



AUGUST 19, 2019

CIRCULAR NO. 30/19

TO MEMBERS OF THE ASSOCIATION

Dear Member:

DEVELOPMENTS IN REGARD TO US SANCTIONS ON VENEZUELA: BLOCKING OF VENEZUELAN GOVERNMENT AND OTHER ENTITIES: IMPLICATIONS FOR US AND NON-US PERSONS

There have recently been developments in regard to US sanctions in Venezuela which have implications for both US and non-US persons. The remainder of this Circular describes these developments and urges caution in dealing with entities and transactions upon which these heightened sanctions may have a bearing.

US persons and the Government of Venezuela

On August 5, 2019, President Trump issued Executive Order (EO) 13884. This EO blocks the property/assets of the Government of Venezuela in the United States or in the possession and control of any United States person. Additionally, United States persons are prohibited from engaging in any transactions with the Government of Venezuela, its agencies, any entity it owns or controls, or any entity in which it has a 50% or more ownership interest. It is understood that this EO will be enforced with rigor and Members are urged to exercise great caution in regard to any transaction, or potential transaction, which might fall within its ambit.

Non-US persons and the Government of Venezuela

Executive Order 13884 also provides that non-US persons may be designated as sanctions targets (SDNs) and may be subject to US sanctions if they are determined to have materially assisted or supplied goods or services in support of the Government of Venezuela. Such sanctions may freeze the designated entity's property and prohibit US persons and companies from dealing with such designated entities.

Executive Order 13884 is the most recent of a series of seven EOs which govern US sanctions against Venezuela and prohibit an array of specific transactions and activities. Although the EOs in question do not impose comprehensive sanctions against Venezuela generally, it is understood that EO 13884 will be subject to broad interpretation in practice.

US persons and the defense, financial and oil sectors of Venezuela

Executive Order 13850 (issued in November 2018) blocks the property of Venezuelan entities in the defense, financial and oil sectors and prohibits transactions by US persons with such entities.

Non-US persons and the defense, financial and oil sectors of Venezuela

Executive Order 13850 also provides for the designation as SDNs as well as the imposition of sanctions against non-US persons that have materially assisted, sponsored, or provided financial, material, or technological support for, or goods or services to or in support of, any activity or transaction prohibited by Executive Order 13850, or any person whose property and interests in property are blocked pursuant to Executive Order 13850.

Exceptions/Authorizations

Upon the issuance of Executive Order 13884, the Department of Treasury's Office of Foreign Assets Control (OFAC) amended twelve existing General Licenses to confirm their applicability to Executive Order 13884, and issued thirteen new General Licenses to provide certain exemptions to the Executive Order's prohibitions. OFAC accompanied these changes by publication of frequently asked questions (FAQs).

US persons are not prohibited from engaging in transactions involving the country or people of Venezuela, *i.e.*, Venezuela's private sector, provided blocked persons or any conduct prohibited by any other Executive Order imposing sanctions on Venezuela, are not involved.

Additionally, through a General License issued by OFAC, transactions with the Government of Venezuela otherwise prohibited by Executive Order 13884 are authorized if the Venezuelan governmental entity or agency in question is controlled by the Venezuelan opposition, *i.e.*, those supporting the Interim President of Venezuela, Juan Gerardo Guaido Marquez.

Summary

Executive Order 13884 issued on August 5, 2019, blocks all of the assets in the United States, or in the possession and control of United States persons, of the Government of Venezuela, its agencies or any entities in which it holds a 50% or greater interest. US persons are generally prohibited from engaging in any transactions with the Government of Venezuela. Non-US persons may also be subjected to sanctions if they provide material assistance to, or goods or services in support of, the Government of Venezuela.

Under Executive Order 13850, the property of Venezuelan entities in the defense, financial and oil sectors of Venezuela continue to be blocked. Transactions by US persons and companies with such entities is prohibited. Non-US persons may be designated as targets and thereby lose their ability to do business with the United States and with US persons if they provide material assistance to, or goods or services in support of, such blocked entities.

Questions and guidance

Your Managers continue to keep abreast of developments regarding the implementation of additional sanctions against Venezuela and will inform Members of developments of significance. Members are reminded that, pursuant to American Club rules, no cover exists for voyages where the extension of cover would violate or pose a risk of violating sanctions prohibitions, and that causing a violation could entail the imposition of sanctions or penalties. Accordingly, Members are reminded to exercise rigorous due diligence in ensuring their compliance with applicable sanctions prohibitions.



Should Members have any questions or need additional guidance regarding the above, sanctions in general, or for confirmations as to the availability of cover for voyages involving countries (Iran, Syria, Cuba, North Korea, Russia, the Crimea region of Ukraine, Venezuela), entities and individuals subject to US economic sanctions (designated entities and individuals appearing on the OFAC SDN List), please contact: Daniel A. Tadros, Chief Legal Officer, ph +1 212 847 4501, mob +1 504 460 7226, daniel.tadros@american-club.com or 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