



IUMI
International
Union of
Marine Insurance

New OFAC Maritime Advisory

Leonard Frady, Sanctions Compliance Officer,
Office of Foreign Assets Control

Tahlia Townsend, Trade Compliance Co-Chair,
Wiggin and Dana LLP

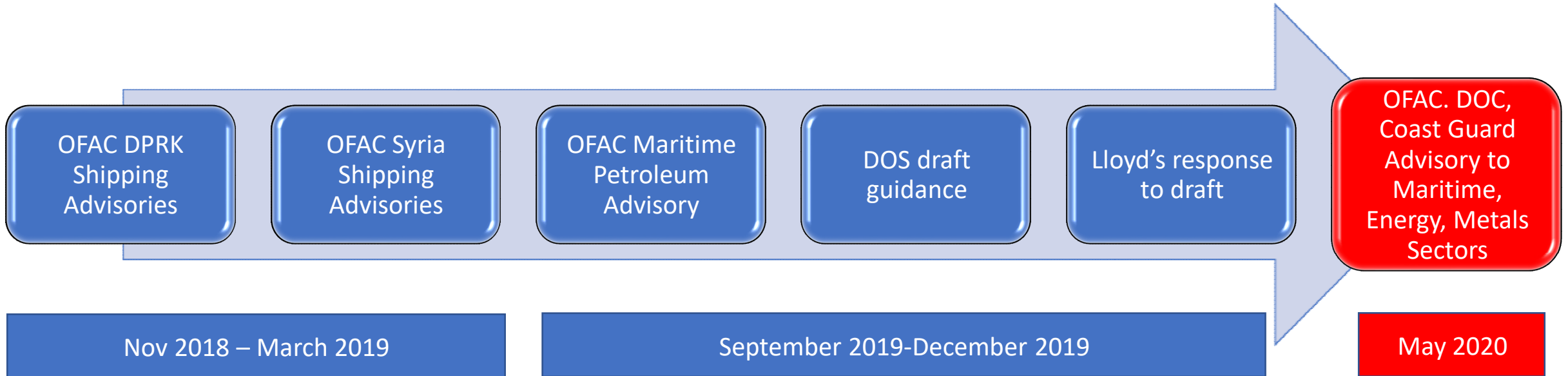
June 10, 2020



Background



IUMI
International
Union of
Marine Insurance



So why yet another advisory?



IUMI
International
Union of
Marine Insurance

“The maritime industry is the key artery for sanctions evasion globally for multiple policy areas, including our sanctions against North Korea, our sanctions against Venezuela, and our sanctions against Iran and Syria as well.

...

[T]here's much more space for improvement in the private sector. ... The maritime advisory is intended to ... get people started on the hard work that they must do to get to where ... they need to be.

.../

[W]e are looking at the very broad range of all evasive behavior, whether that is a ship owner or a port operator or a terminal operator or refinery, anybody basically in the supply chain ... and holding everybody in that chain responsible. I think sends a very important message to the industry that the time of pointing fingers and claiming ignorance is over.”

Dep. Ass. Sec. State
David Peyman

Foundation for Defense
of Democracies event

March 9, 2020



IUMI
International
Union of
Marine Insurance

“[W]e are going to continue to aggressively enforce sanctions wherever a private sector actor or a government may be violating them. And we're going to look towards enforcing them in a strategic way, much like the designation with COSCO, which was a strategic sanction designed to send a message across an industry. ... In 2009 through '16 we had 535 actions. In the first three years of this administration, we've had close to 800 actions. We expect this pace to continue.” |

DAS Peyman (March 2020)



U.S. DEPARTMENT of STATE

Press Business Current Employees Job Seekers Students Travelers

POLICY ISSUES COUNTRIES & AREAS ABOUT BUREAUS & OFFICES



IUMI
International
Union of
Marine Insurance

United States Designates Key Iranian Shipping Entities Under Proliferation Authority as Tehran Continues To Expand Proliferation Sensitive Activities

PRESS STATEMENT

MICHAEL R. POMPEO, SECRETARY OF STATE

JUNE 8, 2020

IRISL has repeatedly transported items related to Iran's ballistic missile and military programs and is also a longstanding carrier of other proliferation-sensitive items, including Nuclear Suppliers-Group controlled items. Despite Iran's claims that it will never develop nuclear weapons and associated delivery systems, the Iranian regime has continued to pursue and procure proliferation-sensitive items in violation of UN Security Council Resolution 2231. The international community should take notice of Iran's continued deception. I urge the maritime industry and governments around the world to review and heed the information in the [May 14, 2020 U.S. Guidance to Address Illicit Shipping and Sanctions Evasion Practices](#), which addresses how Iran abuses the international shipping system to advance illicit activities.

Content of the May 2020 Advisory



IUMI
International
Union of
Marine Insurance

Deceptive shipping practices

Recommended risk mitigation measures

- Insurers
- Flag registry managers
- Port state control authorities
- Shipping industry associations
- Commodity trading, supplier, and brokering cos
- Financial institutions
- Ship owners, operators, and charterers
- Classification societies
- Vessel captains
- Crewing companies

Summary of U.S. / U.N. sanctions on North Korea, Iran, and Syria and each country's maritime sanctions evasion tactics



What about Crimea, Cuba, Venezuela?



IUMI
International
Union of
Marine Insurance

Content of the Advisory: #1 - Deceptive Shipping Practices

Deceptive Shipping Practices



IUMI
International
Union of
Marine Insurance

AIS Disabling or
Manipulation (Vessel
Spoofing)

Physically Altering
IMO #

Ship-to-Ship Transfers

Complex Chains of
Ownership or
Management
(shell companies, title
shuffling)

Falsifying Documents
to Obscure Cargo
Origin

Voyage Irregularities
(indirect routing,
detours,
transshipment)

