

CLIENT ALERT: OFAC ESTABLISHES A COSCO WIND-DOWN PERIOD

October 25, 2019

Introduction

In an action that had a significant impact on the tanker sector, on September 25, 2019 the U.S. Office of Foreign Asset Control (“OFAC”) designated to the U.S. Specially Designated Nationals List (“SDN List”) COSCO Shipping Tanker (Dalian) Co. Ltd. and COSCO Shipping Tanker (Dalian) Seaman and Ship Management Co. Ltd. The immediate effect was that U.S. persons could not engage in transactions with these COSCO entities and that any property of the entities in the United States was blocked. The two COSCO tanker companies and their subsidiaries were reportedly linked to as many as 50 vessels, many of whom were at sea fully loaded at the time the sanctions were imposed. The effect on the tanker sector was quickly disruptive.

General License K

Perhaps having become aware of the numerous voyages with a U.S. nexus that had yet to be completed by these COSCO entities, on October 24, 2019 OFAC issued General License K, which applies only to COSCO Shipping Tanker (Dalian) Co. Ltd. and specifically does not apply to COSCO Shipping Tanker (Dalian) Seaman and Ship Management Co. Ltd. As to the former COSCO entity, General License K establishes a period during which U.S. persons are authorized to engage in all transactions and activities that are ordinarily incident and necessary to the maintenance or wind down of transactions involving that entity, or any of its 50% or more owned subsidiaries. This wind down period should facilitate the orderly completion of voyages which were underway at the time the COSCO Shipping Tanker (Dalian) Co. Ltd. was designated to the SDN List. The wind down period expires at 12:01AM EST on December 20, 2019.

This Client Alert is only a general summary for informational purposes. It and its content are not intended to be and should not be used or construed as legal advice. Readers should seek specific legal advice before acting with regard to the subjects mentioned herein.

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