

Customer Advisory

Re: Impact of US-Russia sanctions in relation to Ukraine situation

Date: February 23, 2022

The purpose of this advisory is to update our customers regarding the developing situation in Ukraine.

Three key regulators – the United States, the United Kingdom, and the European Union – have now imposed sanctions on Russia following the country’s recognition of Ukraine’s separatist regions, Donetsk and Luhansk, as independent states.

United States (US)

On Monday, 21 February 2022, US President Biden issued an Executive Order (EO)¹ imposing an embargo on “the so-called the Donetsk People’s Republic (DNR) and Luhansk People’s Republic (LNR)”.

The embargo prohibits:

- new investment in DNR and LNR (the “Covered Regions”);
- the direct or indirect import of goods, services, or technology from the Covered Regions to the US;
- the export or reexport of services from the US or by a US person directly or indirectly to the Covered Regions; and
- the approval, financing, facilitation, or guarantee by a US person of a transaction or other business dealings by a foreign person where the transaction by that foreign person would be prohibited if performed by a US person.

The EO also provides the Office of Foreign Assets Control (OFAC), the agency with primary responsibility for implementing the EO, with authority to sanction individuals and entities that are determined to:

- operate or have operated in the Covered Regions since the effective date of the order;
- be or have been a leader, official, senior executive officer, or member of the board of directors of an entity operating in the Covered Regions;
- be owned or controlled or acted on behalf of parties subject to blocking sanctions under the EO; or
- materially assist, sponsor, or provide financial, material, or technological support for, or goods or services to or in support of parties subject to blocking sanctions under the EO.

Following the issuance of the EO, OFAC issued a series of general licenses authorizing certain limited dealings with the Covered Regions, including:

- General License No. 17², authorizing transactions that are ordinarily incident and necessary to the wind down of transactions involving the Covered Regions through March 23, 2022. Authorized transactions include the winding down of operations, contracts, or other agreements in effect prior to February 21 involving the exportation, reexportation, sale, or supply of goods, services, or technology to, or importation of any goods, services, or technology from the Covered Regions;
- General License No. 18³, authorizing certain exports of food, medicine, medical devices, and certain COVID-19 treatments to the Covered Regions;
- General License No. 19⁴, authorizing certain transactions ordinarily incident and necessary to the receipt or transmission of telecommunications;
- General License No. 20⁵, authorizing activities by certain international organizations;

¹ https://home.treasury.gov/system/files/126/20220221_eo_ukraine.pdf

² https://home.treasury.gov/system/files/126/ukraine_gl17.pdf

³ https://home.treasury.gov/system/files/126/ukraine_gl18.pdf

⁴ https://home.treasury.gov/system/files/126/ukraine_gl19.pdf

⁵ https://home.treasury.gov/system/files/126/ukraine_gl20.pdf

- General License No. 21⁶, authorizing certain personal, non-commercial remittances, and the operation, maintenance, and closure of certain personal accounts; and
- General License No. 22⁷, authorizing the export of certain services and software incident to the exchange of personal communications over the internet.

The EO authorizes the US Treasury Secretary to expand the definition of Covered Regions in response to changes in the Ukraine situation, so it is possible that the territory subject to the embargo will expand and that similar restrictions will be imposed on other regions of Ukraine as the situation develops.

United Kingdom (UK)

The Russia (Sanctions) (EU Exit) Regulations 2019 (S.I. 2019/855) were made under the Sanctions and Anti-Money Laundering Act 2018 (the Sanctions Act) and provide for the freezing of funds and economic resources of certain persons, entities or bodies involved in destabilising Ukraine or undermining or threatening the territorial integrity, sovereignty or independence of Ukraine, or obtaining a benefit from or supporting the Government of Russia⁸.

On 22 February 2022, the Foreign, Commonwealth and Development Office updated the UK Sanctions List on GOV.UK⁹.

The list provides details of those designated under regulations made under the Sanctions Act which includes five Russian banks:

1. Bank Rossiya;
2. Black Sea Bank for Development and Reconstruction;
3. Joint Stock Company Genbank;
4. IS Bank;
5. Public Joint Stock Company Promsvyazbank.

It also includes three high net-worth individuals:

1. Gennadiy Nikolayevich Timchenko;
2. Boris Romanovich Rotenberg; and
3. Igor Arkadyevich Rotenberg.

European Union (EU)

The Council of the EU issued a press release on 22 February 2022 confirming that the Union will react with sanctions against those involved in this illegal act. The Union has reiterated its unwavering support to Ukraine's independence, sovereignty and territorial integrity within its internationally recognized borders¹⁰.

The EU has decided to sanction 351 Russian lawmakers who voted to recognize Ukraine's so called 'republics'. The bloc will also punish 27 individuals and entities accused of destabilizing Ukraine, waging disinformation campaigns and providing financial support to the two occupied regions. The targets will come from the political, military, business and media sectors, and will be subject to asset freezes and travel bans, which means they will not be allowed to enter or transit through EU territory.

The new package of sanctions also limits the Russian government's access to the EU's capital and financial services markets and blocks the refinancing of Russian sovereign debt. Banks that "finance the Russian military apparatus" will also be penalized.

⁶ https://home.treasury.gov/system/files/126/ukraine_q121.pdf

⁷ https://home.treasury.gov/system/files/126/ukraine_q122.pdf

⁸ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1056386/Notice_Russia_22022022.pdf

⁹ <https://www.gov.uk/government/publications/the-uk-sanctions-list>

¹⁰ <https://www.consilium.europa.eu/en/press/press-releases/2022/02/22/ukraine-declaration-by-the-high-representative-on-behalf-of-the-european-union-on-the-decisions-of-the-russian-federation-further-undermining-ukraine-s-sovereignty-and-territorial-integrity/>

What does this mean for our customers?

We have updated our sanctions compliance systems to be able to flag the sanctioned entities and individuals as well as their associates. We recommend that customers with dealings in the Covered Regions carefully review the communications from the relevant regulators for further guidance in order to minimize any risks to their commercial operations.

In light of the above developments, we wish to inform you that for the time being, MarTrust is unable to process payment transactions to the Covered Regions.

We confirm that we are closely monitoring the situation with our maritime compliance specialists at [MCaaS](#) now busy researching the networks of the sanctioned entities/individuals/vessels and will provide an update as the situation develops. For any inquiries, please email us at compliance@marcura.com.