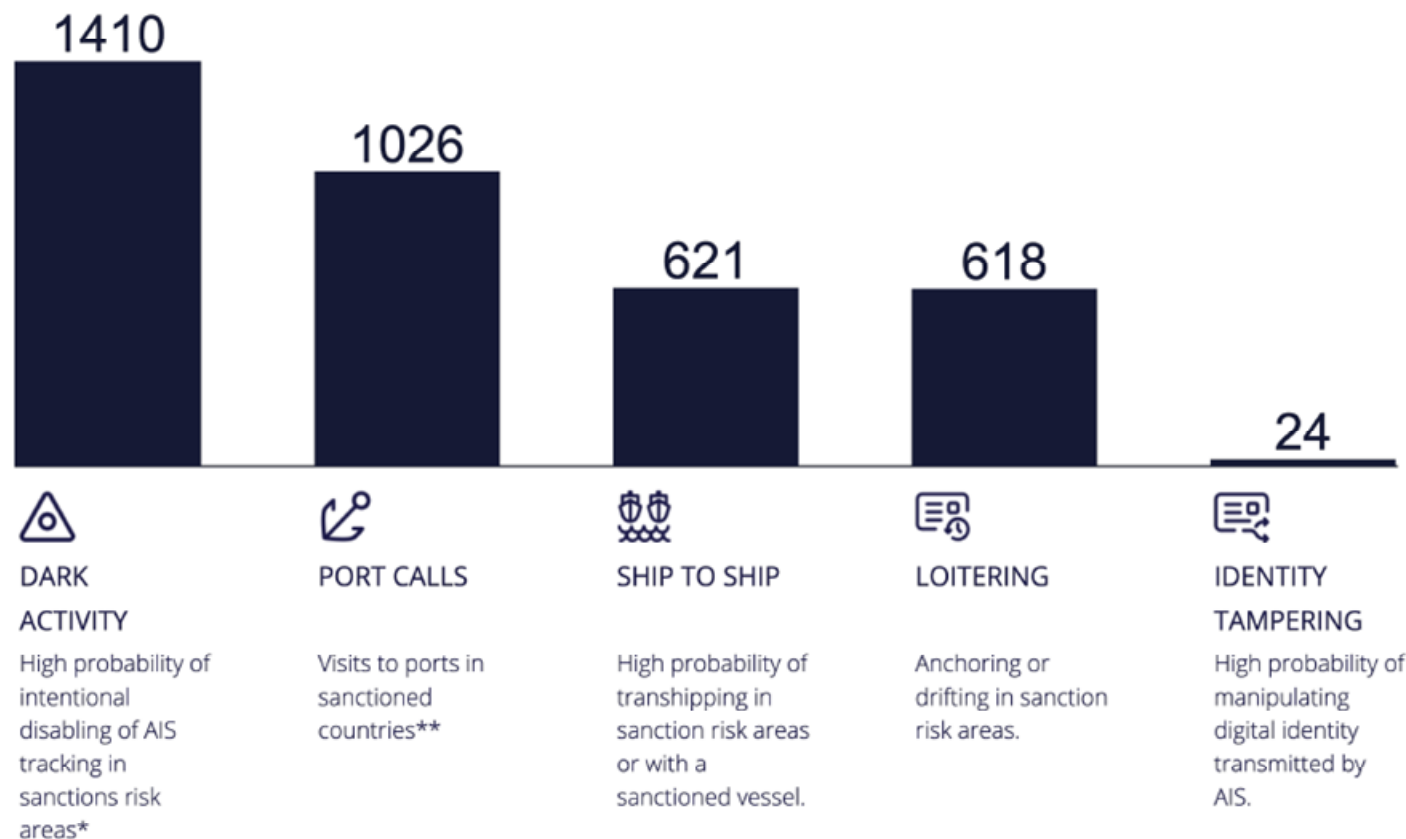
False Flags and Flag
Hopping

Deceptive Shipping Practices



IUMI
International
Union of
Marine Insurance

According to maritime intelligence and analytics provider Windward, based on the behavior of the global fleet for sanctions risk over the last six months of 2019, disabling AIS was the most prevalent deceptive tactic.



Source: Windward

Deception in Action: Iranian Oil



IUMI
International
Union of
Marine Insurance



Pattern of activity by LPG tankers owned/operated by Kunlun Shipping, which was managed by Cosco Shipping Tanker (Dalian) Seaman & Ship Mgmt Co., which OFAC sanctioned in September 2019. (Per Lloyd's List Intelligence, June 2019.)

