

AMENDMENT IN THE NATURE OF A SUBSTITUTE
TO H.R. _____
OFFERED BY M. _____

Strike all after the enacting clause and insert the following:

1 SECTION 1. SHORT TITLE.

2 This Act may be cited as the “Stopping Illicit Oil
3 Shipments Act of 2023”.

4 SEC. 2. FINDINGS.

5 The Congress finds the following:

6 (1) When countries are designated under eco-
7 nomic and trade sanctions by the United States and
8 its allies, they are largely excluded from the licit
9 global financial system, including the movement,
10 sale, and profit derived from their oil and gas re-
11 sources.

12 (2) For U.S. persons, American maritime sanc-
13 tions, including on nations like Iran, Russia, and
14 North Korea, restrict the financing of vessels and
15 cargo, insurance and re-insurance, companies using
16 vessels to transport their goods, shipowners,
17 charterers, and those providing maritime services
18 such as classification and certification.

1 (3) One method by which Iran and Russia fre-
2 quently attempt to evade these U.S. sanctions on oil
3 is to “false flag”, which means to avoid sanctions
4 scrutiny by registering a vessel in a permissive coun-
5 try or by sailing under another country’s flag with-
6 out communicating this to the country whose flag is
7 being used.

8 (4) According to Foreign Policy, approximately
9 two million barrels of oil from sanctioned countries,
10 including Iran and Russia, are transported under
11 false flags every day.

12 (5) In order to evade a sanctions regime, ves-
13 sels transporting oil and gas resources from sanc-
14 tioned countries must carry insurance policies to
15 allow them to dock at a port, unload their goods, or
16 use a port’s services, such as refueling.

17 (6) The veracity of a vessel’s flag is subject to
18 examination by port authorities, but verification by
19 the port and service providers does not always occur.

20 (7) Given the lack of comprehensive checks on
21 the veracity of flags, this Act will force a change in
22 behavior within the maritime shipping industry by
23 limiting the availability of insurance products to
24 those not verifying flag registration and providing a
25 direct route for the Office of Foreign Assets Control

1 (“OFAC”) to gain possibly actionable information
2 that could lead to OFAC enforcement actions as well
3 as additional targets for sanctions designations.

4 **SEC. 3. MATERIAL MISREPRESENTATION.**

5 (a) IN GENERAL.—In maritime insurance contracts,
6 failure to verify a vessel’s registration shall be deemed a
7 material misrepresentation by the policyholder.

8 (b) RULEMAKING.—The Undersecretary for Ter-
9 rorism and Financial Crimes shall issue rules to carry out
10 this section.

11 **SEC. 4. IDENTIFICATION OF VESSELS WITH ILLICIT MARI-**
12 **TIME INSURANCE.**

13 (a) IN GENERAL.—The primary insurance regulatory
14 authority of a State may report to the Undersecretary for
15 Terrorism and Financial Crimes when, in the sole discre-
16 tion of the primary insurance regulatory authority, the
17 primary insurance regulatory authority has determined
18 that the conditions exist for a maritime insurance contract
19 to be voidable pursuant to section 3.

20 (b) LIMITATIONS.—With respect to a maritime insur-
21 ance contract, a report may only be made under subsection
22 (a) if the primary insurance regulatory authority—

23 (1) establishes that the maritime insurance con-
24 tract has been issued by an insurer subject to the

1 authority of the primary insurance regulatory au-
2 thority;

3 (2) establishes that the maritime insurance con-
4 tract satisfies the conditions established by the Un-
5 dersecretary for Terrorism and Financial Crimes to
6 be voidable pursuant to section 3; and

7 (3) possesses, to the satisfaction of the primary
8 insurance regulatory authority, clear and compelling
9 credible factual evidence that a policyholder has
10 failed to verify the registration of a vessel.

11 **SEC. 5. REPORT.**

12 (a) IN GENERAL.—Not later than the end of the 180-
13 day period beginning on the date of the enactment of this
14 Act, and annually thereafter for 5 years, the Secretary of
15 the Treasury shall issue a report to the appropriate com-
16 mittees of the Congress—

17 (1) detailing any reports received by the Under-
18 secretary for Terrorism and Financial Crimes from
19 a primary insurance regulatory authority under sec-
20 tion 4;

21 (2) detailing any steps taken by the Secretary
22 of the Treasury on the receipt of that information;

23 (3) describing of activities taken by the Sec-
24 retary of the Treasury, including meetings and
25 advisories, to engage with the maritime community,

1 foreign governments, and civil society to improve
2 outreach and understanding of the compliance ex-
3 pectations related to maritime sanctions evasion; and

4 (4) describing any proposed improvements to
5 existing authorities or resources that could be pro-
6 vided by Congress.

7 (b) EXCEPTION FOR ONGOING INVESTIGATIONS.—
8 The Secretary of the Treasury may not include informa-
9 tion in a report required under subsection (a) related to
10 ongoing investigations.

11 **SEC. 6. REPORT.**

12 Not later than the end of the 180-day period begin-
13 ning on the date of the enactment of this Act, the Sec-
14 retary of the Treasury shall issue a report to the appro-
15 priate committees of the Congress containing rec-
16 ommendations for receiving determinations described
17 under section 4 from persons other than a primary insur-
18 ance regulatory authority of a State, including estab-
19 lishing a whistleblower program.

20 **SEC. 7. DEFINITIONS.**

21 In this Act:

22 (1) APPROPRIATE COMMITTEES OF THE CON-
23 GRESS.—The term “appropriate committees of the
24 Congress” means the Committee on Financial Serv-
25 ices of the House of Representatives and the Com-

1 mittee on Banking, Housing, and Urban Affairs of
2 the Senate.

3 (2) MARITIME INSURANCE.—The term “mari-
4 time insurance”—

5 (A) means insurance coverage for physical
6 loss or damage of vessels, cargo, terminals, and
7 any transport by which the cargo is transferred,
8 acquired, or held between the points of origin
9 and the final destination; and

10 (B) includes cargo insurance, freight insur-
11 ance, hull insurance, and protection and indem-
12 nity.

13 (3) REGISTRATION.—The term “registration”
14 means the process—

15 (A) by which a vessel is formally recog-
16 nized by a country’s maritime authority, result-
17 ing in the vessel’s inclusion in the national ves-
18 sel registry; and

19 (B) conferring upon a vessel the nation-
20 ality of the registering state;

21 (C) entailing the right to fly the flag of
22 such registering state; and

23 (D) subjecting a vessel to the responsibility
24 to adhere to maritime laws and regulations en-
25 forced by such registering state.

1 (4) STATE.—The term “State” means any of
2 the several States, the District of Columbia, a terri-
3 tory of the United States, an Indian Tribe, and a ju-
4 risdiction subject to the Compact of Free Associa-
5 tion Act of 2003.

6 (5) VESSEL.—The term “vessel” has the mean-
7 ing given such term in section 3 of title 1, United
8 States Code.

