



Threats to the rules-based order in the Indo-Pacific region, rampant maritime sanctions evasion in the Black Sea and Indo-Pacific region, militant activity in the Red Sea that has disrupted shipping, piracy in the Horn of Africa and other maritime threats make it imperative for government agencies and businesses to maintain full awareness of their maritime domains and undertake thorough due diligence of their customers, suppliers and shipping and logistics providers.

Nation states under international sanctions, including Iran, North Korea, Russia and Syria, have demonstrated a range of methods of disguising sanctioned oil, weapons, dual-use goods and other illicit cargo within legitimate shipping networks, and are constantly seeking new ways to evade sanctions. Private sector companies in and outside the U.S. may be subject to penalties, for example if they continue to engage with sanctioned individuals and companies or if they cause or conspire to cause U.S. entities to violate sanctions, whether wittingly or unwittingly.

Particularly exposed are energy and mining concerns, financial institutions and insurers, ship owners, freight forwarders, providers of maritime services like bunkering and certification, and port and terminal organizations. Government agencies with an interest in enforcing sanctions and preventing illicit maritime traffic in their territorial waters must be equipped to identify behavioral patterns and discover anomalies and hidden threats.

According to security and sanctions enforcement officials in the U.S., UN, research organizations and the private sector, maritime sanctions evasion techniques include:

- Use of false flags, or flag-hopping, in which a vessel repeatedly registers under new flags to avoid detection
- Disabling or manipulation of vessels' internationally mandated Automatic Identification System (AIS), to mask a vessel's identity or conceal its ports of call
- Altering a vessel's International Maritime Organization (IMO) number, which international law mandates be permanently painted on a vessel's hull even if the vessel changes ownership or name
- Fraudulent cargo or vessel documentation, for example to conceal illicit cargo or high-risk ports of origin or call
- Ship-to-ship cargo transfers
- Use of complex ownership and management structures, including shell companies, to disguise beneficial ownership of cargo

In April 2022, for example, the Australian logistics company Toll Holdings Ltd agreed to pay \$6,131,855 to settle its potential civil liability for almost 3,000 apparent violations of U.S. sanctions. According to the U.S. Treasury Department, the company accepted 2,958 payments for shipments to, from or through Iran, North Korea and Syria. Treasury Department officials said the violations occurred in part because Toll undertook a major strategic expansion beginning in 2007, and within 10 years used almost 600 invoice, data, payment and other

systems spread across its business units, resulting in insufficient compliance policies and controls.¹

In 2021, Alfa Laval Middle East Ltd., the UAE based subsidiary of a Swedish manufacturer of heat transfer and liquid separation equipment, agreed to pay \$415,695 to settle U.S. allegations that it had facilitated the shipping of its products from the U.S. to Iran by falsely listing a Dubai-based company as the end-user on export documents.²

The U.S. seized a North Korean-flagged single-hull bulk carrier ship, the *Wise Honest*, in 2019, alleging it had been used to ship coal from North Korea and heavy machinery to the country, in violation of U.S. and UN sanctions. The ship was detained by Indonesian authorities in April 2018 but hadn't broadcast an AIS signal since August 2017, the Justice Department said. In addition, the North Korean participants in the sanctions evasion scheme concealed its North Korean nationality by falsifying shipping documentation, and paid for maintenance, equipment and improvements for the ship in U.S. dollars, via unwitting U.S. banks, the Justice Department said.³

Meanwhile, the Treasury Department has imposed penalties on numerous entities and ships it says have helped Russia evade the internationally imposed price caps on its oil exports, including imposing blocking sanctions on "little-known oil traders with opaque ownership structures."⁴⁵

What Can You Do?

To avoid unwitting participation in sanctions violations, private sector enterprises domiciled in and outside the U.S. should adopt thorough due diligence programs and compliance controls to screen partners, customers, suppliers, shipping service providers and every other entity in their logistics chains.

¹ Department of the Treasury, "OFAC Settles with Toll Holdings Limited for \$6,131,855 Related to Apparent Violations of Multiple Sanctions Programs" (Apr. 25, 2022), available at <https://ofac.treasury.gov/media/922441/download?inline>.

² Department of the Treasury, "Alfa Laval Middle East Ltd. Settles Potential Civil Liability for Apparent Violations of the Iranian Transactions and Sanctions Regulations" (July 19, 2021), available at <https://ofac.treasury.gov/media/911521/download?inline>.

³ Department of Justice, "North Korean Cargo Vessel Connected to Sanctions Violations Seized by U.S. Government" (May 9, 2019), available at <https://www.justice.gov/opa/pr/north-korean-cargo-vessel-connected-sanctions-violations-seized-us-government>

⁴ Department of the Treasury, "Treasury Sanctions Additional Maritime Companies, Vessels Transporting Oil Sold Above the Coalition Price Cap" (November 16, 2023), available at <https://home.treasury.gov/news/press-releases/jy1915>

⁵ Department of the Treasury, "Treasury Tightens the Price Cap with New Sanctions and Updated Guidance" (December 20, 2023), available at <https://home.treasury.gov/news/press-releases/jy2008>

Robust know-your-customer programs can spot inconsistencies and anomalies. For example, the listed seller of the Wise Honest's coal was a Hong Kong-based seller of cigarette manufacturing equipment and later told a UN panel it "had no idea where the contract came from nor why it has our company's seal".⁶

Government agencies and port authorities too must maintain awareness of their maritime domains, to strengthen their ability to enforce sanctions and maritime law within their exclusive economic zones and territorial waters. Russia has transported pillaged Ukrainian grain by sea, and Russian sailors and merchantmen continue to ply the seas. "There is no place for Russian seafarers in the fleets of civilized nations," the chief of the Ukrainian shipping administration said in June.⁷

The U.S. government, the International Maritime Organization, flag states and other organizations maintain extensive resources to help commodities traders, shipping industry associations, crewing companies, port authorities, flag registry managers, insurance companies and other entities involved in global shipping discover and neutralize efforts to evade international sanctions.

How Can We Help?

R-MOR's AI-driven Maritime OSINT platform enables private sector companies and government agencies to monitor shipping traffic in ports and on the water in the target area for a range of suspicious activities. Its algorithms alert on vessels deviating from planned routes, making unscheduled port calls, and loading contraband or sanctioned cargo, together with detection of additional abnormal actions such as mandatory transmission shut-off, and more. It watches for seasonal outliers, uneconomic patterns of activity, dark or deceptive shipping practices, and other threat indicators.

The predictive intelligence platform collects, verifies, processes and fuses multiple data sources to create operation risk profiles and empower actionable decisions. Those comprehensive insights, in use around the globe, enable our partners to identify suspected activity and mitigate the risk of unwitting sanctions violations.

Get in Touch

Contact us for more information at info@r-mor.com

⁶ United Nations Security Council, "Report of the Panel of Experts established pursuant to resolution 1874" (March 5, 2019), available at <https://documents.un.org/doc/undoc/gen/n19/028/82/pdf/n1902882.pdf>

⁷ "Speech of the Head of the Shipping Administration of Ukraine at the Ukrainian Maritime Forum" (June 14, 2024) available at <https://marad.gov.ua/en/news/speech-head-shipping-administration-ukraine-ukrainian-maritime-forum>