Deception in Action: Wan Heng/DPRK



IUMI
International
Union of
Marine Insurance

Figure VIII: Ship-to-ship transfer between *Wan Heng 11* and *Patriot*

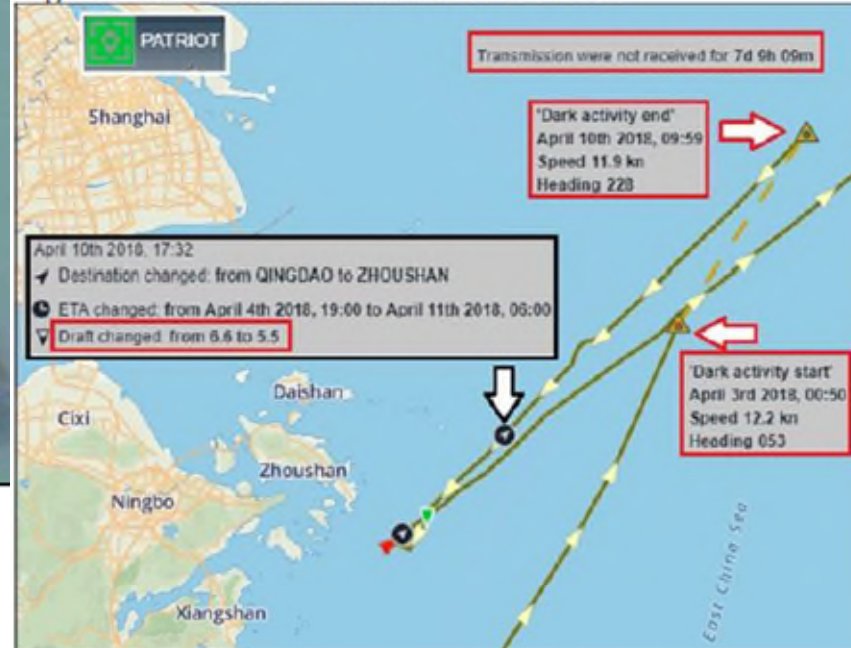


Source: Member State

1. April 10, Russia-flagged Patriot and UN-designated Wan Heng go dark and conduct STS.

2. Patriot reappears with draft change indicating cargo discharge. Wan Heng stays dark.

Figure IX: *Patriot* AIS transmission record



Source: Windward

3. April 15, Wan Heng discharges cargo in Nampo, DPRK

Figure X: *Wan Heng 11* in Nampo, 15 April



Source: Member State, Map: Panel

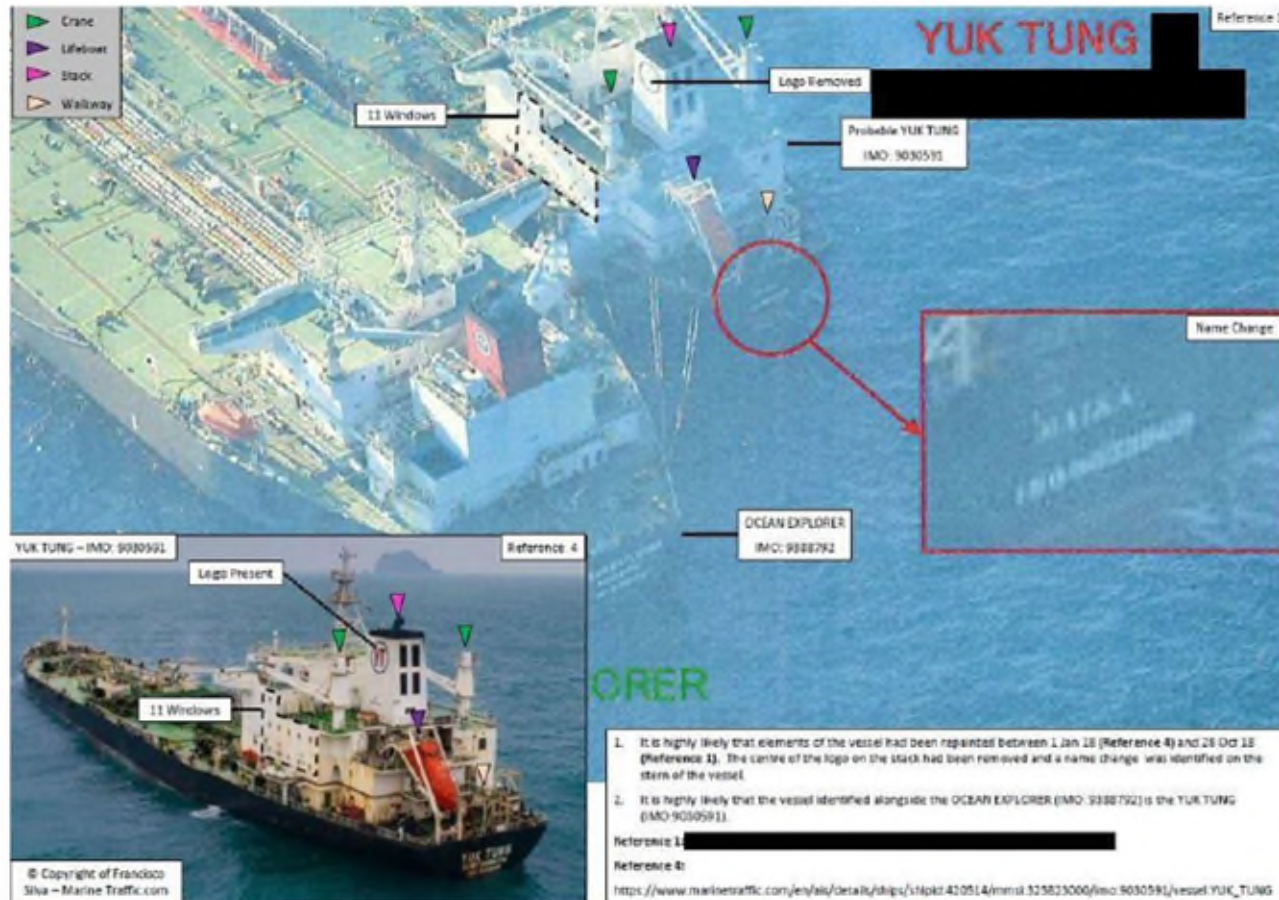
Source: UN Panel of Experts Report (March 2019)

Deception in Action: Yuk Tung/DPRK



IUMI
International
Union of
Marine Insurance

Figure IV
Yuk Tung imagery analysis



Source: Member State.

- DPRK-linked Yuk Tung, designated by UN with its owner in March 2018
- Identifier “YT” removed from stack
- False name “Maika” painted on stern with IMO of Comoros-flagged “Hika”
- Hika was a sister ship built in same year by same manufacturer to same specifications
- Equatorial Guinea certificate of registry obtained or forged; identified owner as Virtue Base Development Ltd of Seychelles, with a c/o address of Vanguard Shipping Safety Management in Taiwan

Deception in Action: Yuk Tung/DPRK



IUMI
International
Union of
Marine Insurance

Annex I. Images showing the Ocean Explorer conducting a ship-to-ship transfer with a UN designated vessel controlled by UN designated entity



Source: Member State

- Between May and November 2018, Yuk Tung operated in the East China Sea, transmitting its identity via AIS as Maika, using Hika's IMO
- Meanwhile, the real Hika traveled from Lome in the Gulf of Guinea to Bangladesh where it was benched for scrap on Oct 9.
- On October 28, 2018, YT obtained \$5.7M of refined petroleum via STS from the Ocean Explorer

Deception in Action: Yuk Tung/DPRK



IUMI
International
Union of
Marine Insurance

Annex 2. "Documentation"



INVOICE NO: AT81030-41
INVOICE DATE: 10/30/2018
LOCATION: NORTH PACIFIC OCEAN
PROJECT: SUPPLY BUNKER TO FISHING BOATS
MESSRS: ZEESHAN BASHIR BUILDING MATERIALS TRADING LLC
8H GALADHARI PLAZA AL RIGGA DEIRA
DUBAI UAE, DUBAI, UAE

INVOICE

DESCRIPTION	QUANTITY	UNIT PRICE	AMOUNT
MARINE GASOIL	51070.90 BBL	US\$100.054	US\$5,109,848.00
TOTAL			US\$5,109,848.00

PLEASE REMIT BY T/T REMITTANCE IMMEDIATELY FOR FULL
INVOICE VALUE WITHOUT DEDUCTION

For and on behalf of
GOLDEN LUXURY CORP



- Golden Luxury Corp of Belize, purportedly acting on behalf of Zeeshan Building Materials Trading LLC, contracted for the fuel with Yuantai Fuel Trading of Singapore
- Yuantai obtained the fuel from leading Singaporean trader Hin Leong, with which Yuantai had a pre-existing relationship.
- Per the UN, “United States and Singaporean banks ... facilitated the fuel payments and a leading United Kingdom insurer ... provided protection and indemnity cover”.

