



JANUARY 26, 2012

CIRCULAR NO. 07/12

TO MEMBERS OF THE ASSOCIATION

Dear Member:

RECENT SANCTIONS DEVELOPMENTS: (1) EUROPEAN UNION (EU) BAN ON THE IMPORTATION AND TRANSPORT OF IRANIAN OIL, PETROLEUM AND PETROCHEMICAL PRODUCTS: (2) PROPOSED US 180 DAY BAN OF VESSELS TRADING TO IRAN, NORTH KOREA AND SYRIA.

Members should be aware of the following important developments within the European Union and the United States in regard to sanctions concerning Iran, Syria and North Korea.

1. EU sanctions - Iran

On January 23, 2012, the European Union Council adopted an unprecedented package of sanctions against Iran in its Council Decision 2012/35/CFSP. The Decision contains a range of measures which, of most relevance to Members of the Club, will ultimately preclude and ban EU Member States, its corporate entities and persons, from engaging in the purchase, importation and/or transportation of crude oil, petroleum and petrochemical products.

This ban is a significant escalation by the EU of sanctions against Iran. By reason of it, the EU joins the United States in placing additional pressure upon the Iranian government. It comes in the wake of Iranian threats to block the Straits of Hormuz, and Iran's continuing pursuit of its nuclear program.

The relevant portions of Council Decision 2012/35/CFSP can be found in Articles 3a and 3b, which provide:

Article 3a

1. The import, purchase or transport of Iranian crude oil and petroleum products shall be prohibited.

The Union shall take the necessary measures in order to determine the relevant items to be covered by this provision.

2. It shall be prohibited to provide, directly or indirectly, financing or financial assistance, including financial derivatives, as well as insurance and reinsurance, related to the import, purchase, or transport of Iranian crude oil and petroleum products.

Article 3b

1. The import, purchase or transport of Iranian petrochemical products shall be prohibited.

The Union shall take the necessary measures in order to determine the relevant items to be covered by this provision.

2. It shall be prohibited to provide, directly or indirectly, financing or financial assistance, as well as insurance and reinsurance, related to the import, purchase, or transport of Iranian petrochemical products.

It should also be emphasized that these bans do not take immediate effect. The prohibitions set forth above would not apply until July 1, 2012 for crude oil and petroleum products, and May 1, 2012 for petrochemical products. The ban would also not apply to contracts concluded before January 23, 2012, or ancillary contracts necessary for the execution of such contracts.

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 these 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.

Lastly, the EU ban referenced above would not apply to Club Members domiciled outside the EU or those who are not subject to its laws or regulations. In this regard, it should be noted that, while the recent EU legislation also prohibits the provision of insurance relating to the carriage of Iranian oil, petroleum or petrochemical cargoes, the American Club is not subject to such EU restrictions, but is instead governed by US law and has licenses in place under the jurisdiction of the Office of Foreign Asset Control (OFAC) of the US Department of the Treasury.

A full copy of Council Decision 2012/35/CFSP can be obtained from the Official Journal of the European Union website at:

<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2012:019:0022:0030:EN:PDF>

2. Proposed US sanctions legislation: 180 Day port ban for vessels having called at Iran, North Korea or Syria

The Iran, North Korea, and Syria Nonproliferation Reform and Modernization Act of 2011 (H.R. 2105) ("the proposed legislation"), a bill which seeks to amend the Ports and Waterways Safety Act (33 U.S.C. 1221 et seq.), has proposed a ban on vessels from US ports if the vessel has called at a port in Iran, Syria or North Korea within the previous 180 days. This bill is still pending before the US Congress. If enacted into law in its present form, the proposed legislation will prohibit a vessel from entering a US port if the vessel has called a port in Iran, North Korea, or Syria during 180 days prior to its date of arrival. The proposed ban is premised upon the same restriction in place for vessels calling at Cuban ports.

The proposed legislation was approved by the US House of Representatives on December 14, 2011 with overwhelming support. It now awaits action in the US Senate. If passed by the Senate, the proposed legislation will be sent to President Obama for his signature and enactment into law. It is expected that the proposed legislation will become law in the coming weeks or months.

The proposed legislation requires that, before a vessel arrives at a port in the United States, the owner, charterer, operator, or master of the vessel shall certify that the vessel did not enter a port in Iran, North Korea or Syria during the 180 day period ending on the date of arrival of the vessel at a port in the United States.

The penalties for false certifications are severe. Any vessel for which a false certification is made shall be prohibited from entering the United States for a period of at least two years. Such penalty shall also apply and extend to any other vessel owned or operated by a parent corporation, partnership, association, or individual proprietorship of the vessel for which the false certification was made.

The proposed legislation also requires enhanced safety and security inspections. It is expected that the Department of Homeland Security through the US Coast Guard will be required to:

- identify foreign ports at which vessels have landed during the preceding 12 month period that have also landed at ports in Iran, North Korea or Syria during that period; and
- inspect vessels arriving in the United States from foreign ports in Iran, North Korea and Syria to establish whether the vessel was involved, during the 12 month period ending on the date of arrival of the vessel at the port in the United States, in any activity that would be subject to sanctions under the proposed Iran, North Korea, and Syria Nonproliferation Reform and Modernization Act of 2011.

Examples of sanctioned activity include cases of any person: (1) making certain transfers to or acquired from Iran, Syria or North Korea certain listed nuclear, dual use, missile, chemical, biological, toxic, or non-listed but otherwise prohibited goods, services, or technology; (2) acquiring, mining, or otherwise extracting materials within the territory or control of Iran, North Korea, or Syria for purposes relating to such countries' nuclear, biological, or chemical weapons, or missile development programs; (3) transferring to Iran, Syria, or North Korea goods, services, or technology that could assist such countries' efforts to extract or mill uranium ore; or (4) **providing a vessel, insurance, or any other shipping service for transporting goods to or from Iran, North Korea, or Syria for purposes relating to such countries' nuclear, biological, or chemical weapons, or missile development programs.** (Emphasis added).

The proposed legislation is unclear on several points. For example, while it is expected that the 180 day period will start to run and be of effect after the date of enactment, concerns have been voiced as to whether there is a possibility that the 180 day period will apply retroactively.

The level of due diligence that will be required on the part of a vessel owner in relation to the previous six-month trading history of a vessel is not known particularly with respect to a newly acquired vessel.

It is also not known what the impact of the proposed legislation will be on shipowners' existing/continuing contractual arrangements and obligations that may require lawful trade to the proscribed countries and the US.

These issues have been brought to the attention of the US agencies expected to implement the proposed legislation once it is enacted into law, and it is expected that these agencies will issue clarifications and interpretations in implementing it.



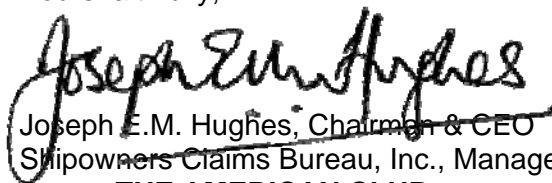
Despite these uncertainties, and considering the strong likelihood that such legislation will ultimately be enacted, Members should prepare accordingly and review their fixtures, both prospective and existing, to assess whether the potential 180 day US port call ban might interfere with the performance of such fixtures or potentially expose the Member to additional liabilities.

Your Managers will continue to keep abreast of developments in regard to the proposed legislation, and other developments regarding additional US economic sanctions, and will continue to keep Members informed accordingly.

Yours faithfully,

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

Yours faithfully,


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