

Circular Ref: 2022/001

Circulated to Insureds, Brokers and Consultants

Date: 13th July 2022

Summary of the current U.S. Sanctions against Russia and the implications thereof for OPA90 COFR Holders

This Circular highlights important considerations related to economic sanctions imposed by the United States in response to Russia's invasion of Ukraine. COFR Holders should be aware of the current United States sanctions regime and its impact on the maritime sector.

Shoreline reminds all COFR Holders of the undertakings made as COFR applicants. ("Undertakings") Specifically, as per *Clause 1.2 Undertakings* of the [COFR Master Agreement \(2019\)](#), COFR Holders have agreed to undertake at all times throughout the term of the COFR Guaranty:

- (a) to enter and keep each of the Vessels entered in the [the current P&I] Club, or another Protection and Indemnity Club to which the Issuer has provided prior written consent, or to maintain Other Approved Insurance, for full protection and indemnity insurance in respect of liabilities arising under law . . . ;
- (b) to keep each Vessel fully insured for the full value of the Vessel for collision liabilities, either under the terms of the [P&I] Club entry or under hull and machinery policies with a reputable insurer or under a combination of both;
- (e) to comply with all statutory, regulatory and other requirements, including but not limited to such requirements established by OPA 90 and CERCLA, as are applicable to vessels operating in the trade in which the Vessels are engaged concerning the ownership of the Vessels and their operation, management and trade;
- (j) to comply with all of the rules, regulations and requirements of the [P&I] Club, or terms of Other Approved Insurance as amended from time to time;

Failure to adhere to any of these Undertakings can and will result in the Termination of the COFR Guaranty under *Clause 6 Termination* of the COFR Master Agreement (2019). Any vessel which engages in trade prohibited by U.S. sanctions may well breach the above Undertakings, as cover provided by an approved (I.G.) Protection & Indemnity Club or Other Approved Insurance is potentially not available for unlawful trading and engaging in unlawful trade is prohibited by the P&I Club rules and the terms of Other Approved Insurance. Therefore, in order to avoid breaching any of the above Undertakings, Shoreline advises COFR Holders to take every effort to exercise appropriate due diligence to avoid violating U.S. sanctions and to maintain robust compliance and due diligence programs.¹

¹ On May 14, 2020, OFAC, the Department of State and the U.S. Coast Guard jointly released "[Guidance to Address Illicit Shipping and Sanctions Evasion Practices](#)" for persons involved in the maritime industry regarding common deceptive shipping

Shoreline wishes to highlight several relevant U.S. sanctions that COFR Holders should bear in mind. Specifically, Executive Orders 14066 & 14068, in relevant part, prohibit the importation of certain Russian-origin products to the US:

Executive Order 14066 *“Prohibiting Certain Imports and New Investments with Respect to Continued Russian Federation Efforts to Undermine the Sovereignty and Territorial Integrity of Ukraine”* dated March 8, 2022 (“E.O. 14066”): EO 14066² prohibits importing Russian-origin crude oil; petroleum; petroleum fuels, oils, and products of their distillation; liquefied natural gas; coal; and coal products into the United States.

Executive Order 14068 *“Prohibiting Certain Imports, Exports, and New Investment With Respect to Continued Russian Federation Aggression”* dated March 11, 2022 (“E.O. 14068”): EO 14068³ prohibits importing into the United States any Russian-origin fish, seafood and preparations thereof; alcoholic beverages; non-industrial diamonds; and any other products of Russian Federation origin as may be determined by the Secretary of the Treasury, in consultation with the Secretary of State and the Secretary of Commerce. Additionally, on June 28, 2022, the Secretary of the Treasury determined that imports of Russian-origin gold into the United States are prohibited.

In summary, as of July 12, 2022, EO 14066 and EO 14068 prohibit importing the following Russian-origin products into the United States:

- Crude oil
- Petroleum
- Petroleum fuels, oils, and products of their distillation
- Liquefied natural gas
- Coal
- Coal products
- Fish, seafood and preparations thereof
- Alcoholic beverages
- Non-industrial diamonds
- Gold

practices used to subvert U.S. and United Nations sanctions programs.