[REDACTED], the Panel notes that Hin Leong did not implement the Panel’s suggested end-user delivery verification clause [REDACTED]

[REDACTED] These deceptive measures triggered no alerts on the part of the global and regional banks that unwittingly facilitated the multiple financial transactions associated with this transfer or of the insurers and reinsurers that provided protection and indemnity and hull insurance.



IUMI
International
Union of
Marine Insurance

Content of the Advisory: #2 - Recommended Risk Mitigation Measures for Insurers

Guidance vs Requirements



IUMI
International
Union of
Marine Insurance

Department of the Treasury Department of State United States Coast Guard

ANNEX A: Additional Guidance and Information to Assist Sanctions Compliance Efforts in the Maritime Industry

The U.S. Department of State, the U.S. Department of the Treasury's Office of Foreign Assets Control (OFAC), and the United States Coast Guard strongly encourage persons subject to U.S. jurisdiction, as well as foreign persons that conduct transactions with or involving the United States or U.S. persons, to employ a risk-based approach to sanctions compliance. This approach may include the development, implementation, and routine updating of a sanctions compliance program for such persons' particular business models. While each risk-based sanctions compliance program will vary depending on a variety of factors—including the company's size and sophistication, products and services, customers and counterparties, and geographic locations—each program that is implemented should be predicated on and incorporate at least five essential components of compliance: (1) management commitment; (2) risk assessment; (3) internal controls; (4) testing and auditing; and (5) training. See [A Framework for OFAC Compliance Commitments](#) for more details.

Set forth below is additional guidance and information intended to assist organizations involved in the maritime industry in developing and implementing an effective sanctions compliance program, consistent with these five components. Specifically, this annex provides such guidance and information for:

- maritime insurance companies – page 9;
- flag registry managers – page 11;
- port state control authorities – page 13;
- shipping industry associations – page 14;
- regional and global commodity trading, supplier, and brokering companies – page 15;
- financial institutions – page 17;
- ship owners, operators, and charterers – page 18;
- classification societies – page 20;
- vessel captains – page 22; and
- crewing companies – page 23.

Each organization should assess its own risk and adopt the elements included in this guidance as it deems appropriate.⁵

⁵ This guidance is not intended to be, nor should it be interpreted as, comprehensive or as imposing requirements under U.S. law or otherwise addressing any particular requirements under applicable law. Its sole intent is to provide information to companies operating in the maritime industry that they may wish to consider in assessing their sanctions exposure as part of a risk-based compliance program.

⁵ This guidance is not intended to be, nor should it be interpreted as, comprehensive or as imposing requirements under U.S. law or otherwise addressing any particular requirements under applicable law. Its sole intent is to provide information to companies operating in the maritime industry that they may wish to consider in assessing their sanctions exposure as part of a risk-based compliance program.



How should industry think about the practical implications of OFAC “guidance”?

Sanctions Compliance Program



IUMI
International
Union of
Marine Insurance

May 2019 Framework for OFAC Compliance Commitments

- Management commitment
- Risk assessment
- Internal controls
- Testing and audit
- Training

May 2020 Maritime Guidance

in addition to doing so themselves, and when appropriate, private sector entities are encouraged to communicate to their counterparts an expectation that they: 1) conduct their activities in a manner consistent with U.S. and United Nations (UN) sanctions, as applicable; 2) have sufficient resources in place to ensure execution of and compliance with their own sanctions policies by their personnel, e.g., direct hires, contractors, and staff; 3) ensure subsidiaries and affiliates comply with the relevant policies, as applicable; 4) have relevant controls in place to monitor AIS; 5) have controls in place to screen and assess onboarding or offloading cargo in areas they determine to present a high risk; 6) have controls to assess authenticity of bills of lading, as necessary; and 7) have controls in place consistent with this advisory.

“It’s also appropriate to determine if your counterparty has their own sanctions compliance policies that are as robust as yours should be.”

DAS Peyman (March 2020)



Beyond communication, do insurers need to consider existence and adequacy of such controls as part of KYC?

KYC Due Diligence



IUMI
International
Union of
Marine Insurance

- Ensuring, as appropriate and allowed by applicable laws and regulations, due diligence documents (e.g., registration documents for flag registries) include a color photocopy of the passports, names, business and residential addresses, phone numbers, email of all *individual* owners of the vessel(s), and the names and IMO numbers of all the vessels in the fleet of the individual ship owner, for ships operating near areas determined to be high risk for sanctions evasion or violations. Where necessary, include in forms collecting personally identifiable information (PII) that the insurers and re-insurers may share the PII with competent authorities if the vessel conducts unlawful activities, as allowed by applicable laws and regulations.
- Incorporating data such as historical ship location, ship registry information, and ship flagging information, along with available information from the U.S. Department of the Treasury, the UN, and the U.S. Coast Guard into due diligence practices.
- Including in pre-coverage and claims presentment, due diligence procedures that assess the AIS history of vessels that engage in potentially illegal activities and operate in areas determined to be high-risk areas for sanctions evasion, both of which may be indicators of possible involvement in illicit activity and may warrant further investigation of the ship's voyage, charter, ownership, and other factors.
- Ensuring that insurers that provide coverage for ship owners, suppliers, buyers, charterers, and ship managers could research the AIS history for all the vessels under the ownership or control of such parties. Insurers may wish to consider further communicating to clients that any signs of

1. Assess risk of all vessels under the ownership or control of an insured (owner, charterer, manager, etc.)

- High risk waters
- High risk capabilities (bulk goods, STS)
- High risk goods (petrochemicals, metals, coal, sand)

2. For high-risk vessels under insured's ownership or control, collect/analyze:

- Name of vessel
- IMO #
- Ultimate beneficial owner
- Name, business address, residential address, phone number, email of, and color passport copy of individual owner(s)
- AIS history
- Ship registry information
- Ship flagging information

+ Obtain authorization to provide PII to local, US, and UN authorities in event of illicit activity.

