



May 2016

To the Members

Dear Sirs,

Syria Sanctions

Background

Both the European Union and the United States continue to apply trade sanctions against the Government of Syria and a number of designated Syrian persons and entities. This Circular provides a general overview of key sanctions that apply to trade and shipping activities in connection with Syria and related insurance activities and also describes the potential impact of certain recent developments.

EU sanctions

EU sanctions in respect of Syria have been effective since May 2011. The EU trade sanctions measures currently in force are set out in Council Regulation (EU) No 36/2012 dated 18 January 2012 as amended by Council Regulation (EU) No 168/2012 dated 27 February 2012 and Council Regulation (EU) No 509/2012 dated 15 June 2012.

The provisions most relevant to the shipping and marine insurance industries are:

- prohibitions on the sale, supply, transfer or export to or for use in Syria of certain dual-use items and chemicals, including a ban against providing, directly or indirectly, financial assistance, insurance or reinsurance related to such activities,
- a prohibition on the import, purchase and transport of crude oil and petroleum products of Syrian origin, including related financial assistance, insurance and reinsurance,
- a prohibition on the provision of key equipment and technology for use in the oil and gas industries in Syria, or to be used in the construction or installation in Syria of new power plants for electricity production,
- a prohibition on the provision of insurance and reinsurance to the state of Syria or those acting on its behalf,

L.278

STEAMSHIP MUTUAL UNDERWRITING ASSOCIATION LIMITED

Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and Prudential Regulation Authority

(Registered in England and Wales – Registration number 105461. PRA and FCA registration number 202548)

MANAGERS: STEAMSHIP P&I MANAGEMENT LLP

SPIM is an appointed representative of Steamship Insurance Management Services Limited which is authorised and regulated by the Financial Conduct Authority

(Registered in England and Wales – Registration Number OC376859. FCA registration number 597046)

AQUATICAL HOUSE 39 BELL LANE LONDON E1 7LU
Tel: +44 20 7247 5490 Website: www.steamshipmutual.com

- a prohibition on the sale, supply, transfer or export of arms and related material of all types, and of equipment that could be used for internal repression, including a prohibition on related financial assistance as well as insurance and reinsurance,
- asset freezes on a number of individuals and entities,
- an obligation for EU Member States to inspect vessels and aircraft if there are reasonable grounds to believe they carry arms, related material or equipment which might be used for internal repression. This applies in Member States' seaports, airports and in their territorial sea, in accordance with international law. Items that may not be exported from the EU to Syria must be seized,
- a prohibition on trade in goods belonging to Syria's cultural heritage which have been illegally removed from Syria,
- a prohibition on trade in gold, precious metals and diamonds with Syrian public bodies and the Central Bank of Syria,
- a prohibition on supplying banknotes and coinage to the Central Bank of Syria,
- a prohibition on export of luxury goods to Syria.

In addition, on 12 December 2014 the EU issued Regulation 1323/2014, prohibiting the sale, supply, transfer or export of jet fuel and fuel additives to any Syrian entity or for use in Syria and the insurance and reinsurance of those activities. There are very limited exceptions.

United States sanctions

The United States has also continued to apply trade and related sanctions against Syria and on Syrian persons and entities, in particular under Executive Order 13582 dated 17 August 2011. Prohibited activities include:

- making new investments in Syria,
- exporting, re-exporting, selling or supplying directly or indirectly any services to Syria,
- importing or dealing in Syrian-origin petroleum or petroleum products.

Although the US sanctions are not designed to have extraterritorial effect on non-US persons, Executive Order 13582 provides for the blocking of property located in the US of any person (including non-US persons) who is determined to:

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

The term “materially” is not defined and is determined in each case.

STEAMSHIP MUTUAL UNDERWRITING ASSOCIATION LIMITED

Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and Prudential Regulation Authority
(Registered in England and Wales – Registration number 105461. PRA and FCA registration number 202548)

MANAGERS: STEAMSHIP P&I MANAGEMENT LLP

SPIM is an appointed representative of Steamship Insurance Management Services Limited which is authorised and regulated by the Financial Conduct Authority
(Registered in England and Wales – Registration Number OC376859. FCA registration number 597046)
AQUATICAL HOUSE 39 BELL LANE LONDON E1 7LU
Tel: +44 20 7247 5490 Website: www.steamshipmutual.com

Developments

During 2015 the US Office of Foreign Assets Control (“OFAC”) designated a number of Syrian entities involved in maritime commerce and US persons are consequently prohibited from undertaking trade with these entities. These were:

- General Directorate of Syrian Ports
- Lattakia Port General Company
- Tartous Port General Company
- Syrian General Authority for Maritime Transport
- Syrian General Shipping Agencies Company (“Shipco”)
- Syrian Chamber of Commerce.

In addition OFAC designated eight other (non-US) entities and seven vessels because they had been determined to be materially assisting the Syrian Government by the delivery to them of LPG and gas oil cargoes. These were delivered via the port of Baniyas, which OFAC described as a “government-controlled port”.

In light of these designations it is clear that LPG and gas oil cargoes being carried to Syria will be subject to close scrutiny by the sanctions regulators because of their concerns that these cargoes often end up with the Syrian Government. Members are therefore strongly advised to conduct appropriate due diligence when offered such cargoes in order to satisfy themselves of the true identity of the intended receiver and end user of the cargo.

It should also be noted that the Syrian Company for Oil Transport (“SCOT”) is the main operator of the pipeline networks which serve ships discharging at Baniyas. SCOT is a designated entity under both EU and US sanctions and any payments to SCOT would potentially be a breach of those sanctions. Members are advised to ensure when using Baniyas that no payments to SCOT are made by them, either by way of a specific charge or inclusion in general port dues.

Finally, Members are reminded that US banks and US dollars cannot be used to process any payments relating to Syria. Recent experience shows that many non-US banks are also reluctant to process transactions in any currency which involve Syria.

While the current trade sanctions and designations of Syrian persons and entities remain in force, Members considering trade to and from Syria are advised to contact the Managers for further advice. In any event however Members intending to fix voyages to or from Syria should perform appropriate levels of due diligence on all parties, including shippers, receivers and their principals and take steps to mitigate the risk of charterparties offending sanctions law.

All clubs in the International Group have issued a similarly worded Circular.

Yours faithfully,

**STEAMSHIP MUTUAL UNDERWRITING
ASSOCIATION LIMITED**

STEAMSHIP MUTUAL UNDERWRITING ASSOCIATION LIMITED

Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and Prudential Regulation Authority
(Registered in England and Wales – Registration number 105461. PRA and FCA registration number 202548)

MANAGERS: STEAMSHIP P&I MANAGEMENT LLP

SPIM is an appointed representative of Steamship Insurance Management Services Limited which is authorised and regulated by the Financial Conduct Authority
(Registered in England and Wales – Registration Number OC376859. FCA registration number 597046)
AQUATICAL HOUSE 39 BELL LANE LONDON E1 7LU
Tel: +44 20 7247 5490 Website: www.steamshipmutual.com