

AUGUST 31, 2017

CIRCULAR NO. 26/17

TO MEMBERS OF THE ASSOCIATION

Dear Member:

UNITED STATES IMPOSES NEW FINANCIAL SANCTIONS AGAINST THE GOVERNMENT OF VENEZUELA, INCLUDING PdVSA

On August 25, 2017, the United States imposed new financial sanctions against the government of Venezuela in response to the recent actions and policies of that government. These are in addition to US sanctions previously imposed against certain Venezuelan government officials and elements of the Venezuelan regime, including President Nicolas Maduro. The sanctions against these individuals require their assets within the US jurisdiction to be frozen. They also prohibit US persons from engaging in transactions with such individuals.

The impact of the new financial sanctions on the American Club and its Members

While the new financial sanctions of August 25 do not affect the ability of the American Club to provide cover for vessels trading with Venezuela (unless an SDN is involved), and while they do not generally prohibit Members from transporting cargoes and passengers to and from Venezuela, your Managers thought it useful for Members to have a general awareness of the current position.

The prohibitions of the new financial sanctions

The new financial sanctions prohibit the provision of financing for, and other dealings in, the following types of transaction by a US person or within the US jurisdiction:

- (i) new debt with a maturity of greater than 90 days of Petroleos de Venezuela, S.A. (PdVSA); and
- (ii) new debt with a maturity of greater than 30 days, or new equity, of the government of Venezuela, other than debt of PdVSA covered by section (i) above; and
- (iii) bonds issued by the government of Venezuela prior to the effective date of August 25, 2017; and
- (iv) dividend payments or other distributions of profits to the government of Venezuela from any entity owned or controlled, directly or indirectly, by the government of Venezuela; and
- (v) the purchase, directly or indirectly, by a US person or within the United States, of securities from the government of Venezuela, other than securities qualifying as new debt with a maturity of less than or equal to 90 or 30 days as covered by sections (i) or (ii) above.



Authorized transactions

Concurrently with the imposition of the new financial sanctions, the US government issued four general licenses permitting certain categories of transactions otherwise prohibited by the new financial sanctions. The general licenses are as follows:

General License 1, *Authorizing Certain Activities Necessary to Wind Down Existing Contracts*

General License 2, *Authorizing Certain Transactions Involving CITGO Holding Inc.*

General License 3, *Authorizing Transactions Related to, Provision of Financing for, and Other Dealings in Certain Bonds.*

General License 4, *Authorizing New Debt Transactions Related to the Exportation or Re-exportation of Agricultural Commodities, Medicine, Medical Devices, or Replacement Parts and Components.*

Further information from the US government

A copy of the August 24, 2017 Executive Order imposing new financial sanctions against the government of Venezuela (which became effective the following day), copies of the general licenses, and answers to frequently asked questions (FAQs) regarding the new financial sanctions against the government of Venezuela can be found at:

<https://www.treasury.gov/resource-center/sanctions/OFAC-Enforcement/Pages/20170825.aspx>

Questions and guidance

Your Managers will keep abreast of developments regarding the implementation of the new financial sanctions against the government of Venezuela, and inform Members of developments of significance. Members are reminded that, pursuant to American Club rules, there is no cover for voyages where the extension of cover would violate or pose a risk of violating sanctions prohibitions, and also that causing a violation could entail the imposition of sanctions or penalties. Members are accordingly reminded to conduct additional sanctions due diligence to ensure their own and the American Club's compliance with relevant prohibitions.

Should Members wish to discuss any questions or need additional guidance regarding any aspect of the foregoing or other sanctions in general, or for confirmations as to the availability of cover for voyages involving countries (Iran, Syria, Cuba, North Korea, Russia, Crimea region of Ukraine, Venezuela, or entities or individuals subject to US economic sanctions (designated entities and individuals appearing on the OFAC SDN List), they should contact: Charles J. Cuccia, Senior Vice President - Compliance, 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