



THE REPUBLIC OF LIBERIA

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Office of
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31 January 2012

MARINE ADVISORY: 02/2012

Subject: New Sanctions against the Islamic Republic of Iran imposed by the United States

Ref: United States Executive Order No. 13590- Iran Sanctions (2011)

To: All Owners/Operators and Masters

Dear Owner/Operator and Master:

This Advisory provides information on the United States Executive Order which significantly increased the impact of the threshold amount in the Sanction by the United States (US) against any non-US entity that “knowingly...sells, leases, or provides to Iran goods, services, technology or support” or otherwise consorts with Iran for anything “that has a fair market value of \$1,000,000 (one Million dollars) or more.” This Executive Order took effect on 21 November 2011.

Information on the scope of Sanction Measures

The United States Executive Order 13590 issued on 20 November 2011 and taking effect on 21 November 2011 broadens the applicability of US sanctions against the Islamic Republic of Iran in comparison to the Comprehensive Iran Sanctions Accountability and Divestment Act of 2010 (also known as CISADA), which is covered in Marine Advisory Note 05/2010. This new Executive Order placed sanctions on any foreign entity (that is any non-US entity) that

- “... knowingly provides to Iran goods, services, technology, or support that has a fair market value of \$1,000,000 or that, during a 12 month period has an aggregate fair market value of \$5,000,000 or more, or that could directly or significantly contribute to the maintenance or enhancement of Iran’s ability to develop petroleum resources located in Iran.”
- This new \$5 million threshold departs from the CISADA higher threshold amount of \$20 million, thereby indicating an increased impact of the United States action on sanctionable Iranian transactions.
- As a further impact beyond the scope of CISADA, this new Executive Order also specifically targets both US and non-US entities. In effect, any foreign entity (whether

located in the United States or not), which has no prior or existing relationship with the United States or any United States entity, that conducts a transaction with Iran or an Iranian entity in contravention of this Executive Order may be subject to United States sanction penalties.

Possible Penalties identified by the Executive Order No. 13590

The United States may, in reaching a determination that an entity has contravened this Executive Order, penalize that entity by significantly limiting or even terminating that foreign entity's commercial interest in the United States or any US entity in United States jurisdiction or abroad. In this regard, and as indicated in Section 3 (including sub-section 3 (a)(ii), (iii) and (iv)) of Executive Order 13590, the US Secretary of State is authorized by the Executive Order to

- “prohibit any United States financial institution from making loans or providing credits to the sanctioned person totaling more than \$10,000,000 in any 12 month period....,
- “ prohibit any transactions in foreign exchange that are subject to the jurisdiction of the United States....[and] block all property interests in property that are in the United States, that come within the United States or that are or come within the possession or control of any United States person, including any foreign branch...”
- Section 5 of the Executive Order provides the definitions of various terms including: “person”, “United States person”, “entity,” “knowingly”, etc.

The full text of the 20 November 2011 Executive Order is available at:

<http://www.whitehouse.gov/the-press-office/2011/11/21/executive-order-iran-sanctions>.

The sanctions also continue to target goods and services being provided to Iran. The dollar limit of the new sanction regime is significantly lowered in comparison with the CISADA \$20,000,000 threshold. Because of the lower threshold amounts, it is much more likely that a ship owner, ship operator or time charterer could violate the sanctions, as vessels charter are most likely to be valued in excess of \$250,000. The Secretary of State of the U.S. is authorized by EO # 13590 to impose sanctions on any entity that sells, leases, or provides to Iran goods, services, technology or support” that has value of more than \$250,000.

Caution advisement

Ship Owners/Operators are strongly encouraged to exercise caution in judgment and action relative to transaction that may involve the Islamic Republic of Iran and/or Iranian entities or associated entities or other entities that may have dealings with Iran or Iranian entities.

Dealings or transactions may cause failure to maintain the liability insurance which could occur as a result of suspension or cancellation of cover by the vessel's P&I Club when sanctions prohibit the P&I Club/entity from providing “...goods, service, technology or support...”

