



TUVALU SHIP REGISTRY

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MARINE CIRCULAR

MC-3/2018/1

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FOR: Ship Owners, Ship Managers, Ship Operators, Ship Masters, Ship Officers, Recognized Organizations, Flag State Inspectors

SUBJECT: US SANCTIONS AGAINST IRAN

DEFINITIONS:

The following abbreviations stand for:

- "JCPOA" – Joint Comprehensive Plan of Action
- "US" – United States of America

The term "Administration" shall mean the Tuvalu Ship Registry.

PURPOSE:

This circular serves to inform all parties of the developments regarding sanctions against the Islamic Republic of Iran by the US and its implications to the maritime industry.

REFERENCES:

- (a) Announcement by the US Whitehouse: <https://www.whitehouse.gov/briefings-statements/president-donald-j-trump-ending-united-states-participation-unacceptable-iran-deal/>
- (b) Iran-related executive order by the US President: https://www.treasury.gov/resource-center/sanctions/Programs/Documents/08062018_iran_eo.pdf
- (c) US Department of the Treasury's Office of Foreign Assets Control (OFAC) FAQ: https://www.treasury.gov/resource-center/faqs/Sanctions/Pages/faq_iran.aspx#eo_reimposing

CONTENTS:

The US President has on 8 May 2018 announced his decision to cease the US participation in the JCPOA and begin re-imposing, following a wind down period, the US nuclear-related sanctions that were lifted to effectuate the JCPOA sanctions relief in 2016.

The US Departments of State and of the Treasury has taken steps necessary to establish a 90 day wind down period (which ended on 6 August 2018), and a 180 day wind down period (which ends on 5 November 2018), for activities involving Iran which were consistent with the US sanctions relief provided for under the JCPOA, and in respect of which sanctions will now be re-imposed.

The sanctions relief provided for under the JCPOA led to the lifting of many of the US secondary sanctions i.e. measures and prohibitions on non-US persons and entities. Therefore, the re-imposition of these secondary sanctions will directly impact on the ability of non-US persons and entities to trade with Iran.

The U.S. has issued FAQ's regarding the re-imposition of sanctions (refer to Reference (c)) which provides further detail of the sanctions to be re-introduced. A summary of some of the most critical points are set out below in this circular.

A. Party related sanctions

In accordance with the relaxation of sanctions, hundreds of individuals and entities were removed from the US sanctions lists (or were no longer subject to secondary sanctions). These parties will now be relisted no later than 5 November 2018. After their relisting, most of these parties will be subject to secondary sanctions (some Iranian entities have remained on the Specially Designated National "SDN" list and subject to secondary sanctions throughout, whilst others had been listed only as non-SDNs not subject to secondary sanctions).

B. Activity related sanctions

After the 90-day wind down period which ended on 6 August 2018, sanctions have been re-imposed on:

- The purchase or acquisition of U.S. 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
- Significant transactions related to the purchase or sale of Iranian currency, or the maintenance of significant funds or accounts outside the territory of Iran that occurs in Iranian currency;
- The purchase, subscription to, or facilitation of the issuance of Iran sovereign debt;
- Iran's automotive sector.

After the 180-day wind down period which ends on 4 November 2018, sanctions will be re-imposed on:

- **Iran's port operators and shipping and shipbuilding sectors, including on the Islamic Republic of Iran Shipping Lines (IRISL), South Shipping Line, 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 other foreign financial institutions that have been designated under NDAA Section 1245;**
- **The provision of specialized financial messaging services to the Central Bank of Iran and other Iranian financial institutions;**
- **The provision of underwriting services, insurance, or reinsurance; and**
- **Iran's energy sector.**

As the sanctions relief introduced by the US pursuant to the JCPOA focused to a large extent on the relaxation of secondary sanctions, and thus permitted non-US persons to trade more freely with Iran, the re-imposition of these secondary sanctions will have the opposite effect.

RISK MITIGATION MEASURES:

The above have significant implications for maritime and financial trade with Iran and the insurance of such trade. As such, the Administration requires all ship owners and operators who may have trade with Iran or have vessels calling Iran to:

1. Study the FAQ (paying special attention to items 606 and 607) as some activities have become sanctionable after 7 August 2018 and full sanctions come into force after 5 November 2018; and
2. Notify the P&I club to ensure that the vessel's coverage is not affected by the vessel's call to Iran.

Please note that any breach of the sanctions or invalidation of the P&I cover will lead to the closure of the vessel's registration.

GENERAL MEASURES:

It is in the best interest of all non-US, non-Iranian persons to immediately wind down their activities with or involving Iran that will become sanctionable at the end of the applicable wind-down period. If the sanctionable activities continue beyond the wind-down period deadlines, penalties may be imposed by the US.

In case a non-US, non-Iranian party that has wound down a pre-8 May 2018 contract within the applicable deadline of either 6 August 2018 or 4 November 2018 and is still owed payment for goods and services by an Iranian contract counterparty after the wind-down deadlines, that payment can still be received after the conclusion of the wind-down period. However, such payments cannot involve the US financial system or US persons. Given these developments, any parties trading with Iran should now exercise caution and thoroughly review the status of the US secondary sanctions against Iran to determine whether their activities may expose them to penalties by the US.