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TO THE MEMBERS

Dear Sirs

IRAN US SANCTIONS

Members will have noted President Trump's announcement on 8 May 2018 to withdraw the USA from participation in the JCPOA (Joint Comprehensive Plan of Action) as agreed between Iran, the EU, and the P5+1 (the five permanent members of the United Nations Security Council – China, France, Russia, United Kingdom, United States plus Germany), and to re-impose US nuclear-related sanctions.

The US Treasury's Office of Foreign Assets Control (OFAC) has indicated by way of a FAQ document that after "wind-down" periods of 90 or 180 days (as applicable) for existing business, sanctions will be restored, including secondary sanctions directed against non-US persons in relation to specified activities and entities where relief was granted under the JCPOA.

OFAC has further indicated that the 90/180 day periods are for the winding-down of business activities rather than for the entering of new contractual arrangements. Paragraph 2.2 of the FAQ states that any new contractual arrangements entered into on or after 8 May 2018 will be taken into account together with steps taken to wind down activities when OFAC considers any potential enforcement or sanctions action.

90 Day Wind-Down Period

On 6 August 2018 the following sanctions will come back into effect in respect of:

- the purchase or acquisition of US dollar banknotes by the Government of Iran;
- Iran's trade in gold or precious metals;
- the direct or indirect sale, supply, or transfer to or from Iran of graphite, raw, or semi-finished metals such as aluminum and steel, coal, and software for integrating industrial processes;
- Sanctions on significant transactions related to the purchase or sale of Iranian rials, or the maintenance of significant funds or accounts outside the territory of Iran denominated in the Iranian rial;

- Sanctions on the purchase, subscription to, or facilitation of the issuance of Iranian sovereign debt;
- Iran's automotive sector
- trade in Iranian-origin carpets and foodstuffs; and
- licensing of exports to Iran of commercial passenger aircraft and related parts and services and contracts in relation to the same

180 Day Wind-Down Period

On 4 November 2018 the additional sanctions will come back into effect in respect of:

- Iran's port operators, and shipping and shipbuilding sectors, including on the Islamic Republic of Iran Shipping Lines (IRISL), South Shipping Line Iran, or their affiliates;
- petroleum-related transactions with, among others, the National Iranian Oil Company (NIOC), Naftiran Intertrade Company (NICO), and National Iranian Tanker Company (NITC), including the purchase of petroleum, petroleum products, or petrochemical products from Iran;
- transactions by foreign financial institutions with the Central Bank of Iran and designated Iranian financial institutions
- the provision of specialized financial messaging services to the Central Bank of Iran and designated Iranian financial institutions
- the provision of underwriting services, insurance, or reinsurance; and
- Iran's energy sector.

OFAC has further indicated non-US and non-Iranian persons who are due payments for goods or services or under credit agreements from Iranian counterparties agreed prior to 8 May 2018 are allowed to receive such payments from Iranian counterparties after 6 August or 4 November 2018 as appropriate. This is providing that such payments are otherwise consistent with US sanctions.

It is possible that some waivers to non-US persons may be given by the US to be determined on a case by case basis but it is far from certain how successful any such applications will be.

Effect on Cover

The Managers have taken US legal advice on the matter. Fulfilment of obligations relating to business agreed prior to 8 May 2018 is likely to be consistent with the concept of winding down. However, the Managers caution that it would be prudent for Members to ensure that any such pre-existing business is completed pursuant to the deadlines above to prevent being in breach of US sanctions.

New business, which would appear to encompass the agreement of new charterparties entered into on or after 8 May 2018, which relate to the above listed areas, is potentially sanctionable even if it is expected to be completed prior to the relevant 90 or 180 day deadlines. Accordingly, the Managers draw the Membership's attention to the Association's terms at Rule 4D.9, which excludes sanctionable activity, including US sanctions, from cover.

This is a developing situation and the stance of the other JCPOA partners is not yet clear. The Managers are keeping the situation under review and will provide additional guidance for the Membership when possible.

The Managers would be pleased to answer any questions that may arise.

Yours faithfully

THOMAS MILLER WAR RISKS SERVICES LIMITED
Managers

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