

Ref:2020/3

TO: ALL MEMBERS

August, 2020

## SANCTIONS

As Members will be aware the issue of sanctions has potentially very wide ranging and serious consequences. Attention is drawn to the Association's Practice Recommendation 9 summarising various factors relevant to the operation of the Association's cover.

### Practice Recommendation 9

*Compliance with international sanctions and other mandatory legislation.*

*Members will be aware that at various times governmental or other supranational bodies introduce sanctions or other types of legislation which impact on the ability of Members and others to conduct business or trade to particular areas or countries. This has particularly been the case recently in respect of the UN, US and the EU which have introduced various sanctions regimes affecting business and trading relations with a number of countries including Iran, Syria, Libya and Venezuela.*

*Members are reminded under Rule 3(4)(b) of the Association's Rules, the reasonableness of a Member's conduct is one of the factors which the Directors may take into account when considering the extent to which the Association can support the costs of a case.*

*In addition Members are reminded that under Rule 4(2) any costs arising out of or consequent upon an Entered Ship carrying contraband, blockade running or being employed in any unlawful trade are expressly excluded from the Association's cover unless and to the extent that the Directors in their discretion otherwise decide.*

*Under proviso (b) to Rule 2, the Association's cover is premised on the basis that there will be no recovery of any costs which could risk the Association being or becoming subject to any sanction or prohibition. Rule 17(3) also provides that the cover may be suspended until further notice or may be terminated immediately where the Association determines that it is exposed to the risk of secondary sanctions as a result of an entered ship being employed in a sanctionable trade.*

*If an entered ship or Member is named as a sanctioned entity, for example as a Specially Designated National by the US Office of Foreign Assets Control, it is likely that cover will be immediately suspended or terminated.*

*It is important that Members undertake due and proper enquiries before entering into transactions, voyages or other arrangements that may potentially be affected by any governmental or supranational legislation including sanctions, as claims that arise subsequently may not be recoverable from the Association.”*

Should you have any questions please do not hesitate to contact the Managers.

Yours faithfully,

**THOMAS MILLER DEFENCE LTD.**

Managers

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