Relevant issues and possible violation of Liberian Maritime Law and Regulations

The Republic of Liberia is not responsible for enforcing the United States Government sanctions. However, the United States Executive Order (EO # 13590) specifically targets both US and non-US entities. In this regard, a violation of Liberian Maritime Law and Maritime Regulation could occur

as a result of a vessel Owners/Operators' failure to maintain insurance cover required by the International Convention on Civil Liability for Bunker Oil Pollution Damage, 2001 (BCLC) and the International Convention on Civil Liability for Oil Pollution Damage, 1992 (CLC). These are mandated in Liberian Maritime Regulation 2.35 pursuant to both liability Conventions to which the Republic of Liberia is a Party.

Liberia has international responsibility to implement and uphold the aforementioned liability Conventions in that the Liberian Administration accepts P and I "blue cards" to support the respective Liberian CLC and BCLC certificates issued to Liberian flagged vessels. A particular P&I Club (entity) may fall within the ambit of the US sanctions to the extent that it is prohibited to issue and maintain liability insurance relationship with any entity doing business with Iran.

It is understood that the members of the International Group of P and I Club have the same rules that apply to all their members. Owners may have already been provided circulars advising that "insurance cover would be null and void and of no effect whenever it became illegal." In addition to applicable legal prohibitions, some P&I Club rules may preclude coverage for voyages and activities which are prohibited by law.

The Indemnity and Protection insurance cover (required by Liberian Regulation 10.342, third party liability insurance) for crew protection including repatriation (required by Liberian Law Section 342 and Regulations 2.66(2) and 10.342) would also be invalidated. Consequently, the Liberian CLC and BCLC certificates (for both tanker and non-tanker vessels) issued to the particular vessel would also effectively be nullified/voided, ceased and of no effect. Consequently, such action thereby renders no liability cover in force as required by the respective international Conventions which are applied by Liberian Law and Regulation 2.35. In effect, the particular vessel would be out of compliance having been without liability coverage and Owners/Operators will be in violation of Liberian Law and Regulations.

The Administration's action when violation of Liberian Law/Regulation is discovered

Penalty for violation of Liberian Law and Regulations in this regard includes the following:

- Detention of the vessel, which may include specific restriction of movement that could affect trading/navigation of the vessel;
- Suspension of the vessel's statutory certificates including the Registration Certificate;
- Revocation of Permanent Certificate of Registry and Cancellation of Registry;
- Possible monetary fines; and
- If the Administration conducts an investigation and there is failure on the part of the Owners/Operators, and or Master and crew to cooperate, then it will be considered another related offense for which penalty can be imposed.
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Related action in accordance with Executive Order No. 13590

The US Department of Treasury continues to blacklist entities and vessels that its Office of Foreign Assets Control (OFAC) has identified as linked to the Islamic Republic of Iran Shipping Lines (IRISL) because of proliferation of weapons of mass destruction.

In view of the wide reach of the sanctions imposed by the new Executive Order, it is essential to be vigilant to avoid the risks in contravention of the US sanctions. By the sanctions regime, the United States may, in accordance with Executive Order No. 13590, limit or even terminate any commercial interest a foreign entity has with the United States or any United States entity, which may also be damaging to an entity's global commercial activities.

These sanctions may have a direct and immediate impact on the vessel's anticipated/ planned port calls to or in the region of Iran. All entities, US or non-US, that transact fewer or smaller volumes of anything of market value with Iran than the value that are allowed by CISADA are now equally vulnerable to the expanded sanctions of Executive Order No. 13590.

Accordingly, ship owners and operators should bring the contents of this Advisory to the attention of the Masters of their Liberian flagged ships and instruct them to exercise due care so as to avoid contravention of this Executive Order that may lead to conditions resulting in violation of Liberian Law and Regulations.

Note: The full text of the November 21, 2011 Executive Order is available at:
<http://www.whitehouse.gov/the-press-office/2011/11/21/executive-order-iran-sanctions>.

For further information regarding the issuance of this Advisory, contact the Marine Investigations Department at +1 (703) 251-2407/2415; +1 (703) 790-3434 or e-mail to investigations@liscr.com.