High Risk Waters



IUMI
International
Union of
Marine Insurance



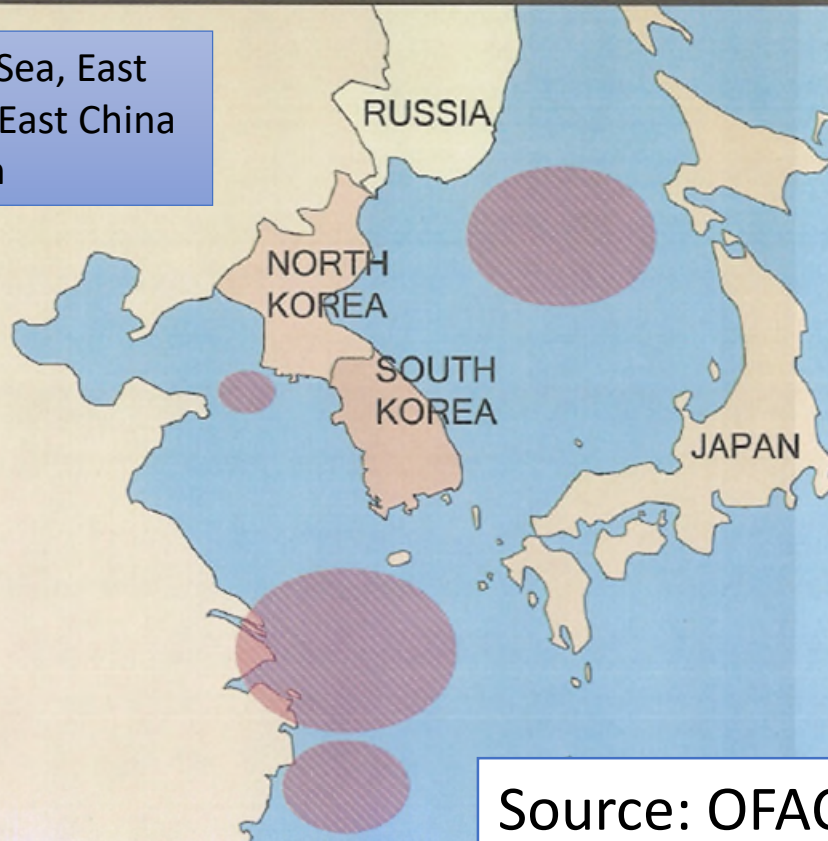
High Risk Waters - DPRK



IUMI
International
Union of
Marine Insurance

North Korea Ship-to-Ship Transfer Areas

Bohai Sea, Yellow Sea, East Sea/Sea of Japan, East China Sea, Gulf of Tonkin



PORTS VISITED BEFORE AND AFTER SHIP-TO-SHIP TRANSFERS

Russia: Vladivostok, Nakhodka
China: Luhuashan, Zhoushan, Luoyuan, Taichung
S. Korea: Busan, Yosu, Gwangyang
Singapore, Hong Kong
Taiwan: Keelung, Taipei, Kaohsiung



Source: OFAC DPRK Advisory

High Risk Waters – Iran, Syria



IUMI
International
Union of
Marine Insurance



Lloyd's Bulletin Y5246 (April 2019)



IUMI
International
Union of
Marine Insurance

Table 1: Considerations when evaluating sanctions risk profile:

Risk category	Risk factor	Example of simple risk	Example of complex risk
Jurisdiction risk	Geographical location of asset/risk	North Sea, Atlantic Ocean	Yellow Sea, East and South China Sea, Sea of Japan, Mediterranean and Red Seas, Gulf of Tonkin, Persian Gulf (See Table 2 below)
	Geographical location (re)insured	EU, US	DPRK, China, Taiwan, Russia, Singapore, Hong Kong
	Legal and regulatory obligations (consider which sanctions laws and regulations are applicable to carrier / broker)	Parties in placement chain are subject to requirements from only one jurisdiction (e.g. all in the UK) and/or are based in non-sanctioned country	Parties in placement chain are subject to requirements from different or multiple jurisdictions (e.g. UK broker, Chinese carrier, US/EU reinsurer), and/or are based or proximal to sanctioned country
Product risk	Class of business (consider likely activities, goods, equipment, services or trade covered)	Non-marine, property, motor	Marine hull and cargo, marine chartering
	Type of product	Food, humanitarian medical supplies	Crude oil, coal, refined petroleum, iron, steel, zinc products, or dual use goods, goods subject to export control
Client/customer risk	Type of policyholder (consider corporate structure, ownership and control, and operational structure of (re)insured(s))	Multinational, high degree of compliance activity and transparency	Small company with limited trading history
	Counterparty risk	Cover extends only to named policyholder(s)	Cover could extend to persons/entities not identified at the point of underwriting

Table 2: Example risk factors – triggers for enhanced due diligence

Primary risk factor		Secondary risk factor	
Type of risk	Description	Type of risk	Description
Geographical high risk	Risks with exposures in the geographical areas known for illicit marine activity (including but not limited to the East China Sea, Yellow Sea, Sea of Japan, Mediterranean and Red Seas, Gulf of Tonkin, Persian Gulf/ Hormuz Straits) and proximity to sanctioned territories (see Appendix C)	Type of product	Coal, refined petroleum, iron, steel, zinc products, military goods and dual use goods subject to The Export Control Order 2008 (or Export Control legislation)
		Automatic Identification System (AIS) anomalies	Historical and lengthy disruption of the vessel's AIS, particularly when coupled with exposures in geographical areas deemed as high risk.
		Ownership and/or management complexities	A complex corporate vessel ownership structure (particularly if based/proximal to a high-risk area) and chartering vessels to third parties, when combined with other secondary red flags, may trigger further due diligence.
		Flag changes/ 'flags of convenience'	Frequent change of vessel flag, particularly if registered under 'flags of convenience' (where a vessel is registered in a state that is different to that of the vessel owner), where combined with other secondary red flags.
		Document inconsistencies	Inaccuracies or lack of detailed information in product descriptions.
		Associated sanctions risk	Vessels connected or linked to parties currently or historically designated for violating sanctions.

