

EU Sanctions against Syria

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Introduction

Members will be aware of the ongoing unrest in Syria. In response to this unrest, the European Union have introduced sanctions against Syria.

The regulations have been developed to restrict, inter alia, the following:

- The shipment of military equipment to Syria onboard any EU Member State flagged vessel or aircraft.
- The shipment of crude oil and petroleum products from Syria and the insurance and reinsurance thereof.
- The shipment of key equipment and technology for the following sectors of the oil and natural gas industries in Syria or to Syrian or Syrian-owned enterprises engaged in those sectors outside Syria (a) refining, (b) liquefied natural gas, (c) exploration, (d) production.
- To sell, supply, transfer or export equipment or technology as listed in Annex VII to be used in the construction or installation in Syria of new power plants for electricity production; the insurance of such activities is also prohibited
- The delivery of Syrian currency to the Central Bank of Syria.
- Financial enterprises, financial support for trade, the financial sector, admission and the freezing of funds and economic resources.

The provision of insurance and reinsurance to the owner of a vessel chartered by a Syrian person, entity or body is permitted provided that person, entity or body is not listed.

Syria Sanctions

Insurance Cover

Due to the applicability of the regulation there are implications for insurance cover, both P&I and H&M.

The regulations apply:

- Within EU territory
- Onboard any vessel under the jurisdiction of a Member state
- To any EU national
- To any legal person, or entity constituted under the law of an EU state (this includes most P&I clubs and their reinsurers)
- To any business done in whole or in part within the EU.

So whilst the ship, company and entire trade may have no connection to the EU whatsoever, International Group Clubs will be unable to insure the vessel for such a voyage. Even those clubs based outside the EU will be subject to the regime due to the IG pooling/reinsurance arrangements and those clubs individual reinsurance arrangements.

The Regulations

The EU has been steadily increasing the scope of the sanctions against Syria since Council Regulation (EU) No 442/2011 introduced asset freezing measures during May 2011. Various amendments to this regulation were introduced until January 2012 when it was repealed and replaced by Council Regulation (EU) No 36/2012 which will form the basis for the EU sanctions regime against Syria going forward.

To access the full text of the regulations and the latest list of designated nationals and entities please visit the HM Treasury website:

http://www.hm-treasury.gov.uk/fin_sanctions_syria.htm

Transport of Crude Oil and Petroleum Products

Article 6 (c) of Council Regulation No. 36/2012 refers to the transportation of crude oil and petroleum products and is reproduced below. Note that insurance and reinsurance of such transportation is specifically prohibited.

Article 6

It shall be prohibited:

- to import crude oil or petroleum products into the Union if they:*
 - originate in Syria; or*
 - have been exported from Syria;*
- to purchase crude oil or petroleum products which are located in or which originated in Syria;*
- to transport crude oil or petroleum products if they originate in Syria, or are being exported from Syria to any other country;*
- to provide, directly or indirectly, financing or financial assistance, including financial derivatives, as well as insurance and re-insurance, related to the prohibitions set out in points (a), (b) and (c); and*
- to participate, knowingly and intentionally, in activities whose object or effect is, directly or indirectly, to circumvent the prohibitions in point (a), (b), (c) or (d).*

Syria Sanctions Synopsis

What goods, services and entities do sanctions encompass?

- Military related goods.
- Crude oil and petroleum products.
- Goods and services that support Syria's oil production and refining industries.
- Providing services (such as shipping, banking & insurance) that supports such trade.
- Persons and companies designated under the various sanctions regimes.

Syria Sanctions

How do I know if I am in breach?

The onus is on every company to check the available information to ensure that the goods being carried and the individuals/companies you are trading with are not on these lists. The lists are available online.

How in depth must the checks be?

- Detailed records of the checks made on shippers, charterers, sub-charterers, receivers and the nature and end use of the goods should be kept.

You are expected to know your trade and trading partners. If you can show due diligence in your checks and this is accepted by the authorities you may not be sanctioned. Although the EU rules make no specific due diligence provision such a process will provide strong evidence in your favour should there be any accusation of a breach of sanctions.

You can check the latest list of designated entities and other regulations by visiting the UK Treasury website:

http://www.hm-treasury.gov.uk/fin_sanctions_syria.htm

- If you are in any doubt as to the legality of your trade you should seek expert legal advice.

What can the effect of sanctions be?

There are a range of steps that can be taken against companies and individuals including imprisonment and fines. Obviously these measures can have very serious implications for you and your company.

Will my P&I cover be affected?

There are circumstances in which cover will cease, as the sanctions extend to insurance providers. As such, some recent amendments have been made to P&I rules.

P&I Club Cover

Members will be aware that one function of the sanctions regime is to stop financial institutions, including insurance providers, from providing services to certain Syrian

entities, or to participate in certain trades, in particular the transport of petroleum products, to or from Syria.

As such the EU regulations have had a serious effect on North's ability to insure vessels involved in the transportation of Syrian crude oil or petroleum products.

These measures have led to a number of changes to the Club's rules being necessary in order to protect the Club itself from exposure to sanctions.

As such cesser of insurance provisions have been introduced to North's P&I Rules 37 and 38 that will involve the termination of a Member's or a vessel's entry, where the employment of an insured ship exposes North to the risk of being, or becoming subject to, any sanction, prohibition or adverse action.

To accompany the cesser provisions a change has been made to Rule 19 which will ensure that North will not be exposed to any sanction, prohibition, adverse action, or risk thereof, arising from the handling or payment of a claim.

Another function of the sanctions is that North's and the International Group's reinsurers will be limited in their ability to contribute to claims. As such a rule is being introduced that limits the amount recoverable by a Member from North, to the amount the Club can recover from reinsurers.

The Club's circular issued on 23 December 2010 outlines rule changes.