



MARCH 6, 2023

CIRCULAR NO. 05/23

TO MEMBERS OF THE ASSOCIATION

Dear Member:

UNITED STATES AND EUROPEAN UNION IMPOSE FURTHER SANCTIONS ON RUSSIA

Significant developments have recently taken place in regard to the application of sanctions against Russia by both the United States and the European Union.

US imposes further sanctions against Russia

On February 24, 2023, the one-year anniversary of Russia's invasion of Ukraine, the US Department of State and the US Department of Treasury's Office of Foreign Assets Control (OFAC) imposed sanctions on numerous additional individuals, entities and vessels that the US has determined are engaged in sanctions evasion. Full details can be found [here](#).

Financial Services Sanctions

OFAC designated over a dozen Russian banks and financial institutions, including:

- Credit Bank of Moscow Public Joint Stock Company
- Joint Stock Company Commercial Bank Lanta Bank
- Public Joint Stock Company Commercial Bank Metallurgical Investment Bank (Metallinvestbank)
- Public Joint Stock Company MTS Bank
- Novosibirsk Social Commercial Bank Levoberezhny Public Joint Company
- Bank Saint-Petersburg Public Joint Stock Company
- Joint Stock Commercial Bank Primorye
- SDM-Bank Public Joint Stock Company
- Public Joint Stock Company Ural Bank for Reconstruction and Development (UBRD)
- Public Joint Stock Company Bank Uralsib
- Bank Zenit Public Joint Stock Company

OFAC also issued a number of general licenses permitting certain transactions in connection with these entities:

- [General License 8F](#) (replaces GL 8E) was amended to authorize certain energy-related transactions relating to certain of the above-listed financial institutions, until 12:01 a.m. eastern daylight time on May 16, 2023.
- [General License 13D](#) (replaces GL 13C) authorizes US persons or entities owned or controlled by US persons to carry out certain transactions including paying taxes, fees or import duties and to purchase or receive permits, licenses, registrations, or certificates, that would otherwise be prohibited by Directive 4 under Executive Order 14024, until 12:01 am eastern daylight time on June 6, 2023.
- [General License 60](#) authorizes transactions “ordinarily incident and necessary” to wind down transactions involving the above listed financial institutions, until 12:01 am eastern daylight time on May 25, 2023.
- [General License 61](#) authorizes transactions “ordinarily incident and necessary” to the divestment or transfer of debt or equity of the above entities, until 12:01 am eastern daylight time on May 25, 2023.

Metals and Mining Sanctions

OFAC also issued a [determination](#) pursuant to Section 1(a)(i) of Executive Order [14024](#) “Blocking Property With Respect To Specified Harmful Foreign Activities of the Government of the Russian Federation” (E.O.14024), which enables the imposition of sanctions on individuals and entities who operate or have operated in the metals and mining sector of the Russian economy.

Pursuant to this determination, OFAC designated the following four entities:

- Joint Stock Company Burevestnik Central Scientific Research Institute
- OOO Metallurg-Tulamash
- TPZ-Rondol OOO
- Mtsenskprokat

OFAC has also issued [FAQs](#) which provide:

- The measures taken by OFAC related to the Metals and Mining Determination, i.e., that parties operating in that sector of the Russian economy can now be designated (FAQ 1114).
- The metals and mining sector includes any act or process of extracting, at the surface or underground, ores, coal, precious stones, or any other minerals or geological materials in the Russian Federation, or any act of procuring, processing, manufacturing, or refining

such geological materials, or transporting them to, from, or within the Russian Federation (see FAQ 1115).

- It does not mean that all persons who operate or have operated in the Russian metals and mining sector are sanctioned. The Determination authorises OFAC to impose sanctions on persons and entities operating or who have operated in the sector (see FAQ 1116).
- Non-US persons may be exposed to sanctions if they continue to do business with persons or entities which are blocked (i.e., designated to the SDN list) under E.O. 14024 (see FAQ 1117).

The so-called “exit tax” payment is not considered ordinarily incident and necessary to day-to-day operations in the Russian Federation and, thus, is not authorized under GL 13D. U.S. persons whose divestment will involve an “exit tax” payment may require a license from OFAC (see FAQ 1118).