Lloyd's Bulletin Y5246 (April 2019)



IUMI
International
Union of
Marine Insurance

Sample Customer Due Diligence Questionnaire

Insureds and counterparties	
Name of insureds	<i>(direct insurance only)</i>
Name of all parties covered under contract of (re)insurance	
Name of ultimate beneficial owners /controller(s) of ships	
Have the above names been screened against UN, EU, US, UK sanctions lists?	
Vessel activity	
Has the ship been screened against UN, EU, US, UK sanctions lists / higher risk vessels named in relevant OFAC Advisories?	
How is the ship managed	
How is the ship crewed	
Where is the ship flagged	
What are the trading activities of the ship (are there any details on previous trading activities)	<i>(consider whether the vessel has engaged in ship-to-ship transfers, sailed to high risk geographical locations, been known to turn off AIS in such locations etc.)</i>

Supply chain analysis	
Details of the nature of the trade, the identity of the goods, equipment or services – and the identity of parties involved in such trade/supplies.	
Location/origin of goods/equipment.	
Destination (including intermediate destinations) of goods/equipment.	
Intended use and/ or end-user/specification/modification of goods/equipment.	
Identities of intermediaries involved in the handling of the goods/equipment.	
Payments	
Identity of party / parties who will be making payments (including premium)	<i>(if this is different from the named (re)insured, to ascertain the position under sanctions)</i>

AIS Monitoring



IUMI
International
Union of
Marine Insurance

- Monitoring Automatic Identification System (AIS) transmissions and investigating the following occurrences when involving an insured vessel: any significant time period with non-transmission that is not consistent with the International Convention for the Safety of Life at Sea (SOLAS); navigation of suspicious deviations in routes (e.g., changes without what appears to be a legitimate reason to go off-route, such as unsafe ports, extreme weather, or emergencies); a pattern of turning off AIS in a manner inconsistent with SOLAS; and engaging in trade to or from vessels that are not transmitting AIS consistent with SOLAS.

“In this global maritime advisory, we ... focus on the use of AIS. AIS transponders that provide the location of vessels should never be turned off. If they are, that presents a risk that requires heightened due diligence.”

“Flag registries should be asking for AIS from those that seek to register their vessels with flagging countries. They should see the history of the AIS and if the AIS has been turned off or manipulated, that may be a reason to deny services. Same for insurance companies and financial institutions.

DAS Peyman (March 2020)

Significant time period with non-transmission inconsistent with SOLAS

Pattern of disabling AIS in a manner inconsistent with SOLAS

Suspicious deviations in routes

AIS vs Behavioral Analytics

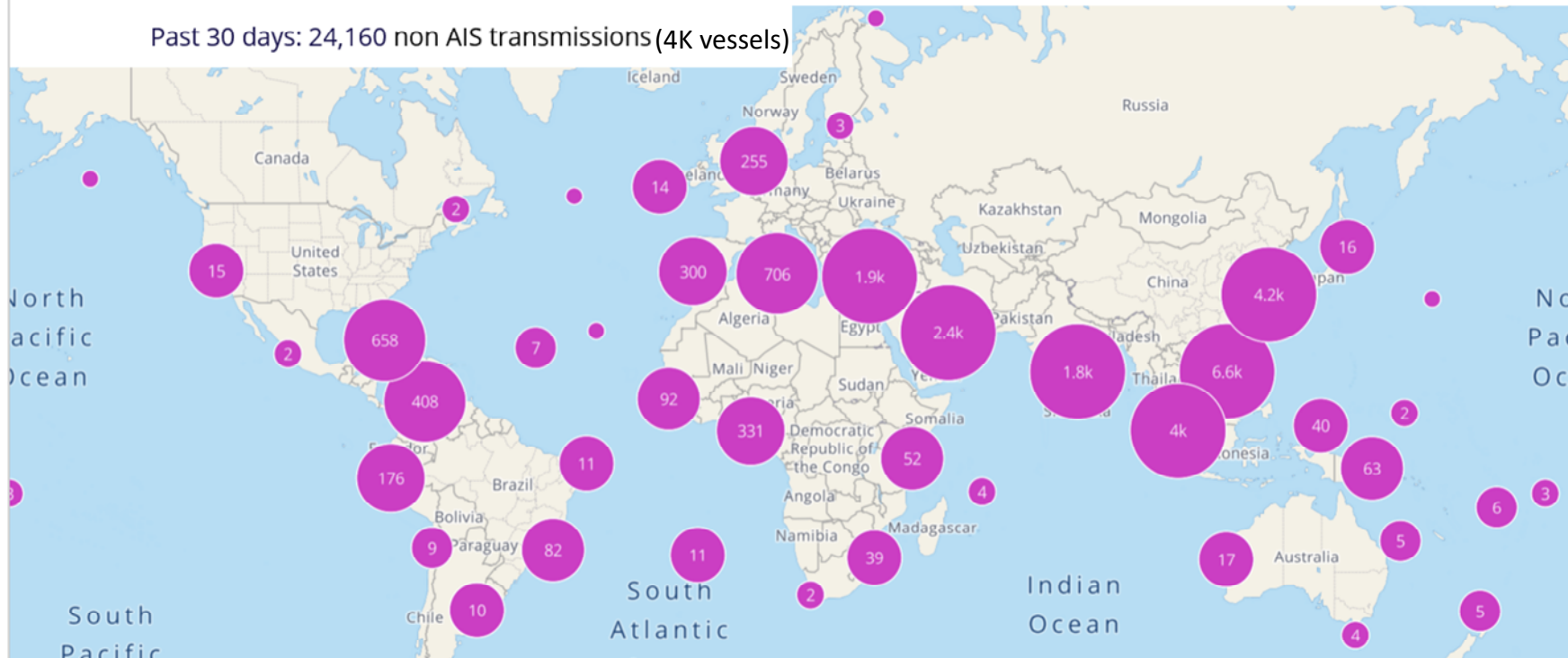


IUMI
International
Union of
Marine Insurance

The Panamanian Fleet

WINDWARD[®]

Past 30 days: 24,160 non AIS transmissions (4K vessels)



