

# MEMBER ALERT



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**DECEMBER 18, 2019**

## **US SANCTIONS – US DEPARTMENT OF TREASURY ACTION ON IRAN AND RUSSIA SANCTIONS**

### **IRAN**

The US State Department has announced that it is taking action against "key Iranian shipping and aviation entities" linked to the proliferation of weapons of mass destruction (WMD). The State Department designated the Islamic Republic of Iran Shipping Lines (IRISL) and its China-based subsidiary, E-Sail Shipping Company Ltd., under Executive Order (EO)13382, which targets proliferators of WMD and their delivery systems, as well as their supporters.

IRISL and E-Sail are already listed on the SDN list, but their additional designation under EO 13382 will have an impact in regard to the shipment of humanitarian goods to Iran. According to the State Department press release, "to allow exporters of humanitarian goods including agricultural commodities, food, medicine, and medical devices to Iran sufficient time to find alternate shipping methods, the designations for IRISL and E-Sail Shipping Company Ltd will have a brief wind-down period" concluding no later than June 8, 2020.

To avoid sanctions risks, US and non-US Members, should ensure that transactions with IRISL and/or E-Sail, even for the sale to Iran of agricultural commodities, food, medicine, or medical devices, are concluded no later than June 8, 2020.

#### **Metal Products to Iran**

The US State Department issued an advisory on December 16, 2019 to alert persons and entities globally to US sanctions risks for parties involved in transfers or exports to Iran of graphite electrodes and needle coke, both essential materials for Iran's steel industry. Sanctions risks may be present even if the intended end-user is NOT in Iran's steel sector. Importantly, persons and entities engaged in such transfers or exports are at risk regardless of their nationality or location.

### **RUSSIA**

The Office of Foreign Assets Control (OFAC), under Executive Order 13818, has designated Latvian citizen, Aivars Lembergs, mayor of Ventspils, and four Latvia-based entities under Lembergs' control, as SDNs. They are:

- Ventspils Freeport Authority \* **UPDATE - delisted as an SDN December 19, 2019**
- Ventspils Attistibas Agentura (also known as Ventspils Development Agency),
- Biznesa Attistibas Asociacija (also known as Business Development Association), and
- Latvijas Tranzita Biznesa Asociacija (also known as Latvian Transit Business Association).

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Members whose vessels are due to call or who are arranging calls to Ventpils, should be aware that one of the designated entities is Ventpils Freeport Authority. Under the OFAC directive, calls at the Port and payments to the Port Authority may be in breach of US sanctions.

## Winding Down Period

Trade with Ventpils is currently permitted for a 30-day period (i.e. until 12:01 am US Eastern Standard Time on 8 January 2020) under an OFAC General License. According to US law firm, Freehill, Hogan & Mahar, this is generally understood "to apply to both US and non-US persons/entities". With regard to the winding down period, Members calling at Ventpils should be aware that:

1. Any call at Ventpils must actually be pursuant to the winding down of a contract concluded prior to the imposition of sanctions;
2. Payments made to the Port after the end of the winding down period (even if the call was prior to that) may also be a breach of sanctions.

## After the End of the Winding Down Period

US persons will be prohibited as of January 8 from engaging in any transaction with Ventpils Freeport Authority absent authorization or exemption. Further, any person, including non-US Members, providing "material" assistance to, or goods or services in support of, Ventpils Freeport Authority beyond the wind-down period risks the imposition of sanctions. As amply stated by Freehill's, the lack of clarity from OFAC means that trade to Ventpils Freeport cannot be said to be without risk.

## Questions and Further Guidance

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 & Russia), 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](mailto: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](mailto:charles.cuccia@american-club.com).