



MAY 13, 2016

CIRCULAR NO. 19/16

TO MEMBERS OF THE ASSOCIATION

Dear Member:

CONTINUING EUROPEAN UNION AND UNITED STATES SANCTIONS AGAINST SYRIA

Both the European Union and the United States continue to apply trade and financial sanctions against Syria, the Government of Syria and a number of designated Syrian persons and entities. This circular provides a general overview of key sanctions against Syria which impact shipping and related insurance activities.

EU sanctions

EU sanctions against Syria and the Government of Syria have been in force since May 2011. The EU trade sanctions measures currently in force are set out in Council Regulation (EU) No 36/2012, as amended, and Council Regulation (EU) No 168/2012, which amends Council Regulation (EU) No 509/2012.

The provisions most relevant to the shipping and marine insurance industries are:

- prohibitions on the sale, supply, transfer or export of listed luxury goods and certain dual-use items, chemicals and oil and petroleum products, including a ban against providing, directly or indirectly, financial assistance, insurance or reinsurance related to such activities;
- a prohibition on the transport of crude oil and petroleum products of Syrian origin;
- a prohibition on the provision of key equipment and technology for use in the oil and gas industry in Syria, or to be used in the construction or installation in Syria of new power plants for electricity production;
- a prohibition on the provision of insurance and reinsurance to the state of Syria or those acting on its behalf;
- a prohibition on the sale, supply, transfer or export of arms and related material of all types, and of equipment that could be used for internal repression; and
- asset freezes on a number of individuals and entities and prohibitions on making funds or economic resources available (including the supply of goods) to designated persons held responsible for the violent repression of civilians.

In addition, on December 12, 2014 the EU issued Regulation 1323/2014, prohibiting the sale, supply, transfer or export of jet fuel and fuel additives to any Syrian entity or for use in Syria and the insurance and re-insurance of those activities. There are very limited exceptions.

US sanctions

Continuing US economic sanctions against Syria require US persons to block the property and interests in property of the Government of Syria (including its agencies, instrumentalities and controlled entities) and of persons listed on OFAC's List of Specially Designated Nationals and Blocked Persons (the "SDN List") as a result of the sanctions against Syria. This blocking of property also means that US persons, unless authorized by the US government, are prohibited from engaging in any transactions or activities with or involving the Government of Syria, or with or involving SDNs.

Continuing US sanctions against Syria also prohibit, unless authorized by the US government, the following:

- New investment in Syria by a US person, wherever located;
- The direct or indirect exportation, reexportation, sale, or supply of any services to Syria from the United States or by a US person, wherever located;
- The importation into the United States of petroleum or petroleum products of Syrian origin;
- Any transaction or dealing by a US person, wherever located, in or related to petroleum or petroleum products of Syrian origin; and
- Any approval, financing, facilitation, or guarantee by a US person, wherever located, of a transaction by a foreign person where the transaction by that foreign person would be prohibited if performed by a US person or within the United States.

In addition to the prohibited transactions described above, other US Government agencies may prohibit other transactions with Syria. For example, the US Department of Commerce regulates the exportation or reexportation to Syria of many items subject to the Export Administration Regulations.

US Syria sanctions developments

During 2015 the OFAC designated a number of Syrian entities involved in maritime commerce as SDNs, and US persons are consequently prohibited from engaging in trade with these entities. These entities were:

- General Directorate of Syrian Ports
- Lattakia Port General Company
- Tartous Port General Company
- Syrian General Authority for Maritime Transport
- Syrian General Shipping Agencies Company (Shipco)
- Syrian Chamber of Commerce

In addition, OFAC designated eight other (non-US) entities and seven vessels because they had been determined to be materially assisting the Syrian Government through the delivery to that government of LPG and gas oil cargoes. These were delivered via the port of Baniyas, which OFAC described as a “government-controlled port”.

