

No. 3 2014/2015 - Sanctions in Respect of Ukraine and Russia - Update

March 2014

Dear Sirs,

Sanctions in Respect of Ukraine and Russia – Update

Further to recent Notices to Members concerning the situation in Ukraine, there have been extensions to both EU and US sanctions programmes which may impact on Members.

European Union

Council Regulation 269/2014 has been amended in order to broaden the list of individuals to which EU sanctions apply. Twelve people have been added, comprising high level officials in the Russian Government and Duma who have supported the annexation of Crimea as well as some military commanders.

The full list now includes 33 individuals who are subject to freezing orders and travel bans and to whom the making of funds or economic resources is prohibited.

United States

The US authorities have designated more individuals and entities as well as issuing a further Executive Order which may potentially have significant impact.

The individuals added to OFAC's SDN list are again concentrated on the upper echelons of the Russian Government and their close associates. One entity has also been designated, Bank Rossiya.

The latest Executive Order issued on 20 March 2014 gives the US authorities wide powers to designate any individual or entity which may be determined:

“(i) to operate in such sectors of the Russian Federation economy as may be determined by the Secretary of the Treasury, in consultation with the Secretary of State, such as financial services, energy, metals and mining, engineering, and defense and related material;

(ii) to have materially assisted, sponsored, or provided financial, material, or technological support for, or goods or services to or in support of, any person whose property and interests in property are blocked pursuant to this order; or

(iii) to be owned or controlled by, or to have acted or purported to act for or on behalf of, directly or indirectly, any person whose property and interests in property are blocked pursuant to this order.”

No designations have yet been made under this latest Executive Order but there is obvious potential for a wide variety of individuals and entities to be targeted and face having their assets in the US frozen.

Further advice has been received from the Club's US advisers, Freehill, Hogan & Mahar (FHM) concerning the applicability of the measures set out in the various Executive Orders. In addition to impacting directly on those involved in the activities described, penalties including travel bans and asset freezes may also be imposed on those deemed to have provided goods or services which support the prohibited activities. This might be construed to include ocean transportation by any entity irrespective of whether they are a US person or not. The US sanctions programme would consequently seem to have a wider potential impact than hitherto believed.

Members are consequently once again strongly advised to proceed with caution when dealing with Russian or Ukrainian counterparties and to satisfy themselves that no sanctioned individual or entity is involved in the potential trade. Failure to do so may result in exposure to EU and/or US sanctions and to a loss of Club cover.

Finally, FHM have produced a Client Alert which provides a useful analysis of the current position under the US sanctions programme.

Members should contact the Managers with any questions concerning the impact of these and any other sanctions - Tony.Paulson@westpandi.com or Robert.Searle@westpandi.com.

Yours faithfully

For: **West of England Insurance Services (Luxembourg) S.A.**
(As Managers)

A Paulson
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