



Sanctions: Challenges and Risk Mitigation for Financial Services in the maritime sector

Singapore
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By Captain Retd. Neil Watts

Sanctions Challenges

Introduction

- Ever-changing sanctions environment - constant and evolving threat
- Complying with sanctions obligations – who does it apply to?
- What kinds of risk? - tendency to underestimate risk!
- How is it done? Exposure to sanctions risk requires far more than just checking a list

Sanctions Challenges & Risk Mitigation

Targeted financial sanctions - what industries are exposed:

- Maritime insurance companies [Insurance & Re-insurance: Russia oil <\$60/bl]
- Charterers [*Wan Heng 11*]
- Banks [mortgages/asset freeze/correspondent account transactions]
- Suppliers of cargo
- Flag registries [flag-hopping & vessel laundering]
- Ship brokers [new + used vessels]
- Ship owners
- Bunker suppliers
- Shipyards [alteration of identities – *Talent Ace*]
- Financial institutions involved in maritime trade finance and joint ventures
- Commodity brokers

The Risks



- ✓ Designation
- ✓ De-registration
- ✓ Denial of port entry
- ✓ Asset freeze
- ✓ Company designation
- ✓ Insurance cancellation
- ✓ Classification cancellation

Sanctions Challenges & Risk Mitigation

Financial targeted sanctions - Due diligence practices

- Strong Compliance Programme
- Improving Know Your Customer (KYC) and Counterparty Checks
- Monitor voyages to high-risk areas/jurisdictions [increase position reports?]
- Audit vessel company and flag information – stay up to date [regular changes?]
- Monitor vessel behavior [AIS & LRIT]
- Monitor Sanctions Information Sharing
- Contractual language/terms and termination clauses
- Visible commitment to compliance [website/circulars/advisories]



Sanctions Risk Mitigation

What illegal sanctioned goods will you encounter?

- ❖ Prohibited exports from sanctioned jurisdictions
- ❖ Proliferation risks
 - What's really in the container?
- ❖ Deception – what to look out for - circumvention methodologies
 - Front companies & shell companies
 - Complicit companies connected to networks
 - Transshipment
 - False Bill of Lading
 - False certificates of Origin
 - False port of loading



CODE NAME: "CONDORILL" EDITION 194

SHIPPER
PT. BARA MAKMER SADAYANA

CONSIGNEE
TO ORDER

Notify address
EASTERN STEEL SDN. BHD. LOT 4293 AND 4294,
KAWASAN PERINDUSTRIAN TELUK KALONG,
MUKIM TELUK KALONG,
24000 KEMAMAN TERENGGANU DAHULU, IMAN, MALAYSIA

Third
MV. DONG THANH VOY 83-11

Part of loading
TELUK BALIKPAPAN, INDONESIA

Part of discharge
KEMAMAN PORT, MALAYSIA

Shipper's description of goods
INDONESIAN COAL

SAID TO WEIGHT
26,400 MTS

FREIGHT PAYABLE AS PER CHARTER PARTY

3rd ORIGINAL

1. Exporter (name, address, country): OPE-E GOR, RUSSIA, KEMEROV O-BLAST, KEMEROVO KOMMERCENSKAYA STREET BR 11, DC 22 OFFICE 1		ORIGINAL No 7001014541	
2. Consignee (name, address, country): PT BARA MAKMER SADAYANA, GEDUNG WISMA IRONTEK 9TH FLOOR, ANSA AFRIKA ROAD, NO 133-137, JAKARTA, INDONESIA.		CERTIFICATE OF ORIGIN Issued in the Russian Federation	
3. Means of transport and route Transport: WINE, ECONET Route: Loaded Nakhodka Russia Discharged Samudra Port in Indonesia		4. For official use	
5. Country of origin Russian Federation		6. Supplementary details Bill of lading No 20180116 dt 16.03.2018	
7. Item number	8. Description of goods	9. Number and kind of packages	10. Gross weight or other quantity
	CONDORILL COAL	IN BULK	26,500 MTS

