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8th April 2019

TO THE MEMBERS

Dear Sirs

U.S. - VENEZUELAN SANCTIONS

Additional Premium payments for Venezuelan declarations to be made in EUROS from 18 April 2019

The Membership will have noted that the U.S. Department of the Treasury's Office of Foreign Assets Control (OFAC), published Executive Order 13857 dated 25th January 2019, which amended several earlier Executive Orders to make Petroleos de Venezuela, S.A (PdVSA) a target of US sanctions. PdVSA was also added to the US "Specially Designated National" (SDN) list with effect from 28th January 2019.

A number of general licenses were also issued by OFAC, which authorise U.S. persons (both individuals and entities) to wind down or carry on commercial activities relating to PdVSA and its subsidiaries.

Of greatest likely relevance to the Membership is General License 12. This authorises all transactions and activities ordinarily incident and necessary to the purchase and import into the U.S. of petroleum and petroleum products from PdVSA or its subsidiaries up to 28 April 2019.

It is the Association's understanding that the Executive Order is intended to apply to U.S. persons only and is not intended to have extraterritorial effect. However, it is the Association's further understanding that USD transactions relating to PdVSA or its subsidiaries will not be able to be processed after 28 April. In light of this and because of increasing difficulties with effecting USD transactions with a Venezuelan nexus through the banking system, with effect from 18 April 2019 all Additional Premium payments for Venezuelan declarations will need to be paid to the Association in EUROS only. Account details will be provided by the Managers following Owners' declaration in advance of entering the Venezuelan Additional

Premium area. Any payments received in USD will be returned to Owners and no insurance cover will have been provided for USD payments.

Sale of diluents to PdVSA

It has come to the Managers attention that the U.S. government may have been reaching out to the non-U.S. suppliers of PdVSA asking them to voluntarily stop shipping diluents, such as naphtha, to PdVSA which could be used to cut Venezuelan heavy crude because these transactions potentially constitute material support for PdVSA pursuant to section 1(a)(iii) of Executive Order 13850. While, frustratingly, the U.S. government's position has not been made officially clear, it would appear that caution should be exercised in the carriage of petroleum products to PdVSA, particularly diluents. Accordingly, in light of this and because of the potential severity of non-compliance with U.S. sanctions the Membership is asked to note that the Association is unable to provide insurance services pursuant to Rule 3.9 in any way connected to sanctionable cargo and accordingly, should such cargos be carried, cover may be prejudiced. From 18 April Owners will be required to confirm whether they are importing or exporting cargo and provide cargo details, including consignor and consignee.

Venezuela – Cuba oil trades

It is also the Association's understanding that the U.S. Government has introduced sanctions against the Venezuelan-Cuba oil trade and the Association is accordingly unable to provide insurance services for the same pursuant to Rule 3.9.

Banking sanctions

It is further noted that the following banks were added to the OFAC SDN list on 22 March 2019:

- Banco de Desarrollo Economico y Social de Venezuela (BANDES)
- Banco Bandes Uruguay S.A. (Uruguay)
- Banco Bicentenario del Pueblo, de la Clase Obrera, Mujer y Comunias, Banco Universal C.A.
- Banco de Venezuela, S.A. Banco Universal
- Banco Prodem S.A. (Bolivia)

It is the Association's understanding that unless a U.S. person has a special licence, U.S. persons will not be able to transact any business with the above banks. However, it is also understood that the SDN List is not intended, in and of itself, to have extraterritorial effect. Consequently, it is probable that non-U.S. persons remain free

to deal with the above banks albeit that they may suffer reputational damage with the US authorities and delays to their transactions.

Venezuelan sanctions remain a developing issue and the Managers are keeping the situation under review. However, the trend is for the U.S. government to tighten the same and, as such, Owners should employ extreme caution before agreeing any Venezuelan trade.

The Association's cover remains strictly in accordance with the Association's Rules at all times and attention is particularly directed to Rule 3.9 (Sanctions Exclusion and Limitation).

The Managers would be pleased to answer any questions that may arise.

Yours faithfully

THOMAS MILLER (BERMUDA) LTD
Managers

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