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BLOG

OFAC Restores Shipping Company to Life

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On September 24, 2019, the U.S. Department of the Treasury's Office of Foreign Assets Control removed Lima Shipping Corporation and its tank vessel, the motor tanker NEW HELLAS, from OFAC's Specially Designated Nationals list. The delisting will enable the Lima to return to work and restore the vessel to full operations without delay.

The designation had occurred after the charterer of the NEW HELLAS ordered the vessel to deliver a cargo of crude oil from Venezuela to Cuba in March 2019. OFAC subsequently designated Lima and the NEW HELLAS as SDNs on April 12, 2019 for their involvement in the Venezuelan oil trade, notwithstanding the lack of any U.S. connection. The designation as SDNs imposed a virtual commercial "death sentence" for both the Lima and the vessel, because registries, insurers, classification societies, fuel providers, and the myriad other entities required to support a vessel in operation would not transact business with Lima or its vessel, from fear of also being designated as SDNs.

Beginning immediately after the designation, Lima engaged with OFAC to provide assurances that it would refuse further engagement with the Venezuelan state-owned oil company Petroleos de Venezuela SA, and would continue to operate with full transparency. While SDN de listings can frequently take a year or more, commitments from Lima and its transparency with regard to vessel movements and operations enabled Lima to obtain the relatively timely delisting. The delisting has cleared the vessel to reengage in the stream of maritime commerce.

So far, 2019 has shown enhanced trade sanctions controls for both the maritime and international trade industries. Recent OFAC and United Nations advisories detail heightened compliance standards that present significantly increased risks of adverse regulatory action in various sectors of the maritime supply chain. Those advisories make clear that entities with a U.S. nexus are exposed to significant monetary penalties for infractions. However, they also showed the greatly increased threat to entities with no U.S. nexus of potential exposure to secondary sanctions – that is, designation as an SDN because of contact with an existing SDN – particularly where Cuba, Venezuela, or Iran are involved in the underlying transaction. Therefore, shipping companies, insurers, vessel owners, managers, and operators, and other relevant persons would be well-advised to establish appropriate procedures and controls to avoid exposure to U.S. or international sanctions. If you have any questions about compliance controls, please contact one of the attorneys listed below or your usual Winston & Strawn contact.

2 Min Read

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