

Circular From AMERICAN

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The United States Expands The Universe Of Iran Sanctions Targets (SDNs) By Targeting The Metals Sector Of Iran

On May 8, 2019, President Trump issued an Executive Order (EO) targeting the iron, steel, aluminum and copper sectors of Iran. The EO will expand the universe of Specially Designated Nationals (SDNs) of Iran and block the property of and prohibit transactions by US persons or transactions with a US nexus involving SDNs.

The EO is available at:

<https://www.treasury.gov/resource-center/sanctions/Programs/Documents/13871.pdf>

The FAQs issued by the Office of Foreign Assets Control (OFAC) regarding the EO are available at:

https://www.treasury.gov/resource-center/faqs/Sanctions/Pages/faq_iran.aspx#eo_metals

Sanctionable activities

Persons (individuals and entities), whether or not US persons, may be designated as SDNs if the US government determines that they have engaged in the following activities:

1. To be operating in the iron, steel, aluminum, or copper sectors of Iran, or to be a person that owns, controls, or operates an entity that is part of the iron, steel, aluminum, or copper sector in Iran;
2. To have knowingly engaged, on or after the date of this order, in a significant transaction for the sale, supply, or transfer to Iran of significant goods or services used in connection with the iron, steel, aluminum, or copper sectors of Iran;
3. To have knowingly engaged, on or after the date of the EO, in a significant transaction for the purchase, acquisition, sale, transport, or marketing of iron, iron products, aluminum, aluminum products, steel, steel products, copper, or copper products from Iran;
4. To have materially assisted, sponsored, or provided financial, material, or technological support for, or goods or services in support of any person whose property and interests in property are blocked pursuant to this section; or
5. To be owned or controlled by, or to have acted or purported to act for or on behalf of, directly or indirectly, any person whose property and interests in property are blocked pursuant to the Executive Order.

Under the new EO, which is effective May 8, 2019, shipowners risk being designated as SDNs and losing

their ability to do business with the United States or with US persons if they, for example, transfer, or transport to or from Iran significant goods or services (e.g., insurance) used in connection with the iron, steel, aluminum, or copper sectors of Iran, or if they knowingly engage in significant transactions involving the trading to or from Iran of coking coal, iron, iron products, aluminum and aluminum products, steel, and copper.

In compliance with the EO, the American Club will not provide coverage for activities sanctionable under the new EO such as, for example, the transportation of iron and iron ore.

Foreign financial institutions

The EO provides that foreign financial institutions may also be subject to restrictions with respect to opening or maintaining correspondent accounts in the US if it is determined that the foreign financial institution has, on or after the date of the EO, knowingly conducted or facilitated any significant financial transaction:

1. For the sale, supply, or transfer to Iran of significant goods or services used in connection with the iron, steel, aluminum, or copper sectors of Iran;
2. For the purchase, acquisition, sale, transport, or marketing of iron, iron products, aluminum, aluminum products, steel, steel products, copper, or copper products from Iran; or
3. For or on behalf of any person whose property and interests in property are blocked pursuant to this order.

Wind-down period

Transactions and activities sanctionable under the EO can be engaged in and relevant contracts can be performed without triggering sanctions but only during the 90 day period after May 8, 2019, provided that the contracts in question were entered into prior to May 8, 2019. No new contracts are permitted on or after May 8, 2019.

Questions and further guidance

The American Club will continue to closely monitor developments with respect to the implementation of the Iran sanctions and provide further guidance to Members as necessary. Members are reminded that pursuant to American Club rules there is no cover for unlawful voyages or 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 proceed with extreme caution in dealing with or involving Iran and Iranian entities and to conduct additional sanctions compliance due diligence to ensure their own and the American Club's compliance with applicable sanctions prohibitions.

Should you 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, the Crimea region of Ukraine, Venezuela (presently only SDNs)) or entities or individuals subject to U.S. economic sanctions (e.g., OFAC SDN List), please contact: Charles J. Cuccia, Senior Vice President - Compliance, ph +1 212 847 4539, mob +1 917 215 2883, charles.cuccia@american-club.com.

Source of Information: The American Club

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