In light of these designations it is clear that LPG and gas oil cargoes being carried to Syria will be subject to close scrutiny by the sanctions regulators because of their concerns that these cargoes often end up with the Syrian Government. Members are therefore strongly advised to conduct appropriate due diligence when offered such cargoes in order to satisfy themselves over the true identity of the intended receiver and end-user of the cargo.

It should also be noted that the Syrian Company for Oil Transport (SCOT) is the main operator of the pipeline networks which serve ships discharging at Baniyas. SCOT is a designated entity under both EU and US sanctions and any payments to SCOT would potentially be a violation of those sanctions. Members are advised to ensure when using Baniyas that no payments to SCOT are made by them, either by way of a specific charge or inclusion in general port dues.

Finally, Members are reminded that since US banks cannot process any commercial payments¹ relating to Syria, all transactions relating to trade to or from Syria or involving a Syrian person or entity must be undertaken in another currency than US dollars or through methods which do not involve the US financial system.

Sanctions prohibitions applicable to US person and non-US person Members of the American Club (Activity of Transportation)

US persons, or all transactions with a US and Syria nexus, must comply with the foregoing US sanctions requirements and prohibitions.

The foregoing requirements and prohibitions of US sanctions against Syria do not apply to non-US persons or to transactions involving Syria which do not have any US nexus. However, non-US persons may implicate prohibitions applicable to US persons to the extent their transactions and activities involve Syria as well as a US person. For example, as noted above, payments through the US financial system by or for a non-US person involving trade with Syria would either be rejected or blocked – even if the underlying trade were permissible – under laws directly applicable to the non-US person.

Furthermore, it should be borne in mind that non-US persons, irrespective of their nationality or domicile, may be designated as SDNs if they act for or on behalf of the Government of Syria or SDNs or engage in certain significant transactions which benefit Syria or which would be prohibited if the non-US person were a US person, or if they have materially assisted, sponsored, or provided financial, material or technological support for, or goods and services in support of, any person whose property and interests in property are blocked pursuant to the US sanctions against Syria.

American Club cover for trade to Syria

Subject to certain limitations, the American Club enjoys fact-sensitive authorization to provide cover for trade to Syria by its non-US person members, provided that such trade does not involve:

¹ Non-commercial, personal remittances are authorized, provided the transfer is not by, to, or through the Government of Syria, or any other person whose property and interests in property are blocked.

- the lifting of crude oil or petroleum products from Syria, the transportation of military equipment or materiel, or nuclear items;
- the underlying trade is not prohibited, or the member or ship owner is not prohibited from engaging in the transportation activity in question under US or EU Syria sanctions law directly applicable to it;
- relevant financial transactions do not involve the Government of Syria or Syrian SDNs; and
- the coverage is otherwise in compliance with American Club rules.

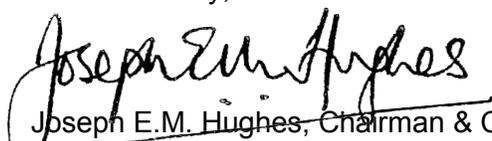
Members are reminded that there is no American Club cover where cover would be prohibited by laws applicable to the Club. Whether cover is in fact available for trade to Syria under the US government authorization the American Club enjoys depends on the facts of each voyage.

While the current trade sanctions and designation of Syrian persons and entities remain in force, Members considering trade to and from Syria are advised to contact the Managers for further guidance. Members intending to fix voyages to Syria should perform appropriate levels of due diligence on all parties, including shippers, receivers and their principals and take steps to mitigate the risk of engagement which might offend sanctions laws. As part of this due diligence, the American Club strongly urges Members contemplating trade to Syria to also seek confirmation from the Club regarding the availability of cover by submitting relevant voyage information.

Questions and further guidance

For any questions regarding any aspect of the foregoing and other sanctions in general or for confirmations as to the availability of cover for voyages involving Syria or other countries subject to US economic sanctions (Iran, Sudan, Cuba and North Korea), please contact: Charles J. Cuccia, Senior Vice President – Compliance Director, 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