

## October 2018

# Sanctions Introduction and Overview

Over the last few years, sanctions have been increasingly utilised as a foreign policy tool. Many of these trade restrictions have greatly impacted the shipping industry directly and also through financial institutions and insurers, including P&I clubs.

The Standard Club has considerable experience in dealing with the challenges imposed by this new environment. Over the last few years, the club has liaised directly with the relevant authorities on a number of issues: in particular, with the UK authorities in respect of matters requiring notification or other requirements to be satisfied; or where members have found themselves unwittingly carrying cargoes that would breach sanctions if carried to shipment destinations.

#### Failure to adhere to sanctions can lead to:

- reputational damage;
- loss of insurance cover;
- foreclosure by mortgagees;
- being shut out from the USA and other markets;
- huge fines;
- imprisonment.

The club is able to provide members with preliminary information on the different sanction regimes and has a panel of specialist sanctions lawyers in England, the US and other key jurisdictions, whom it is able to recommend to members needing legal advice. However, ultimately, members must be responsible for carrying out their own due diligence and ensuring that they comply with all relevant sanctions legislation.



**Ursula O'Donnell**  
Divisional Claims Director  
T: +44 20 3320 8813  
E: ursula.odonnell@ctplc.com

#### What are sanctions?

Sanctions are mainly used to:

- prompt a change in the behaviour of a target country's regime;
- enforce a particular foreign policy objective, e.g. banning arms to support a peace process, or banning materials needed for nuclear and ballistic programmes to hinder the development of these; and/or
- prevent the misappropriation of funds by those in a former regime or the financing of terrorists.

Details of EU and US sanctions regimes in respect of Iran, Ukraine/Russia, Syria, Cuba and other jurisdictions can be found on the club's [sanctions pages](#).

#### Sanctions lists

A key part of most sanctions measures is an assets freeze against named individuals, companies and other entities. The lists of these sanctioned entities (also known as 'Specially Designated Nationals' or 'SDNs' in respect of USA sanctions and 'Designated entities' in respect of EU sanctions) can be found on the [US](#) and [UK](#) Treasury websites.

Please note that the US sanctions also apply to 'entities directly or indirectly owned 50% or more in the aggregate by one or more blocked persons', and the US Treasury '*urges caution when considering a transaction with an entity... in which one or more blocked persons have a significant ownership interest that is less than 50% or which one or more blocked persons may control by means other than a majority ownership interest*'.

Similarly, the EU Council has issued guidelines on the criteria to be taken into account when assessing ownership or control by a sanctioned entity; and when considering whether a party is likewise affected by asset freezes. Links to the respective sanctions lists, FAQs and guidelines again may be found on the club's [sanctions pages](#).



#### Discover more

For details of our range of industry expertise visit [www.standard-club.com](http://www.standard-club.com)

[@StandardPandi](#)

[The Standard P&I Club](#)



### Club cover

Members should be aware of the club's sanctions rules (i.e. P&I rule 4.8, 6.22 and 17.2(5) or their equivalent) which are set out in full in the club's rule books, but are summarised below:

**Rule 4.8:** No claim is recoverable if, e.g., it arises out of an unlawful trade or if it is unlawful to provide insurance for this (or if the club's board determines that the trade was imprudent/improper).

**Rule 6.22:** To the extent that the club is unable to recover any claim from reinsurers (or pooling partners in respect of poolable cover) due to any sanction, prohibition or adverse action, then any reimbursement from the club will be similarly reduced. This includes any failure or delay in recovery by the club caused by the reinsurers (or pooling partners) making payment into blocked accounts.

**Rule 17.2(5):** Club cover for any ship will cease automatically if this is employed in any trade/voyage which will expose the club to the risk of any adverse action or if such insurance is or becomes unlawful.

### Due diligence

Under many of the sanctions, there is a defence where a party does not know, or has no reasonable cause to suspect, that its actions would infringe restrictive measures. However, to protect themselves, owners and charterers need to have proper procedures in place to identify trades or other dealings that may put them in breach and to avoid these. Such due diligence issues, including protective sanctions clauses, are discussed in an article in The Standard Bulletin: [Navigating the complex maze of sanctions](#).

### Conclusion

Sanctions have proved to be effective and are here to stay. We therefore strongly urge all of our members to ensure that their sanctions compliance procedures are up to date, robust and proactive.

The Standard Club is always on hand to assist. If members have any questions in relation to sanctions or issues arising out of this publication, they should contact their usual club contact. We have a sanctions team which includes representatives in our London, New York and Singapore offices familiar with applicable sanctions in their respective regions who can assist with members' queries.

This information is published on behalf of The Standard Club Ltd by the managers' London agents:

**Charles Taylor & Co. Limited**  
The Minster Building, 21 Mincing Lane,  
London EC3R 7AG  
Registered in England No. 02561548

Telephone: +44 20 3320 8888  
Emergency mobile: +44 7932 113573  
Email: [pandi.london@ctplc.com](mailto:pandi.london@ctplc.com)  
Website: [www.standard-club.com](http://www.standard-club.com)

Authorised and regulated by the  
Financial Conduct Authority  
FRN 785106

The information and commentary herein are not intended to amount to legal or technical advice to any person in general or about a specific case. Every effort is made to make them accurate and up to date. However, no responsibility is assumed for their accuracy nor for the views or opinions expressed, nor for any consequence of or reliance on them. You are advised to seek specific legal or technical advice from your usual advisers about any specific matter.

The Standard Club Ltd is regulated by the Bermuda Monetary Authority.