



JANUARY 07, 2013

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TO MEMBERS OF THE ASSOCIATION

Dear Member:

ADDITIONAL EUROPEAN UNION (EU) ECONOMIC SANCTIONS: IRAN

Your Managers pass on herein news of recently implemented EU sanctions concerning Iran.

Background

On July 26, 2010, the Council of the EU approved Decision 2010/413/CFSP. This confirmed the restrictive measures taken by the EU against Iran since 2007, implemented the initiatives called for under UN Security Council Resolution 1929 (2010), and adopted new and additional economic sanctions against Iran. The sanctions contained in Decision 2010/413/CFSP mainly concern companies in the energy, transportation, financial and insurance sectors.

By Decision 2012/635/CFSP of October 15, 2012, the Council amended the above mentioned Decision and promoted additional restrictive measures. On December 21, 2012, the Council further amended Decision 2010/413/CFSP and related Regulation (EU) No 267/2010 by adopting Decision 2012/829/CFSP and Regulation (EU) No. 1263/2012.

These measures introduced new bans on exports and imports of certain products, clarified the prohibition of certain services with regard to Iranian oil tankers and cargo vessels, enhanced the monitoring of all activities of EU financial institutions with Iranian financial institutions, and modified the provisions on the freezing of funds and economic resources, including the listing of additional persons and entities as sanctions targets.

Under EU law, the measures contained in Council Regulation (EU) No 1263/2012 of December 21, 2012 required further implementation. In order to ensure the uniform implementation, as well as the uniform application, of these measures by economic actors in all member states, the EU adopted Regulation (EU) No. 1264/2012 concerning restrictive measures against Iran. This was also accomplished on December 21, 2012.

A brief overview of Regulation (EU) No. 1263/2012 and Regulation (EU) No 1264/2012

Prohibition on the purchase, import and transport of natural gas products

The new Regulations' restrictive measures include a ban on the import, purchase or transport of Iranian natural gas, and on the provision, directly or indirectly, of financial services, including insurance and reinsurance and brokering services related to insurance, with regard to the import, purchase, swapping and transport of natural gas.

The new prohibitions mirror the existing prohibitions contained in Regulation (EU) No 267/2012 regarding oil, petroleum and petrochemical products. There are certain exceptions for contracts concluded before July 26, 2012 or October 16, 2012.

Bans on exports of certain products

According to Regulation (EU) No 1263/2012, it is prohibited to export graphite, raw or semi-finished metals (e.g. aluminum and steel), key naval equipment and technology for ship-building, maintenance and refit as well as additional key equipment or technology for the Iranian oil, natural gas and petrochemical sector, from the European Union to any Iranian person.

Furthermore, the sale, supply or transfer of software for certain industrial processes from the European Union to any Iranian person, or using EU-flagged vessels or aircraft, is illegal. Exports of certain dual-use items or technologies relevant to industries controlled by the Islamic Revolutionary Guard Corps, or for Iran's nuclear program, remain prohibited; the respective annexes listing such items have been reviewed and amended.

As stated in other EU sanctions provisions, the provision of related technical assistance or training and financing or financial assistance related to the sale, supply or transfer of such products is also banned.

Prohibition on transfers of funds

Regulation No 1263/2012 introduces a prohibition on EU credit and financial institutions to transfer funds from or to Iranian credit and financial institutions and bureaux de change, and their branches and subsidiaries, wherever located, and those controlled by persons or entities domiciled in Iran.

The prohibition covers transfers effected through several operations and chains of transfers. It is possible to obtain authorisations for specific transfers, such as, inter alia, those falling under a certain threshold or made with a humanitarian purpose. Transfers of funds below EUR 10,000 do not require any prior authorisation or notification.

Previous restrictions continue to be in force. In particular, EU credit and financial institutions must not enter and/or maintain business relationships with Iranian banks. They must not engage in transactions with Iranian banks, either. However, previously granted authorisations also remain valid.

Freezing of funds and economic resources

The new Regulation authorises the release of certain frozen fund or economic resources of the Central Bank of Iran, if those funds or economic resources are necessary for the purpose of providing credit or financial institutions with liquidity for the financing of trade, or the servicing of trade loans.

A release is also possible if the funds are necessary for the reimbursement of a claim due under a contract or agreement concluded by an Iranian person, entity or body before October 16, 2012 where such a contract or agreement provides for the reimbursement of outstanding amounts to EU persons. The authorisation process is set out in detail in the Regulation.

Prohibition of certain services with regard to Iranian vessels

With effect from January 15, 2013, the provision of certain services in respect of Iranian oil tankers and cargo vessels, such as providing classification services, supervising or participating in designing, constructing, or repairing vessels and their parts, as well as providing related technical or financial assistance, will be prohibited. Furthermore, as of the same date, it will be prohibited to

provide services related to the inspection, the testing, and the certification of marine equipment, materials and components. Lastly, the carrying out of surveys, inspections, and audits and the issuance, renewal or endorsement of the relevant certificates also is prohibited, also starting January 15, 2013.

Regulation (EU) No 1263/2012 also forbids the making available of any vessel designed for the transport or storage of oil or petrochemical products to any Iranian person, unless appropriate action has been taken to prevent its use for transport or storage of oil or petrochemical products originating in or exported from Iran. Even though the new restrictions concerning the supply of vessels designed for the transport or storage of oil and petrochemical products do not expressly prohibit the insurance of vessels used for storage, it is advised to use extra caution when providing insurance for such vessels, since the transport or storage itself could be considered a breach of the EU Regulations.

Amendment of annex listing sanctions targets

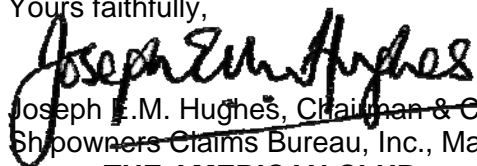
Council Regulation (EU) No 1264/2012 in particular amends Annex IX to Regulation (EU) 267/2012, containing the list of natural and legal persons, entities and bodies subject to restrictive measures. The new Annex lists, inter alia, Moallem Insurance Company, the main insurer of IRISL.

Implementation and Compliance

All the provisions contained in EU Regulations No 1263/2012 and No 1264/2012 are in force as of December 23, 2012. Since EU regulations in general are of direct effect, they must be observed by companies and any other person acting in the EU market place.

It is for individual EU member states to decide on the penalties applicable to infringements of the EU sanctions regime, and to take all measures necessary to ensure that the measures are implemented.

Yours faithfully,



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