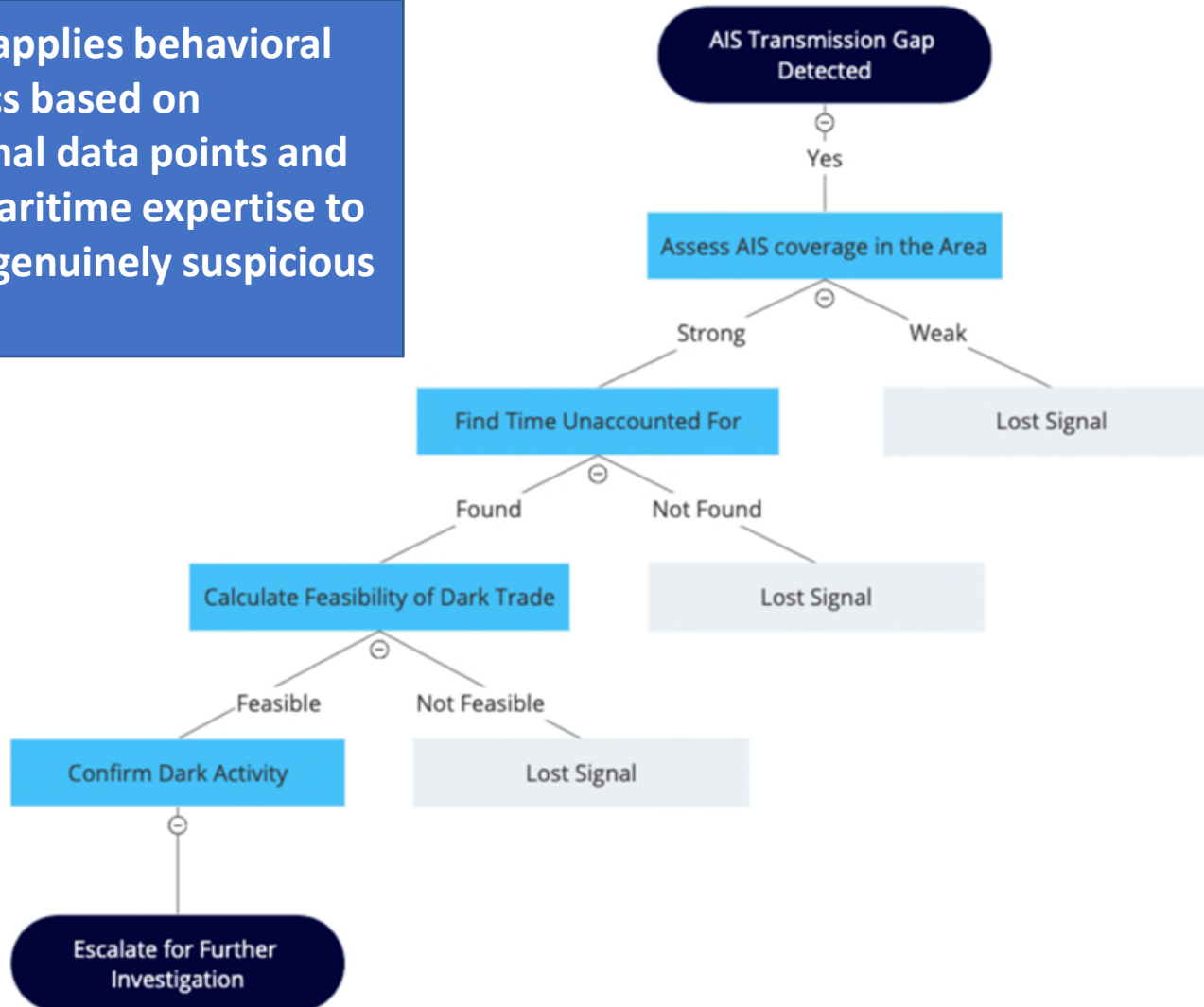
AIS alone yields >24,000 non-transmission events over 4,197 vessels in 30 days.

Source: Windward

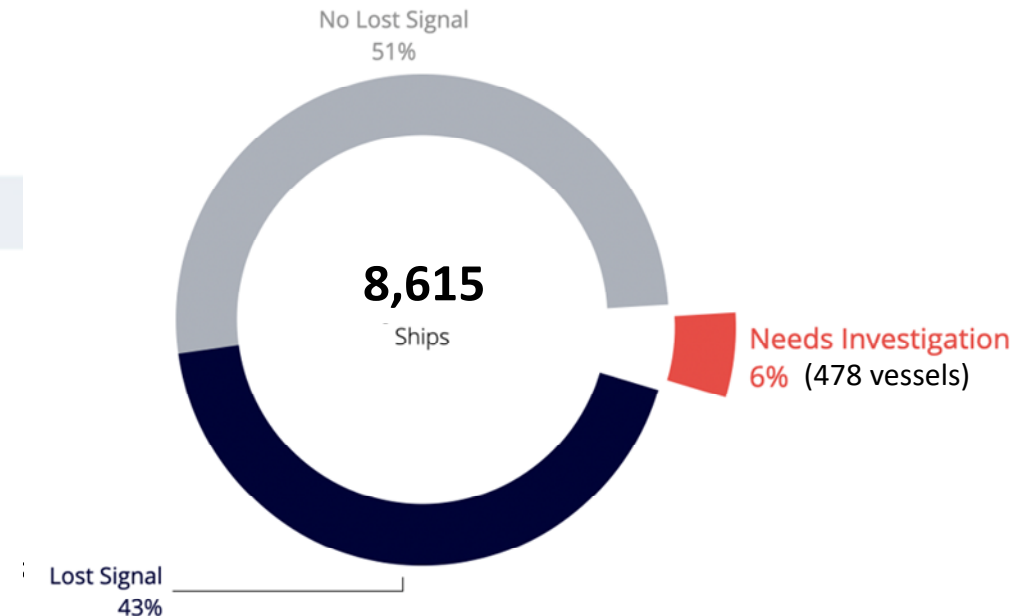
AIS vs Behavioral Analytics



AI tool applies behavioral analytics based on additional data points and deep maritime expertise to isolate genuinely suspicious activity



WINDWARD^o



Source: Windward

Contract Clauses and Communication



IUMI
International
Union of
Marine Insurance

- Incorporating contractual language and explicitly notifying clients that AIS disablement or manipulation inconsistent with SOLAS is possible grounds for investigation by the insurer of the ship's activities and could result in cancellation of insurance.
- Incorporating a contractual provision that prohibits transfers of cargo to or from clients with other vessels that are not broadcasting AIS consistent with SOLAS or have a history of AIS transponder manipulation inconsistent with SOLAS.
- Informing registrants (including owners of vessels) that activity inconsistent with relevant U.S. or UN sanctions may be cause for immediate termination of business and that the underlying due diligence and registration documents revealing information on ownership structure may be sent to the relevant U.S. government and/or UN body at the discretion of the insurer.

... Where necessary, include in forms collecting personally identifiable information (PII) that the insurers and re-insurers may share the PII with competent authorities if the vessel conducts unlawful activities, as allowed by applicable laws and regulations.

- Ensuring clear communication with international partners, as shipping business arrangements may involve parties subject to the laws of different jurisdictions. Clearly explaining relevant restrictions under and the steps required to comply with U.S. and UN sanctions regimes and encouraging all parties involved in the shipping industry to share this advisory with others in their supply chain.

