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Russia - new sanctions imposed in response to Ukraine crisis



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In reaction to reports of Russian armed forces moving into the Donetsk and Luhansk regions of Ukraine, there has been widespread and coordinated international action to impose sanctions on Russia.

Details are set out below but Members should be aware that this a rapidly developing situation and individual States' sanctions regimes may be subject to change (and potentially significant change) at short notice. The latest sanctions are largely confined to a limited number of entities and to trade to and from the disputed regions. It is clear however that should Russia incur further into Ukraine then much wider and far more punitive sanctions will be imposed, again potentially at short notice and with little or no wind-down periods.

Members undertaking any trade with Russia are therefore strongly advised to bear these risks in mind even if they currently do not involve sanctionable activity or trade with the disputed regions.

United States

President Biden issued a new Executive Order (EO) on 21 February 2022. A copy be found [here](#). Although at an early stage and their evaluation is continuing, the Club's U.S. attorneys Freehill Hogan and Mahar have issued a helpful Client Alert on the EO's expected impacts – please see [here](#).

In brief, U.S. persons are prohibited from engaging in a variety of activities connected with the disputed regions (Section 1). Other sections may be construed as applying more widely to non-U.S. persons and to prohibit the provision of, broadly speaking, material support to designated entities. Importantly, it might also be read to prohibit calls at the port of Mariupol. There are however exemptions for the carriage of “agricultural commodities, medicine and medical devices and transactions related to the COVID-19 pandemic” to the disputed regions and general licences have also been issued to allow, inter alia, a limited wind-down period.

Members are strongly encourage to read the Freehill's advice but for ease of reference their initial analysis of the impact on international shipping of these sanctions is as follows:

“The February 21, 2022, Executive Order is brand new, and we are continuing to assess how the prohibitions set forth in the Order may impact the international shipping community. That said, it appears at first glance that the impact of this Executive Order on international shipping may be somewhat limited. The main secondary sanctions prohibitions that may impact international shipping are set forth in sub-sections 2(a)(i) and 2(a)(iv). As set forth above, sub-section 2(a)(1) authorizes the issuance of sanctions against any person determined “to operate or have operated since the date of this order in the Covered Regions.” This sub-section could be read to prohibit calls to any ports within the Covered Regions, including but not limited to the Port of Mariupol. However, clients should also consider General License 18 concerning transactions involving agricultural commodities when assessing the sanctions risks imposed under sub-section 2(a)(i).

Likewise, sub-section 2(a)(iv) makes it sanctionable “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.” Although at this point there have been no SDN List designations pursuant to this Executive Order. However, to the extent various entities are placed on the SDN List in the future we would view the provision of ocean transportation on behalf of such entities as potentially sanctionable pursuant to sub-section 2(a)(iv), as such transportation could be deemed “material assistance.”

Allied to this latest EO, OFAC have designated a number of entities for their alleged involvement in the Russian incursion into the disputed regions. Details can be found [here](#). As per the above advice, Members are strongly advised not to engage in any activity with these entities.

European Union

The EU is reported to have agreed a package of sanctions measures in principle and details of which will be published shortly. They are said to target “the 351 lawmakers who voted in favour of the recognition, along with 27 individuals and entities who threaten Ukrainian territory and sovereignty”, reportedly including leading Russian media and business figures. Further details will be provided to Members once the detailed sanctions are published.

United Kingdom

The UK Treasury issued a Notice on 22 February 2022 (see [here](#)) designating three individuals and five financial institutions, and requiring that any assets with the control of those subject to UK jurisdiction must be frozen. These entities are:

- Gennadiy Nikolayevich Timchenko
- Boris Romanovich Rotenberg
- Igor Arkadyevich Rotenberg
- Bank Rossiya
- Black Sea Bank for Development And Reconstruction
- Joint Stock Company Genbank
- IS Bank
- Public Joint Stock Company Promsvyazbank

In addition, the Club is advised by lawyers HFW that “Chapter 1 of the UK Russia Regulations also prohibit persons subject to UK jurisdiction making economic resources directly or indirectly available to or for the benefit of a designated person. The inclusion of the wording “indirectly” makes these restrictions wide-reaching, for example the restrictions also extend to dealings with companies majority owned or controlled by asset freeze targets.”

Any Member subject to UK jurisdiction is therefore strongly advised not to engage in any activity with these entities and must freeze any assets owned by them that they may hold. In view of the Club’s London office it is likely that the Club likewise cannot engage in any activity involving these entities, including the payment of claims or the receipt of premium.

Other States

Several other individual countries have likewise imposed sanctions against Russia, including Canada and Japan. Members subject to those jurisdictions may wish to take local advice on the potential impact of those sanctions against their operations.

Members are strongly advised to include protective sanctions clauses in their charter parties when considering engaging in any trade with a sanctioned state and especially now including Russia. Those published by BIMCO are particularly recommended and details can be found on the Club’s sanctions webpage ([see here](#)).

Any Member with questions relating to this or any other sanctions matter are encouraged to contact the Managers.