Circular Ref: ALCO 2022/0010
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Sanctions Risk - Member's obligations of due diligence

Since the outbreak of the war between Russia and Ukraine on February 24th of this year, many countries led by the United States have imposed varying degrees of economic sanctions on Russia. Members might be sanctioned by relevant countries / entities, while entering into an international trade / Charter parties with parties that may be involved in sanctions, and may trigger the sanctions clause in terms of policy, resulting in the losing of the cover therefore. As a result, many international P&I clubs and insurance service providers have issued circulars to remind members (the insured) to carefully review and earnestly fulfill the due diligence responsibilities of members (the insured) before entering into various contracts and / or charter parties. We have received questions about how to conduct due diligence from our daily contact with members, along with the public information of the international P&I club and our work experience, offer the following for our member's reference only:

- For US sanctions, it is recommended to check on the official website of the office of overseas assets control (OFAC) of the US Treasury:
  - Check the entities (including companies and individuals) on SDN List: https://sanctionssearch.ofac.treas.gov/Default.aspx
  - FQ&A on The United State sanction: https://home.treasury.gov/policy-issues/financial-sanctions/faqs#iraneo

- For the EU sanction, it is recommended to check from following EU websites:
  - Check on the Sanction means and consultation of EU: https://ec.europa.eu/info/business-economy-euro/banking-and-finance/international-relations/restrictive-measures-sanctions_en
  - EU Sanction map: https://www.sanctionsmap.eu/#/main
  - FQ&A on the sanction of EU: https://eeas.europa.eu/archives/docs/cfsp/sanctions/docs/frequently_asked_questions_en.pdf

- For US sanctions, it is recommended to check on the below website:
  - Overview of UK sanction: https://www.gov.uk/government/collections/uk-sanctions-regimes-under-the-sanctions-act
  - List of all asset freeze targets of UK: https://www.gov.uk/government/publications/financial-sanctions-consolidated-list-of-targets
  - Current list of designated person of Russia: https://www.gov.uk/government/publications/financial-sanctions-ukraine-sovereignty-and-territorial-integrity

In addition to the above investigation channel in public, on the basis that members have completed due diligence sanction check, members can also fill in the due diligence questionnaire and submit to the P&I Club or insurance provider to apply for assistance in investigating, whether the above sanctions risks are involved. However, additional expenses may be incurred during and the members shall bear the investigation costs themselves.

Furthermore, we have collected the following investigation institutions, which were recommended by the P&I Club or directly cooperated with us in the past, including but not limited to international credit investigation companies, international law firms, etc. If assistance is required, members can contact us directly or contact us to assist in providing due diligence report in charges from the third service provider.

- World Check: https://solutions.refinitiv.com/world-check-kyc-screening/
- Dow Jones: https://www.dowjones.com/professional/risk/sanctions-compliance/
- Reed Smith LLP: https://www.reedsmith.com/zh-Hans
- Teptoe & Johnson LLP: www.steptoe.com/en/
- Hal Eren: https://erenlaw.com/lawyers/hal-eren-2/
- LSR Services: https://www.lsrservices.org/
- Infospectrum: https://www.infospectrum.net/
- Dynamar: https://www.dynamar.com/
- Gray Page: https://www.graypage.com/

Hereby, we remind members that, due to the continuous changes and adjustments of sanctions policies, and various factors involved in sanctions, and the internal ownership structure of sanctioned individuals or enterprises, the interest subordination is not completely transparent, please take note that even if due diligence is carried out, the existence of factors that may trigger the risk of sanctions cannot be completely ruled out.

The above information for our member's reference only, at the same time, we remind our client that if the sanction clause was triggered, the cover under the policy will automatically be prejudiced. Please feel free to contact us if you have any inquiry.

Source of Information: ALCO Claims Department www.andrewliu.com.hk