(https://home.treasury.gov/system/files/126/05142020_global_advisory_v1.pdf) Additionally, on May 2, 2019, OFAC published *“A Framework for OFAC Compliance Commitments,”* setting forth OFAC’s perspective on the essential components of a sanctions compliance program. (https://home.treasury.gov/system/files/126/framework_ofac_cc.pdf)

² EO 14066 also prohibits (ii) new investment in the energy sector by a U.S. person, and (iii) any U.S. person providing approval, financing, facilitation, or guarantee to a non-U.S. person’s new investment in the Russian energy sector.

³ EO 14068 also prohibits (iii) new investment in any sector designated by the Secretary of the Treasury by a U.S. person, and (v) any U.S. person providing approval, financing, facilitation, or guarantee to any transaction by a non-U.S. person which is prohibited under this EO is done by a U.S. person.

Pursuant to these prohibitions, COFR holders should be aware that any vessel carrying such cargo for discharge at U.S. ports may be in violation of U.S. sanctions. As discussed above, violating sanctions could be considered a breach of one of the Undertakings and result in termination of the COFR Guaranty.

Additionally, EO 14068 also prohibits the exportation, re-exportation, sale, or supply, directly or indirectly, from the United States, or by a United States person, wherever located, of luxury goods and any other items as may be determined by the Secretary of Commerce, in consultation with the Secretary of State and the Secretary of the Treasury, to any person located in the Russian Federation and U.S. dollar-denominated banknotes to the Government of the Russian Federation or any person located in the Russian Federation. Therefore, any vessel carrying luxury goods or U.S. dollar-denominated banknotes bound for Russian ports and either directly or indirectly from the U.S. or by a U.S. person, may be in violation of U.S. sanctions, which, if a breach of an Undertaking, may result in the termination of the COFR Guaranty.

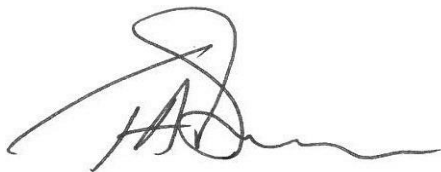
Finally, pursuant to a Presidential Proclamation issued by President Joseph Biden on April 21, 2022,⁴ all Russian-affiliated vessels are prohibited from calling in U.S. ports. The proclamation defines “Russian-affiliated vessels” as:

- (i) vessels of Russian registry (i.e., the vessel is Russian flagged);
- (ii) vessels that are Russian owned (i.e., the legal title of ownership of the vessel that appears on the ship’s registration documents is the Government of the Russian Federation or a Russian company, citizen, or permanent resident); or
- (iii) vessels that are Russian operated (i.e., a Russian company, citizen, or permanent resident is responsible for the commercial decisions concerning the employment of a ship and decides how and where that asset is employed).

Therefore, if any COFR holding vessels meet the above definition of a Russian-owned or operated vessel, then calling at a U.S. port could violate the Presidential Proclamation. As with the sanctions discussed above, a violation of the Presidential Proclamation could be considered a breach of one of the Undertakings and result in the termination of the COFR Guaranty.

As the above is only a brief summary of selected relevant U.S. sanctions and is not intended to be an exhaustive compilation, Shoreline urges all COFR Holders to refer to advice from their P&I Clubs, sanctions compliance advisors, and their internal compliance and due diligence departments relating to other U.S. sanctions regimes and the sanctions regimes imposed by other countries.

Yours sincerely,

A handwritten signature in black ink, appearing to be 'A. D.', written over a horizontal line.

⁴ [A Proclamation on the Declaration of National Emergency and Invocation of Emergency Authority Relating to the Regulation of the Anchorage and Movement of Russian-Affiliated Vessels to United States Ports](#)

CIRCULAR

SHORELINE

Captain Thomas Brown
Chief Executive Officer
Shoreline Ltd.