

U.S. GOVERNMENT ISSUES GUIDANCE TO GLOBAL MARITIME SERVICE PROVIDERS REGARDING ILLICIT SHIPPING AND SANCTION PRACTICES



Dear Valued Member,

The United States' Office of Foreign Assets Control, the United States' Department of State and the U.S. Coast Guard have issued a joint guidance for persons involved in the maritime industry, regarding common deceptive shipping practices used to subvert U.S. and United Nations sanctions programs targeting Iran, North Korea and Syria.

The guidance highlights certain deceptive practices employed in maritime activity that could signal sanctions evasion. The guidance also contains specific measures that the maritime industry and energy and metals sectors can take to tailor their sanctions compliance programs to avoid sanctions violations or otherwise supporting illicit shipping activities.

Key points of note, of activities deemed illicit include (but are not limited to):

- Physically altering vessel identification to obscure the identities of sanctioned vessels or vessels engaging in sanctionable activities.
- Ship-to-Ship (STS) Transfers used to conceal origin/destination of products.
- Falsifying cargo and vessel documents, particularly with respect to shipments involving petrochemicals, petroleum, petroleum products, metals (steel, iron) or sand to disguise their origin.
- Use of complex ownership or management to disguise the ultimate beneficial owner of cargo or commodities in order to avoid sanctions or other enforcement actions.

The Guidance also highlights, and provides details regarding, practices for effective identification of potential sanctions evasion; these include:

- Monitoring ships throughout the entire transaction lifecycle, including through supplementing AIS with Long Range Identification and Tracking (LRIT) and receiving periodic LRIT signals on a frequency informed by the entity's risk assessment.
- Exercising supply chain due diligence, including, as appropriate, conducting due diligence to ensure that recipients and counterparties to a transaction are not sending or receiving commodities that may trigger sanctions, such as Iranian petroleum or North Korea-origin coal, and implementing controls that allow for verification-of-origin and recipient checks for ships that conduct STS transfers.
- Conducting "Know Your Customer" due diligence on customers and counterparties, which could include "maintaining the names, passport ID numbers, address(es), phone number(s), email address(es), and copies of photo identification of each customer's beneficial owner(s)."