



FEBRUARY 6, 2019

CIRCULAR NO. 04/19

TO MEMBERS OF THE ASSOCIATION

Dear Member:

UNITED STATES IMPOSES NEW SANCTIONS AGAINST THE GOVERNMENT OF VENEZUELA THROUGH DESIGNATION OF PETROLEOS DE VENEZUELA, S.A. (PdVSA)

On January 25, 2019 President Trump issued an Executive Order to the effect that Petroleos de Venezuela, S.A. (PdVSA) be included in the definition of the "Government of Venezuela" as referred to in several Executive Orders, including 13808 of August 2017 and 13850 of November 2018, thereby bringing PdVSA within the terms of those Executive Orders.

On January 28, 2019 PdVSA was designated and added to the US SDN list. The relevant press release can be found at:

<https://home.treasury.gov/news/press-releases/sm594>

Concurrently, several General Licenses have been issued by the US Department of the Treasury's Office of Foreign Assets Control (OFAC). Those licenses primarily affect US persons/entities. They include a number of cut-off dates as set out below:

- 1 The winding down of pre-January 28, 2019 existing PdVSA business is authorized until February 27, 2019 (except for item 3 below)
- 2 US employees/contractors of non-US companies outside the United States have until March 29 to wind down pre-January 28, 2019 contracts with PdVSA.
- 3 The purchase and importation of petroleum/petroleum products from PdVSA to the US is permitted until April 28, 2019
- 4 PDV Holding Inc. (PDVH) and Citgo can engage in business which involves the importation of petroleum/petroleum products to the US from PdVSA until April 28, 2019
- 5 Transactions, save as provided under 4 above, can continue with PDVH or Citgo until July 27, 2019
- 6 PdVSA business through Nynas is permitted until July 27, 2019.

Any payments made directly to PdVSA through US banks will be blocked. Instead, the General Licenses require any payments to PdVSA for permitted activities to be paid into a blocked, interest-bearing account in the United States.

It is currently understood that that the Executive Orders and General Licenses amount to blocking measures applicable to US persons rather than secondary sanctions which might affect non-US persons. Further information will be provided as and when clarification is obtained from OFAC on the issues raised, but Members should exercise caution in their dealings with PdVSA in the interim.

Further information from the US government

A copy of the January 28, 2019 Executive Order imposing new financial sanctions against the government of Venezuela (which became effective the following day), copies of the General Licenses, and answers to frequently asked questions (FAQs) regarding the new financial sanctions against the Government of Venezuela, can be found at:

<https://www.treasury.gov/resource-center/sanctions/OFAC-Enforcement/Pages/20170825.aspx>

Questions and guidance

Your Managers will keep abreast of developments regarding the implementation of the new financial sanctions against the Government of Venezuela, and inform Members of developments of significance. Members are reminded that, pursuant to American Club rules, there is no cover for voyages where the extension of cover would violate or pose a risk of violating sanctions prohibitions, and also that causing a violation could entail the imposition of sanctions or penalties. Members are accordingly reminded to conduct additional sanctions due diligence to ensure their own and the American Club's compliance with relevant prohibitions.

Should Members wish to discuss any questions or need additional guidance regarding any aspect of the foregoing or other sanctions in general, or for confirmations as to the availability of cover for voyages involving countries (Iran, Syria, Cuba, North Korea, Russia, Crimea region of Ukraine, Venezuela, or entities or individuals subject to US economic sanctions (designated entities and individuals appearing on the OFAC SDN List), they should contact: Charles J. Cuccia, Senior Vice President - Compliance, ph +1 212 847 4539, mob +1 917 215 2883, charles.cuccia@american-club.com.

Yours faithfully,



Joseph E. M. Hughes, Chairman & CEO
Shipowners Claims Bureau, Inc., Managers for
THE AMERICAN CLUB