

**Kobre & Kim's Cross-Border
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Mitigating Cyprus-Tied Shipping Companies' Exposure to Western Sanctions

Sanctions against Russia have increasingly targeted the global shipping and maritime industry as the U.S., UK, EU, and other allied governments seek to enforce its crude oil price cap more aggressively. With Russian crude exports on the rise, individuals and businesses with ties to the global shipping and maritime industry could find themselves exposed to the widening sphere of Western sanctions. Below, we explain how individuals and businesses can mitigate potential risks.

Sanctions against Russia have increasingly targeted the global shipping and maritime industry as the U.S., UK, EU, and other allied governments seek to enforce its crude oil price cap more aggressively. Earlier in 2024, the U.S. announced new sanctions that targeted Russia's leading tanker group, Sovcomflot, adding to the more than 40 vessels sanctioned since October 2023.

With Russian crude exports on the rise, individuals and businesses with ties to the global shipping and maritime industry – particularly Greek and Cyprus-based companies – could find themselves exposed to the widening sphere of Western sanctions, even if any connections to Russian oil are tenuous or even merely alleged. These parties, including their network of personal advisors, should consider taking pre-emptive and proactive steps to mitigate potential exposure and protect their legitimate business interests.

The Russia Crude Oil Price Cap Coalition

The U.S., UK, and EU are part of an international coalition of countries, including the G7 and Australia, that have agreed to prohibit the import of crude oil and petroleum products from Russia. Additionally, they have agreed to restrict a broad range of services related to the maritime transport of Russian oil—unless that oil is brought and sold below a price set by the coalition.

The price cap is intended to maintain oil supply to the global market while reducing the oil revenues Russia earns. Participating countries have enforced the price cap with financial penalties and sanction designations, which can have devastating consequences.

For example, sanctions issued by the U.S. Office of Foreign Assets Control (OFAC) mean that all property in the U.S. become blocked (i.e. frozen), as are any entities directly or indirectly owned by the designated person. All transactions within the U.S. are also prohibited, essentially ending the use of dollar-denominated transactions by designated entities.

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Mitigating Sanctions Exposure

At-risk individuals and businesses with ties to the Cypriot shipping industry and their advisors may be able to mitigate potential risks they face if they act early and decisively:

1. **Perform a Sanctions Risk Assessment and Identify Bad Actors.** Those at risk should proactively identify where a potential sanctions designation might come from. This includes the authorities most aggressively deploying sanctions – including the United States, the United Kingdom, and the European Union. These authorities can designate individuals and entities in a process lacking transparency and the protections found in normal judicial proceedings. Certain officials, advocacy groups, or private individuals may also use to increase the likelihood that a particular designation decision is made against an adversary for commercial or political purposes. It is critical to closely monitor media coverage for any articles highlighting your business, as they could ultimately be used by governments as a justification to open an investigation, take enforcement action, or even impose sanctions. Those at risk can respond by correcting the factual record publicly and with the appropriate authorities.
2. **Compile Evidence to Establish the Independence of Key Entities.** Governments often only have access to incomplete public-source information when making sanctions decisions. At-risk entities, individuals, and their advisors can proactively prepare a factual narrative explaining that certain business entities or activities are not connected to individuals or entities otherwise targeted or designated by governments.
3. **Potential Litigation Strategies.** In certain scenarios, launching targeted legal proceedings in key jurisdictions can also support key objectives, for example, by asking a court to affirm the legitimacy of offshore trusts or other asset structures where ties to a sanctioned entity are alleged.

As Russia works to identify new ways to attempt to circumvent the price cap, the U.S., UK, EU, and other countries are likely to become more aggressive in issuing sanctions. These risks could come from sanctioning authorities and commercial counterparties or business rivals who seek to take advantage through the spread of misinformation. It is prudent for at-risk individuals and businesses to explore affirmative steps now to protect themselves from potentially devastating consequences.

About Kobre & Kim

Kobre & Kim is a global law firm focusing on cross-border disputes and investigations, often involving fraud and misconduct.

To preserve the assets, liberty and reputation of ultra-high-net-worth individuals with global business interests, our team:

- Provides offensive and defensive cross-border litigation and crisis management strategies in court and out-of-court;
- Collaborates closely with its non-law firm affiliate in Cyprus dedicated to providing navigation, coordination and trusted tailored local resources to clients with Cyprus-specific interests;
- Brings together roughly a dozen former U.S. and UK government lawyers across Asia, EMEA and the U.S., including former prosecutors from the U.S. Department of Justice (DOJ) and UK Serious Fraud Office (SFO);
- Takes a multidimensional approach to UHNWI-focused disputes investigations to resolve business disputes and regulatory investigations, trace and recover misappropriated funds, defend against asset attacks, and acquire and strategically deploy information to provide UHNWIs with a commercial advantage in their disputes and investigations.