EU adopts 10th package of sanctions against Russia

On February 25, 2023, the EU adopted its 10th package of sanctions against Russia. The relevant EU Regulations and Council Decisions can be found [here](#) but of particular significance for Members is [Council Regulation \(EU\) 2023/427](#) which further amends Regulation (EU) No 833/2014.

Targeted sanctions

An additional 87 individuals and 34 entities have been designated to the EU sanctions list. Full details can be found [here](#). This includes:

- Alfa-Bank, Rosbank, and Tinkoff Bank, the National Wealth Fund of the Russian Federation, and the Russian National Reinsurance Company;
- SUN Ship Management (D) Ltd, a Dubai-based ship management company which is part of PAO Sovcomflot (SCF Group), Russia’s largest shipping company;
- members of the Federation Council of the Russian Federation, senior government officials, military leaders and members of Russia’s Wagner mercenary group;
- companies manufacturing weapons for the Russian armed forces;
- “proxy authorities” in the non-government controlled areas of Ukraine; and
- Iranian nationals alleged to be involved in supplying drones to Russia for use in Ukraine.

Trade Sanctions

The following measures which are relevant to shipping have been imposed. (All references in brackets relate to EU Regulation 833/2014, as amended).

- The list of restricted items that could contribute to Russia's **military and technological enhancement**, or the development of its defense and security sector has been extended (as listed in Annex VII of amended **Article 2a**), by adding certain electronic components that are being used in Russian weapons systems, specific rare earth materials, electronic integrated circuits and thermal cameras.
- Further restrictions have been imposed on imports of goods into the EU which **generate significant revenues for Russia** (as listed in Part C of Annex XXI of amended **Article 3i**) such as bitumen, carbon and synthetic rubber. There is a wind down period for these goods until May 27, 2023 for contracts concluded before February 26, 2023. Goods falling under CN codes 2803 (carbon) and 4002 (synthetic rubber) are not subject to this wind down period and instead are subject to an import quota of 752,475 metric tons and 562,973 metric tons respectively, until June 30, 2024.
- Further bans have been imposed on the export of **critical technology and industrial goods** to Russia (as listed in Part C of Annex XXIII of amended **Article 3k**) such as electronics, specialized vehicles, machine parts, spare parts for trucks and jet engines, and goods for the construction sector which can be redirected for use by the Russian military, such as antennas, fork-lift trucks and cranes. There is a wind down provision for these goods until March 27, 2023 for contracts concluded before February 26, 2023.

Anti-circumvention measures

The EU has imposed a transit ban for dual-use goods and advanced technology via the Russian territory (amended **Article 2**). It means that these goods can no longer transit via the territory of Russia when exported from the EU to third countries.

Maritime pilot services

The EU has clarified that the prohibition on transacting with Russian state-owned entities does not apply to the provision of pilot services to vessels which are necessary for reasons of maritime safety (amended **Article 5aa**).

EU gas storage

It is prohibited to provide gas storage capacity in the EU to Russian nationals, residents, or Russian entities (**new Article 5p**). This prohibition does not apply to liquefied natural gas facilities used for storage. There is a wind down period for 'operations that are strictly necessary' in respect of contracts concluded before February 26, 2023 provided, they are terminated by March 27, 2023. It is also permitted for competent authorities of EU Member States to grant an authorization to provide storage capacity if necessary for ensuring the critical energy supply within the EU.

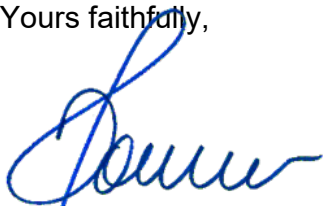
Further details of these sanctions can be found in the European Commission [Press Release](#) & [Q&A](#).

Members are reminded that EU sanctions apply in the following circumstances:

- within the territory of the EU, including its airspace
- on board any aircraft or any vessel under the jurisdiction of a Member State
- to any person inside or outside the territory of the EU who is a national of a Member State
- to any legal person, entity, or body, inside or outside the territory of the EU, which is incorporated or constituted under the law of a Member State
- to any legal person, entity, or body in respect of any business done in whole or in part within the EU.

If members have any queries about the above, please get in touch with your usual Club contact.

Yours faithfully,



Dorothea Ioannou, CEO
Shipowners Claims Bureau, Inc., Managers for
THE AMERICAN CLUB

All clubs in the International Group have issued similar circulars.