

U.S. Government Issues Sanctions Advisory for the Maritime Industry and Energy and Metals Sectors

On May 14, 2020, the U.S. Department of State, U.S. Department of the Treasury's Office of Foreign Assets Control (OFAC), and the U.S. Coast Guard jointly released a Sanctions Advisory for the Maritime Industry, Energy and Metals Sectors, and Related Communities. The advisory is addressed specifically to the maritime industry and persons involved in energy and metals trading and is designed to provide private sector actors with information regarding illicit shipping and sanctions evasion practices. It also provides recommended compliance practices and tools to enhance existing compliance programs.

The targeted concerns include sanctions evasion, smuggling, facilitation of terrorist activities, and the proliferation of weapons of mass destruction with a focus on North Korea, Iran, and Syria. The implicated commodities include energy and metals, such as crude oil, refined petroleum, steel, aluminum, and coal.

The intended audience includes ship owners, carriers, freight forwarders, port operators, and other maritime industry participants. In particular, the advisory describes common deceptive shipping practices such as:

- Disabling or manipulating vessel Automatic Identification Systems (AIS)
- Physically altering or obscuring vessel IMO numbers
- Falsifying cargo and vessel documents
- Ship-to-ship transfers of goods at sea
- Voyage irregularities such as unscheduled detours, unusual routing, or disguised destinations
- False flags and flag hopping
- Complex ownership or management schemes using shell companies and multiple layers to disguise the actual parties in interest

The advisory also suggests some general approaches to aid in further tailoring due diligence and sanctions compliance policies and procedures in order to identify sanctions evasion. These include:

- Having written, standardized sanctions policies and standards of conduct
- Establishing AIS best practices to identify AIS manipulation
- Monitoring vessels throughout the entire span of a particular transaction
- Implementing Know Your Customer programs to conduct due diligence of vessels and contractual parties throughout the supply chain
- Incorporating compliance best practices in commercial and financial contracts
- Sharing information with other industry participants or industry associations to identify threats and best practices

In addition, an annex to the advisory provides industry-specific sanctions compliance practices for, among others: maritime insurers; ship owners, operators and charterers; classification societies; port state control authorities; flag registries; and energy and metals commodities traders. Finally, the advisory summarizes the U.S. and United Nations prohibitions relating to imports and exports involving North Korea, Iran, and Syria.

To be clear, the guidance does not alter the current legal landscape. The advisory does not implement any new regulations and in reality provides little new information. It does, however, provide a useful one-stop compendium of sanctions best practices for the maritime industry. Incorporating these practices into your sanctions programs could not only help avoid violations



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Related Practice Areas

- Maritime Regulatory
- Trade Regulations, Export Controls & Sanctions

Industry Sectors

- Maritime

but, in the event a violation does occur, might help to demonstrate due diligence and mitigate potential penalties. It is also possible that, in promulgating this information, the U.S. agencies are signaling their increased scrutiny of the maritime industry, particularly with regard to North Korea, Iran, and Syria.

Should you have any questions about the foregoing or if you would like additional information about U.S. economic sanctions regulations or compliance programs, please feel free to contact a member of the Cozen O'Connor Transportation and Trade Group.