

Title	Iran, Syria, Crimea, Cuba, Sudan, and North Korea settlements
Purpose	To inform the Market of the processing requirements of Central Settlement for certain sanctioned territories and to replace Market Bulletin Y5057
Type	Event
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Deadline	Effective Immediately

Related links

Background

This Market Bulletin replaces Market Bulletin Y5057 following further sanctions against North Korea and clarification on what is permitted under the US Office of Foreign Asset Control's (OFAC) general licence relating to Sudan.

1. Business involving Iran, Syria, and Crimea

Transactions (premium, claims and other sums) relating to Iran, Syria, or Crimea can only be processed through Central Settlement if they are settled in GBP. Managing agents and brokers must ensure that such transactions are **denominated in GBP** when sent to Xchanging for processing through Central Settlement.

Transactions for other settlement currencies (except for USD, which remains prohibited due to the broad US sanctions regime in place for these territories) will

have to be settled outside of Central Settlement (directly between the managing agent and the broker), although Xchanging has indicated that it is able to perform the “non-cash” processing element. Xchanging will be providing further detailed guidance to the Market covering the processing of these transactions and other compliance requirements.

2. Business involving Cuba

Xchanging has indicated that it is unable to process any Cuban business (either cash or non-cash) and, therefore, transactions in all currencies (excluding USD, which is prohibited) will have to be processed and settled directly between the managing agent and the broker without involving Xchanging and Central Settlement.

3. Business involving Sudan

On 17 January 2017, OFAC General License (31 CFR 538.540) ("General License .540") came into force pursuant to the US Sudanese Sanctions Regulations. General License .540 authorises many transactions previously prohibited for US persons including the processing of transactions involving persons in Sudan (except persons designated under other US sanctions programs including the Darfur, terrorism, narcotics trafficking or weapons proliferation programmes) and the importation or exportation of goods and services from/to Sudan. Therefore processing transactions in USD and via US banks generally is authorised by General License .540 and will be processed by Xchanging regardless of currency (subject to compliance with the terms of General License .540 and other OFAC sanctions). Financial transactions with the Government of Sudan also are authorised pursuant to the general licence set forth in 31 CFR 596.503 of the OFAC's Terrorism List Governments sanctions regulations, which continue to apply because Sudan remains designated as a state sponsor of terrorism. Any future changes to General License .540 will be communicated to the Market.

General License .540 authorises the processing (by Xchanging) of transactions relating to a Specially Designated National (SDN) that only appears on the Sudan sanctions programme. An SDN that appears on any other OFAC programme (i.e. South Sudan programme and Darfur programme) is not covered by General License .540 and US persons continue to be prohibited from dealing with these SDNs. In addition, other applicable provisions of law, including the Export Administration Regulations remain unchanged for Sudan.

4. Business involving North Korea

In November 2016, the UN imposed new sanctions on North Korea under United Nations Security Council Resolution 2321 (UNSCR 2321). These restrictions were implemented into EU legislation by Council Regulation (EU) 2017/330 ("The Regulation") (amending Regulation (EC) No 329/2007, with effect from 27 February 2017). The Regulation prohibits the financing or financial assistance for trade with

North Korea, including insurance to all natural or legal persons, entities and bodies involved in such trade.

This is a wide prohibition applying to (re)insurance of any class of business for, or relating to, trade with North Korea (whether the (re)insured is North Korean or from a third country) and for risks both within and outside North Korea. Therefore, this restriction could apply if a risk has any connection to trade with, or a location in, North Korea.

Furthermore, even where a risk under a (re)insurance contract may not itself be directly related to trade with North Korea but the (re)insured or related parties conduct significant trade with North Korea (e.g. a property risk for a Chinese manufacturer which exports to North Korea), this prohibition could apply. Any such risks falling into this category should be carefully considered as to whether the (re)insurance provided may contravene the terms of the prohibition.

Therefore, any (re)insurance of trade with, for, or relating to North Korea that is identified, no matter the location of the (re)insured, is prohibited and will not be processed by Xchanging (either cash or non-cash), no matter the currency.

5. Lloyd's Asia (Singapore) / Lloyd's Insurance Company China Ltd ("LICCL")

The Market is reminded (in line with previous advice in 2016) that service companies participating in Lloyd's International Shared Services ("LISS") and all Underwriting Divisions of Lloyd's China cannot process any transactions relating to Iran, Syria, Crimea, Cuba or North Korea, irrespective of currency. Please refer to the guidance issued by Lloyd's Asia and LICCL for further details.

6. Designated Parties ("DP")

Xchanging will not process (cash or non-cash) transactions involving DPs on the following lists:

- Consolidated United Nations Security Council Sanctions List – individuals and entities subject to sanctions measures imposed by the UN;
- Consolidated list of persons, groups and entities subject to EU financial sanctions – asset freeze targets and persons subject to restrictive measures imposed by the European Union;
- Consolidated list of financial sanctions targets in the UK – asset freeze targets and persons subject to restrictive measures imposed by the UK;
- US Office of Foreign Assets Control ("OFAC") Specially Designated Nationals ("SDN") and Blocked Persons List. NB: this does not include entities that are on OFAC's Sectoral Sanctions Identification List ("SSI").

7. Ongoing responsibility

Compliance Officers at managing agents and brokers must ensure that all relevant staff, including all underwriting and claims staff, are made aware of, and adhere to, this Market Bulletin.

The responsibility of managing agents and brokers to ensure that they comply with applicable international sanctions legislation remains unchanged. Managing agents and brokers intending to undertake transactions involving Iran, Cuba, Syria or Crimea must comply with all applicable sanctions, must not involve US persons (including not using USD) and should discuss with their banks their ability to process payments connected to such business.

Further information

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