

ASSET FREEZE

Navigating sanctions against Russia: Sailing into troubled waters

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The international sanctions imposed against Russia for its invasion of Ukraine, sparking the biggest humanitarian crises in Europe since the Second World War, are evolving as rapidly as the impact of the war itself. These sanctions are a response by Europe and other countries in the absence of any other responses from the United Nations other than a rebuke.

In an emergency special session of the UN General Assembly in New York on 2 March 2022, the 193-member assembly adopted a resolution that condemned 'in the strongest terms' the superpower's aggression against Ukraine

in an overwhelming 141-5 vote that signalled Russia's growing diplomatic isolation. The five countries that voted against it were Russia, Belarus, Syria, North Korea and Eritrea, with 35 abstentions. The resolution demanded 'that the Russian Federation immediately, completely, and unconditionally withdraw all of its military forces from the territory of Ukraine within its internationally recognized borders.' This followed a similar resolution a week earlier where Russia exercised its veto at the 15-member Security Council.

In this vacuum of any meaningful response from the UN, the international

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community announced waves of punitive measures against Russia for its invasion, aimed at isolating and exerting pressure on its economy. Rushed, historical multilateral cooperation, involving the United States, along with Allies and partners, imposed a wide range of financial sanctions and stringent export controls on top of those imposed as a result of Russia's Crimea annexation in 2014. These now include bans on the Russian energy sector investments, luxury goods exports and imports of steel products from Russia. Targeted sanctions against the powerful Russian oligarchs that wield great financial control and influence over the Russian

Individual					
Gennady Timchenko (\$15.3B)	Asset Freeze (2014)	Asset Freeze 28 February	Asset Freeze 22 February	Asset Freeze (2014)	Asset Freeze 8 March
Alisher Usmanov (\$5.1B)	Asset Freeze 3 March	Asset Freeze 28 February	Asset Freeze 3 March	Asset Freeze 10 March	Asset Freeze 8 March
Alexey Mordaschov (\$13.6B)		Asset Freeze 28 February			
Mikhail Fridman (\$12.3B)		Asset Freeze 28 February			
Andrey Melnichenko (\$11.4B)		Asset Freeze 9 March			
Roman Abramovich (\$7.9B)			Asset Freeze 10 March	Asset Freeze 10 March	
Andrei Guriev (\$4.8B)		Asset Freeze 9 March			
Pyotr Aven (\$4.7B) ⁶		Asset Freeze 28 February			
Viktor Vekselberg (\$5.9B)	Asset Freeze (2018; 11 March) <i>designated by the US on April 6, 2018</i>				
Suleiman Kerimov (\$4.9B)	Asset Freeze (2018)				
Arkady Rotenberg ⁷ (\$2.9B)	Asset Freeze (2014)	Asset Freeze (2014)	Asset Freeze (2014)	Asset Freeze (2014)	
Oleg Deripaska (\$1.7B)	Asset Freeze (2018)		Asset Freeze 10 March	Asset Freeze 6 March	

Source: ACAMS (available at <https://www.acams.org/en/media/document/26981>)

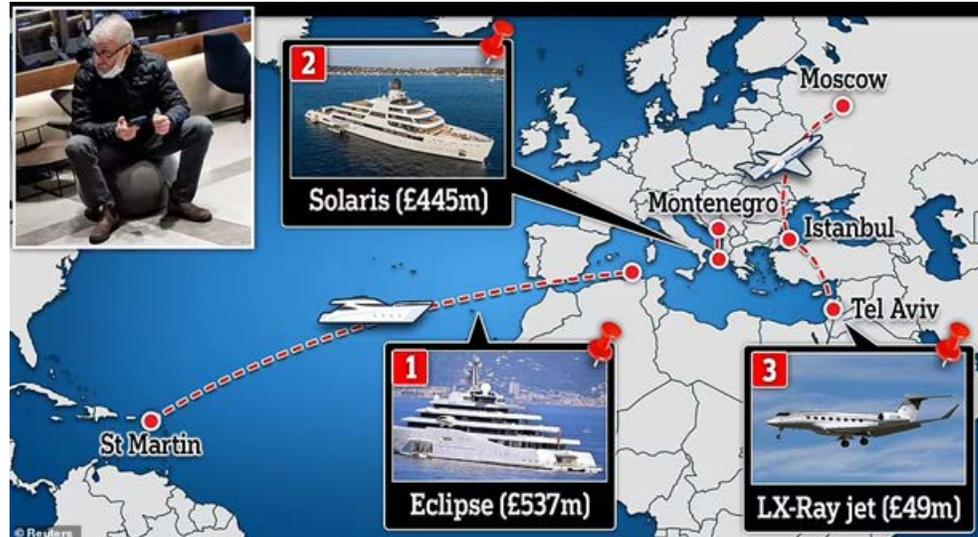
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economy were announced, thereby focusing a lens on their most visible sign of their wealth – luxury yachts (or superyachts as they are known) – now subject to an asset freeze on Russia's wealthiest and most influential oligarchs.