1. AIS disablement/manipulation clause

2. STS AIS verification clause

3. Authorization to share PII and due diligence documents with authorities

4. Communication with counterparties regarding sanctions obligations and SCP expectations (see also slide 13)

Sample AIS switch-off clause



IUMI
International
Union of
Marine Insurance

AIS MANIPULATION CLAUSE

The policy shall not provide any coverage for any vessel that is operating in a manner designed to preclude, disguise or otherwise impede the detection of its identity or location, including but not limited to deactivation of its Automatic Identification System ("AIS") or manipulation of AIS data. In case of precluded, impeded or disguised identity or locations in conjunction with activities or locations that may be prohibited by any applicable economic sanctions, laws or rules, including those administered by the EU, US or UN, Generali has the right to unilaterally terminate this coverage immediately by giving notice to the policyholder. This exclusion and termination shall not apply where such inability to detect the vessel's identity and location is due to a demonstrable malfunction or other similar demonstrable external event beyond the control of the owners or operators of the vessel. In cases where the inability to detect the vessel's identity or location is due to demonstrable malfunction or an external event, the policyholder must notify Generali, and Generali will confirm in writing to the policyholder whether: (i) cover for that vessel will continue; or (ii) cover for that vessel will cease from such date as is specified by Generali.

Source: Generali website

Information Sharing



IUMI
International
Union of
Marine Insurance

- Informing legal regulators/competent authorities, other insurers, commercial databases, the International Maritime Organization (IMO), and when relevant, the United Nations (UN) Security Council 1718 Committee Panel of Experts (the UN DPRK Panel of Experts) in the event of insurance denial or cancellation of services of a vessel in relation to illicit activity.

... Where necessary, include in forms collecting personally identifiable information (PII) that the insurers and re-insurers may share the PII with competent authorities if the vessel conducts unlawful activities, as allowed by applicable laws and regulations.

OFAC recognizes that local data privacy laws may limit ability to share, but encourages contractual consent to disclosure where local law permits



IUMI
International
Union of
Marine Insurance

Content of the Advisory:
#3 - Recommended Risk
Mitigation Measures for
Other Maritime Actors

Target maritime industry actors



IUMI
International
Union of
Marine Insurance

The Advisory includes separate lists of recommendations for:

- Insurers
- Flag registry managers
- Port state control authorities
- Shipping industry associations
- Commodity trading, supplier, and brokering companies
- Financial institutions
- Ship owners, operators, and charterers
- Classification societies
- Vessel captains
- Crewing companies



How should insurers think about OFAC's recommendations to their insureds?

Guidance for Commodity Traders, Suppliers, Brokers



IUMI
International
Union of
Marine Insurance

- KYC diligence including ship location, ship registry, and ship flagging data
- AIS history evaluation; require clients to cease using problematic vessels
- AIS monitoring of chartered clients (on a risk basis)
- AIS switch-off clause
- Generally:
 - Contractual right to verify, and actual verification, that transactions occur as outlined in commodity contract
 - Investigate transactions with below-market prices for petroleum, petrochemicals and metals (red flag)
 - For transactions that present sanctioned country origin/destination risk, review, analyze, and as necessary investigate, shipping documentation (which should include vessel(s), cargo, origin, destination, and parties) for sanctions nexus or evidence of manipulation or omission or sanctions nexus.
- For STS:
 - Prohibit transfer to vessels not broadcasting AIS consistent with SOLAS
 - Require verification of vessel IMO and review of vessel logs and cargo certificate of origin to establish chain of custody for cargo
- Communication of obligations and expectations to counterparties
- SCP reporting and anti-retaliation mechanisms

UN Panel End User Verification Clause



IUMI
International
Union of
Marine Insurance

- B) The Buyer shall provide to the Seller within seven (7) days of completion of discharge of the Cargo from the Buyer's performing vessel, complete supporting documents evidenced to the Seller's satisfaction (in Seller's reasonable discretion) a full reconciliation of the discharged quantities of such Cargo by the Buyer's performing vessel (including, without limitation, full details of the dates of discharge (and in each case the quantity discharged) to either receiving shore facilities and/or vessels (including details of the vessel name, flag and registered owners, as applicable) against the quantities delivered by the Seller to the Buyer.
- C) Where a discharge port is specified on the bill of lading issued with respect to a Cargo, the Buyer shall provide to the seller within seven (7) days of completion of discharge of such Cargo, documentary evidence that the Cargo was delivered by the performing vessel at the specified discharge port.

Source: UN Panel of Experts DPRK Report, March 2019

Guidance for Ship Owners, Operators, Charterers



IUMI
International
Union of
Marine Insurance

- KYC diligence including AIS history, ship location, ship registry, and ship flagging data
- AIS history evaluation; require clients to cease using problematic vessels
- AIS monitoring, including leased vessels (High risk waters, high risk capabilities, high risk cargo)
 - Consider use of LRIT with signals every 3 hours
- AIS switch-off clause and clear communication to clients regarding monitoring and reporting
- Generating, analyzing and maintaining on file record of delivery and recipient vessels, or port recipients, including photographs where possible
- SCP reporting and anti-retaliation mechanisms
- Communication of obligations and expectations to counterparties, including expectations around AIS monitoring, onboarding and offloading checks, bill of lading checks
- Circulating information about Rewards for Justice awards for information leading to disruption of DPRK and IRGC financial mechanisms

Guidance for Captains and Crewing Cos.



IUMI
International
Union of
Marine Insurance

- Awareness of / education on IMO guidance on illicit shipping and deceptive practices
- Communicating to clients that AIS will be monitored and disablement/manipulation will be investigated
- Researching prospective vessel's AIS history
- Verify vessel name, IMO #, flag, and business purpose before conducting transfer [Captains]
- SCP reporting and anti-retaliation mechanisms [Crewing Companies]
- Circulating information about Rewards for Justice awards for information leading to disruption of DPRK and IRGC financial mechanisms



“We are encouraging ship captains and crews to take pictures of the captains and crews of the ships they do an STS exchange with. So if you're getting oil from another ship, it might be appropriate to take pictures of the captain and the crew of that ship and to transparently inform them. If that cargo ends up being sanctioned, you will release that information and those pictures to appropriate authorities.”

DAS Peyman (March 2020)



Useful links



IUMI
International
Union of
Marine Insurance

- FFIEC BSA/AML Examination Manual – <https://bsaaml.ffiec.gov/manual/Introduction/01>
- OFAC feedback email box: OFAC_feedback@treasury.gov



This presentation is an overview of legal principles. Nothing in this presentation constitutes legal advice, which can only be obtained as a result of a personal consultation with an attorney. The content is believed accurate at the time of presentation, but does not purport to be complete statement of all relevant issues and is subject to change.