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TO MEMBERS OF THE ASSOCIATION

Dear Member:

ADDITIONAL EU ECONOMIC SANCTIONS WITH RESPECT TO IRAN AND SYRIA

Members should be aware that on October 15, 2012, the European Union (EU), in response to deepening concerns over Iran's nuclear program, intensified and expanded economic sanctions against Iran. At the same time, it reaffirmed the EU's *"longstanding commitment to work for a diplomatic solution to the Iranian nuclear issue in accordance with the dual track approach."*

The EU on October 15, 2012 also took steps to strengthen sanctions against Syria.

Iran

The additional sanctions with respect to Iran can be summarized as follows.

The EU's October 15 decisions target Iran's nuclear and ballistic programs and the revenues of the Iranian government for these programs. In particular, the EU Council took further measures to ensure that EU financial institutions do not process funds that could contribute to Iran's nuclear program or to the development of ballistic missiles. The EU has therefore prohibited all transactions between European and Iranian banks, unless they are explicitly authorized in advance by national authorities under strict conditions. Under these conditions, authorized trade can continue. In addition, the Council decided to strengthen the restrictive measures against the Central Bank of Iran.

The Council also banned the export to Iran of further materials relevant to the Iranian nuclear and ballistic program or to industries controlled by the Iranian Revolutionary Guard Corps. This concerns, in particular, graphite, raw or semi-finished metals, such as aluminum and steel, as well as software for integrating industrial processes. The prohibition also includes related technical or financial assistance.

The Council also banned the import of natural gas from Iran into the EU. This concerns the importation, purchase and transport of gas, as well as finance and insurance related to these activities. In addition, the Council agreed to broaden the existing export ban on key equipment for the Iranian oil, gas and petrochemical industries.

Vessels belonging to EU citizens and companies may no longer be used for transporting or storing Iranian oil and petrochemical products. Further, the involvement of EU industries in the construction of new oil tankers for Iran will no longer be permitted and key naval equipment and technology for ship building and maintenance can no longer be supplied to Iran. The Council also banned flagging and classification services for Iranian oil tankers and cargo vessels.

EU member states also decided to stop supporting trade with Iran through new short-term export credits, guarantees or insurance. Medium- and long-term commitments were already previously prohibited.

Finally, the Council targeted 34 additional Iranian entities providing substantial financial support to the Iranian government and one person involved in the Iranian nuclear program with an asset freeze and a travel ban. This concerns notably entities active in the oil and gas industry and in the financial sector.



Implementing legislation, which the Council still has to adopt, will define precisely which items are covered by the export bans.

The decision of October 15, together with the list of additional designations, has been published in the Official Journal of the EU 16 October 2012 (copy attached).

Syria

With respect to Syria, the Council added 28 persons responsible for the violent repression against the civilian population to the list of those subject to a travel ban and an asset freeze. At the same time, two additional entities were targeted with a freeze of their assets in the EU.

The Council also took further steps in respect of arms, prohibiting the import into the EU of arms from Syria, or any EU involvement in the transport of Syrian arms. The Council also banned EU nationals and enterprises from supplying financial services to Syrian arms exports, including insurance and re-insurance. No EU citizens or companies must be involved in Syrian military cooperation with third countries, which could benefit the Syrian regime.

The Council also denied all flights operated by Syrian Arab Airlines access to EU airports. The airline is also subject to an asset freeze. This comes in addition to an existing ban on Syrian cargo flights.

The Council's decision of October 15, 2012 brings the total number of targeted persons and entities to 181 individuals and 54 entities.

Members whose entities are organized and exist under the laws of an EU member state, whose offices are based in an EU member state, whose vessels are flagged within the EU, and/or whose banking arrangements are based in an EU member state will be required to comply with the foregoing new prohibitions.

In this regard, Members are encouraged to take the necessary steps within their respective organizations to exercise due diligence and ensure compliance with these sanctions. Such preventive measures are necessary since any voyage or trade performed in violation of these new sanctions may constitute risks that are excluded by the Club's Rules: See Class I, Rule 3, Section 1.3 through 1.5. American Club coverage will not extend to any voyage or activity of a Member involving Iran or Syria if the Member is prohibited from engaging in such voyage or activity under EU sanctions laws and regulations.

Lastly, it should be noted for clarity's sake that the EU prohibitions referenced above would not apply to the Club's Members outside the jurisdiction of the EU or not subject to EU laws and regulations. As a US entity, the Association is fully subject to US laws and regulations governing sanctions against Iran and Syria.

Yours faithfully,


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