Designation and an asset freeze on these individuals mean that they are denied access to all their assets and funds, meaning no citizen or company can do business with them. Further, subject to legal processes, these assets can also be seized. But states are typically reluctant to seize vessels because it tends to become an onerous undertaking – the vessel needs a safe and secure berth which it may occupy indefinitely and will require essential maintenance to keep it operational and prevent it from sinking at its moorings, thereby creating a navigational hazard in the process – so the preferred option is usually to simply deny port access. These seizures therefore demonstrate a remarkably firm and resolute commitment to the punitive sanctions imposed in response to Russia's invasion of the Ukraine.

Subsequently, superyachts are now firmly in the sights of the multilateral coalition countries because of their uniqueness and relative notoriety for shamelessly flaunting the wealth of their owners. Roman Abramovich, accused of being Putin's 'money man', has reportedly hastily dispatched his two superyachts, the *Solaris* and *Eclipse*, (worth an estimated €1.2 billion), to Turkish waters to avoid seizure. This after heading for Montenegro initially where authorities were instructed to seize the *Solaris*, and the *Eclipse* departing the island of St Maarten in the Caribbean – part of the EU – and thus liable to be seized in port. The asset freeze also extends to private jets – Roman Abramovich's €59 million Gulfstream jet, unable to risk making international trips, has returned to Moscow indefinitely to prevent seizure.

In other such cases, Italian authorities seized one of the world's biggest sailing yachts



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in the port of Trieste, the *Sailing Yacht A* (worth about €530 million) – sailing under the Bermuda flag – owned by the Russian oligarch Andrey Melnichenko. In addition, he owns a €287 million luxury yacht – also under the Bermuda flag. Italian authorities also seized a number of villas and yachts worth €143 million from another five Russians placed on the EU sanctions list. One of Alexei Mordashov's yachts, the *Nord* (worth €450 million), escaped the net because it was in the Seychelles, where EU and US sanctions do not apply.

Spanish authorities seized the yacht of Sergei Chemezov (a former KGB officer), the *Valerie* (worth €127 million), moored in Barcelona. Authorities in France seized the luxury yacht *Amore Vero* (worth €120 million), in a shipyard near Marseille undergoing repairs. Another oligarch's superyacht, the *Ragnar*, is stranded in the port of Narvik in Norway because it has been denied fuel. When vessels are subject to sanctions measures and asset freeze, they can be denied port services, entry to ports and financial services such as insurance and re-insurance. One sticky point are vessels that have a mortgage at the time of the listing.

Lastly, one of the world's biggest superyachts, the *Scheherazade* (worth €633 million), currently moored in Marina di Carrara, Italy,

is being detained pending an investigation by Italian authorities as to its beneficial owner based on intelligence that is owned by or operated on behalf of Vladimir Putin. Presently, there is no public information identifying the vessel's beneficial owner – only an offshore shell company. The vessel is registered in the Cayman Islands. Reportedly, the Russian President holds little of his wealth in his own name – strategically using boats and homes that are ostensibly owned by Russian oligarchs.

No doubt more luxury assets will be subject to asset freezes as investigators try to stay ahead of Russian oligarchs and officials as they frantically attempt to hide their treasures – the list of individuals and assets linked to sanctions violations or international money laundering is likely to grow and persist long after the war in Ukraine reaches a conclusion, regardless of the outcome – this is only the beginning. The next phase of the sanctions, following a ban on new investments across the Russian energy sector – as part of the EU's fourth package of sanctions – may move on to an embargo of exports of major Russian oil and gas companies. In this scenario, the focus will shift to the more than 600 vessels associated with carrying Russian oil and oil products – a nightmare for the shipping industry worldwide!