



THE LONDON
P & I CLUB

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TO ALL MEMBERS

Dear Sirs

Trade Sanctions Legislation and its effect on P&I cover

Members may have noticed reports in the shipping media to the effect that the UK and at least one other Government have effectively rendered it unlawful for organisations within their jurisdictions to undertake business transactions, including the provision of P&I insurance, with certain Iranian companies. However, other States are also contemplating the imposition or strengthening of sanctions on trade involving Iran, and there are European Union sanctions Regulations that seem likely, progressively, to come into force in Member States designating persons and organisations in Myanmar (formerly Burma) with whom business dealings are also effectively prohibited.

One of the States contemplating strengthening its existing Iran Sanctions legislation is the USA. Its legislation is likely to be much more wide ranging than that in force elsewhere in the sense that its effect is expected to extend to non-US Companies and it is unlikely to be limited to those directly engaged in the prohibited trades.

It is not presently possible reliably to predict the final form of the legislation (known as the Iran Refined Petroleum Sanctions Act), because there are competing versions, each of which has passed through the House of Representatives and the Senate, respectively, and will now need to be reconciled. Nor is it even certain that the Act will come into force at all, although it seems likely and the best indication of its form may be gleaned from the following summaries of how the two versions impact on shipping and insurance:-

Under the House version of the Act, sanctions could be imposed against both domestic and foreign entities that:

1. Provide ships, vehicles or other means of transportation to deliver refined petroleum products to Iran, or providing services relating to the shipping or other transportation of refined petroleum products to Iran.
2. Underwrite or otherwise provide insurance or reinsurance for an activity described in clause (1) above.



The Senate version provides for the imposition of sanctions against persons who, with actual knowledge, provide Iran with refined petroleum resources or engage in any activity that could contribute to the enhancement of Iran's ability to import refined petroleum resources, including:

- A. Providing ships or shipping services to deliver refined petroleum resources to Iran;
- B. Underwriting or otherwise providing insurance or reinsurance for such activity.

It is believed that the broad scope of these versions would bring within their scope the activities of Owners, Charterers, Shipmanagers, Crew; and they would also impact on insurers, including Clubs and their reinsurers. The legislation is expected to apply to any ships, regardless of their Flag States, registry, ownership and despite the trades being legitimate under the law governing the relevant contracts of carriage and insurance.

As drafted, penalties for breach of the legislation would include the barring of access to US financial institutions and the blocking of assets and dollar transactions routed through the USA.

Accordingly there is a danger that Members engaged in a trade involving the carriage of oil products to Iran (either in bulk or otherwise) may be at risk, not only in respect of ships involved, but also other ships that form part of the same fleet. Even if such Members believe they would not be affected, there is a possibility that the Clubs will be unable to provide cover, because of the exposure to sanctions. The International Group of P&I Clubs is monitoring the situation and the Association will advise Members of any material developments. The Group will also liaise with the relevant Shipowner Associations in case there is demand for protective clauses for Charterparties and Bills of Lading.

Yours faithfully
A BILBROUGH & CO LTD
(MANAGERS)