

SANCTIONS – DECEPTIVE PRACTICES

Sanctions, particularly due to war in Ukraine, is one of the hot topics in general media. As per OECD, 90% of traded goods are carried by sea and this volume is expected to be tripled by 2050. So, when someone is talking about Sanctions, it is common that they are talking about maritime trade.



The need for sanctioned countries to transfer their goods, and increased freight being offered for these trades, lure some shipowners whom in return rely on deceptive practices to avoid sanctions.

This has been the case for some time, as sanctions are not a recent issue, but the deceptive practices increased so much that members of the International Group of P&I Clubs (IG P&I) issued a circular to highlight the issue.

Common Deceptive Practices are divided in a few categories :

AIS (Automatic Identification system) manipulation

AIS transmits information on vessel's location and other data, so most common practice is to switch off AIS to conceal location of the vessel. Since turning off data transmission may be interpreted as suspicious, some owners try to manipulate the AIS. Instead of switching off, they allow transmission of data, but manipulate the data provided, including location of the vessel.

AIS is designed to assist safety of navigation, not to control sanctions and it is allowed to switch of data in risky situations. There is even an "AIS Switch of Clause" used in charter parties.

It's worth mentioning that transmitting data may also stop due to poor signal.

Identity Tampering

Where AIS manipulation is not enough to conceal the vessel, there are cases where the vessel's appearance is altered as well. It may be change of paint color or covering some features of the vessel to prevent the identification via satellite imagery.

False Documents

Forgery is also a common practice employed for breaching sanctions. It may be in several forms; from creating false documents for cargo being carried, including changing loading and discharging ports to false registries to hide the vessel's real ownership.

STS Operations (Ship to Ship transfers)

While ship to ship transfers are a common practice and legitimate way of doing business, particularly in places where it is difficult or time consuming to berth. It



Captain Halil Solak, MBA
Technical Manager

+90 850 420 81 36 (Ext.236)
halil.solak@turkpandi.com

Halil graduated from Darussafaka High School in 1995 and Maritime Academy of Istanbul Technical University in 1999. He started his marine career at Zodiac Shipping, London. He completed his MBA degree in Risk Management and Insurance at Georgia State University in USA. Before joining Türk P&I as Assistant Manager, he worked as hull and cargo underwriter for Zurich insurance company and later spent 9 years at Omni Broker House as insurance and reinsurance broker. He presented seminars in Risk Management and Marine Insurance, including Exproshipping and his articles are published in local and international media.



TURKP&I

is also another tactic used for evading sanctions.

With a STS operation or multiple STS operations, it may be possible to disguise the true origin of the cargo. In some cases the illegal cargo is mixed with legal ones to further complicate the identification of real source.

Sanction evading is an unlawful act and may be subject to criminal justice system. It may also have tremendous affects on commercial activities of any company involved. In some cases, even suspicion may be enough to cease doing business.

Insurance companies are not authorities and have no means to track above named situations.

However, insurance cover is not valid for unlawful trading, and this is also noted on the insurance policies with sanction clauses. Any suspicious behavior of the vessel may also be enough to terminate the insurance cover.

Shipowners must be more vigilant than ever. While they can use third parties to carry out due diligence tasks, it should not be forgotten that the ultimate responsibility for the adequacy of due diligence remains with the shipowner.