Sanctions Risk Mitigation

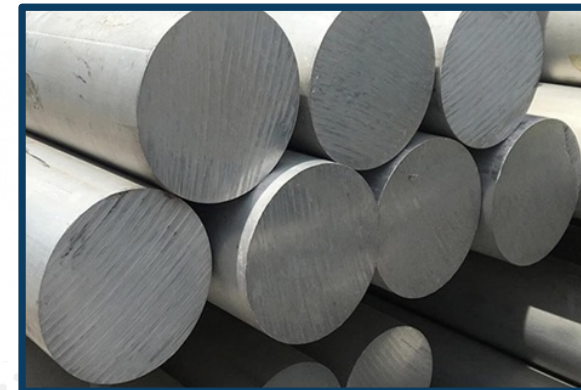
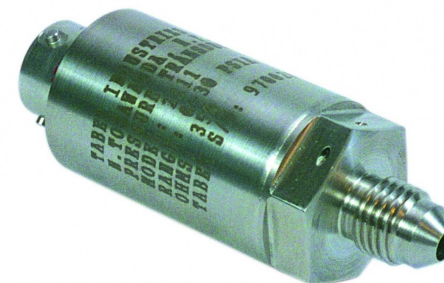
What illegal sanctioned goods will you encounter?

❖ Prohibited exports to sanctioned jurisdictions

❖ Proliferation risks

❖ Deception – what types of circumvention methodologies

- Front companies & shell companies
- Complicit companies connected to networks
- Transshipment
- Ship-to-ship transfers
- What does going “dark” mean?



Iran tanker STS in Indonesian waters

Sanctions Risk Mitigation

What are deceptive shipping practices?

➤ Seven most common deceptive practices

- Disabling or manipulating the Automatic Identification System (“AIS”) going dark, spoofing
- Physically altering vessel identification
- Falsifying cargo and vessel documents
- Ship-to-ship transfers (“STS”)
- Voyage irregularities
- False flags and flag hopping
- Complex ownership and management

➤ Vessel movement [voyage history/high risk areas] and irregular Sailing Patterns




- In 2017, a group planned to create a cryptocurrency called 'Marine Chain Vessel Token' to tokenize the ownership of ships
- Investors could purchase tokens - fractional ownership interest in ships
- Individuals behind the token used fake names when communicating with cryptocurrency developers and investors
- The company attempted to receive approval from the Securities and Futures Commission of Hong Kong
- Hired well-reputed consultants and lawyers from Europe, the United States and Asia
- Investigations revealed the individuals are linked to the North Korean regime

Sanctions Risk Mitigation

Where to get the necessary information and data for cargo, company & vessel screening?

- Primary source information
- Advisories & guidelines
- Open-source resources
- Detailed information of goods of concern
- HS Codes of restricted goods
- Risk exposure - who needs to be informed?


RUSI + C4ADS + WSJ + NYT + SCMP

United Nations
 **Security Council**

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Note by the President of the Security Council

council requested the
to provide a midterm
ns. Accordingly, the
Experts (see annex).

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Reports

S/2023/656	12 September 2023	Midterm report of the Panel of Experts submitted pursuant to resolution 2680 (2023)
S/2023/171	7 March 2023	Final report of the Panel of Experts submitted pursuant to resolution 2627 (2022)
S/2022/668	7 September 2022	
S/2022/132	1 March 2022	

 **INTERNATIONAL MARITIME ORGANIZATION**

GISIS: Ship and Company Particulars

Public Area > Ship and Company Particulars > Ship details

Updated: 2021-07-13

Ship Particulars / IMO [REDACTED]

1 Name:	[REDACTED]
1 IMO Number:	IMO [REDACTED]
1 Flag:	[REDACTED]
1 Call sign:	[REDACTED]
1 MMSI:	[REDACTED]
1 Ship UN Sanction:	Not on list
1 Owning/operating entity under UN Sanction:	Not on list

Sanctions Risk Mitigation

- ❖ Open sources
- ❖ Data & AI - Subscription sources
- ❖ Further information can be found on our website and at our booth C13 @ SMW SUNTEC Hall 401-402 (lev 4)



Sanctions Risk Mitigation Questions?

- Thank You!
- Visit us at our SMW Booth C13 @ Suntech L4



Scan the QR code

Capt (Ret.) Neil Watts

