will exhaust** these remaining unfrozen funds
- ❖ LIA's short-term **financial stability has been seriously endangered** by the need to draw on its unfrozen funds to this degree
- ❖ LIA's unfrozen funds cannot be considered as a parallel resource to the licensing regime. The **swift provision of licences** to give LIA access to its frozen funds is the only way in which the LIA can survive



Notes:
Sources:

UN Sanctions Committee Presentation

Potential Future Disbursements | Risk on LIA

| Disbursement | Nature | Amount | Risk on LIA |
|---|------------------------------------|----------|---|
| 1 BP cash calls | Expenses and Signature Bonus | \$45M | LIA loss of share in project - if not paid within 60 days from date of announcement of commercial discovery |
| 2 Area 47 cash calls Medco & Nafusah | Requested Cash Calls | \$34M | LIA to be declared in default - if default is outstanding for 120 days or more, LIA's JV partner can acquire LIA's interest in the project |
| 3 Health Insurance | Insurance Premiums (LIA Employees) | \$2M est | Suspension of medical insurance - health of employees and their families will be at risk |
| 4 Legal and Professional Fees | Fees | TBC | Loss of assets - failure to appoint law firms to protect assets from attempts to acquire against Libyan government debts |
| 5 Operating Expenses | Salaries and Rent | TBC | Withholding salary payments and rent - caused by financial instability from withdrawals on unfrozen funds |
| 6 Consolidated Financial Statements Project | Fees | \$10M | Failure in project completion - LIA will not be able to complete the project unless the licenses are obtained in a timely manner |
| 7 External Audit | Fees | \$2M | Audit stoppage - external auditor will stop completing their work due to LIA's inability to pay their fees |
| 8 Transformation Project | Fees | \$6M est | Interruption of transformation project - implementation of phase two of the project will halt due to LIA's inability to pay fees |



Thank you
