

UN, US Latest Sanction Focus on Shipping Industry

On 14 May, the U.S. Treasury Department, along with the State Department and the Coast Guard issued a global advisory to alert the maritime industry and those active in the energy and metals sectors to deceptive shipping practices used to evade U.S. economic sanctions, with a focus on Iran, DPRK (Democratic People's Republic of Korea), and Syria.

Earlier this year, the United Nations (UN) Security Council has released the 2019/2020 UN Panel of Experts of North Korea Sanctions Report. The report accuses DPRK of increasing illegal coal exports, imports of petroleum products and continuing with cyber-attacks on financial institutions and cryptocurrency exchanges to gain illicit revenue. Maritime activities have been identified as facilitating this revenue stream for DPRK.

This Circular is intended to bring this to your attention.

The U.S. Sanctions Advisory for the Shipping Industry

The new advisory titled "Guidance to Address Illicit Shipping and Sanctions Evasion Practices" was built on prior shipping guidance issued by OFAC. According to the advisory, approximately 90 percent of global trade involves maritime transportation and "malign actors" are always seeking novel ways to exploit global supply chains to their benefit.

The advisory encourages entities and individuals operating near or in areas they determine to be high-risk including those that trade in crude oil, refined petroleum, petrochemicals, steel, iron, aluminum, copper, sand, and coal to review the advisory and take appropriate action as deemed necessary or advisable.

In addition, the advisory identifies and addresses the following deceptive shipping practices, noting that those in the industry must be vigilant against these tactics and should exercise heightened due diligence, as necessary:

- Disabling or manipulating the Automatic Identification System (AIS) on vessels
- Physically altering vessel identification;
- Falsifying cargo and vessel documents;
- Ship-to-Ship (STS) transfers;
- Voyage irregularities;
- False flags and flag hopping; and
- Complex ownership and management.

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Furthermore, the advisory details best practices that may assist in more effectively identifying potential sanctions evasion. These practices are:

- Institutionalize sanctions compliance programs;
- Establish AIS best practices and contractual requirements;
- Monitor ships throughout the entire transaction lifecycle;
- Know your customer and counterparty;
- Exercise supply chain due diligence;
- Contractual language; and
- Industry information sharing.

The full content of the advisory can be read at: https://www.treasury.gov/resource-center/sanctions/Programs/Documents/05142020_global_advisory_v1.pdf

The 2019/2020 UN Panel of Experts of North Korea Sanctions Report

The UN Report noted that the DPRK has continued to make profit for its ballistic missile programme through the illicit import of refined petroleum and export of commodities. Stringent sanctions measures have therefore remained in force.

The report outlines the main areas of activity deployed by the DPRK to circumvent security council resolutions. New methods of sanctions evasion identified by the panel include:

- The export of banned commodities transported on self-propelled barges over 100 in length undertaking ocean-going voyages;
- The use of larger Non-DPRK flagged bulk carriers to deliver coal from DPRK-flagged vessels as opposed to the transfer of coal to smaller, lighter vessels for delivery; and
- The suspected acquisition by the DPRK of a bulk carrier, destined for scrap, to illicitly export coal.

In addition, vessels associated with the transshipment of banned commodities originating in the country have called at more ports along the Chinese coast, as reported by a Member State.

The full content of the report can be read at: <https://undocs.org/S/2020/151>

OUR RECOMMENDATION

Both UN and the U.S. authorities have delivered the message that the shipping industry have become their recent focus and the relevant authorities are monitoring vessel movements closely with satellites and other resources. It is also made clear that whilst suspicious activity is investigated, vessels may be subject to search and detained at ports.

We expect this trend to continue in the near term. Shipowners, especially those in the high-risk areas, are strongly advised to proceed with extreme caution and exercise the fullest due diligence to ensure that they are not at risk of breaching sanction and that that they do not knowingly or inadvertently perform prohibited activities with Iranian, North Korean and Syrian entities, including but not limited to STS operations.

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QUESTIONS?

Should you have any questions following this information, please do not hesitate to contact us.

ABOUT EF MARINE

EF Marine provides Fixed Premium P&I solutions to Shipowners, Charterers and MultiModal operators.

EF Marine has a global client base and offices in Singapore and Rotterdam. EF Marine provides 'AA-' rated security from Swiss Re Corporate Solutions with limits up to USD 500m. Through our partnership with Swiss Re Corporate Solutions we provide our clients with first class security combined with EF Marine's extensive knowledge of the P&I market.

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