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(Original Signature of Member)

118TH CONGRESS
1ST SESSION

H. R. _____

To protect against illicit oil shipments, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

Ms. WATERS introduced the following bill; which was referred to the
Committee on _____

A BILL

To protect against illicit oil shipments, and for other
purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

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

6 **SEC. 2. FINDINGS.**

7 The Congress finds the following:

8 (1) When countries are designated under eco-
9 nomic and trade sanctions by the United States and

1 its allies, they are largely excluded from the licit
2 global financial system, including the movement,
3 sale, and profit derived from their oil and gas re-
4 sources.

5 (2) For U.S. persons, U.S. maritime sanctions,
6 including on nations like Iran, Russia, and North
7 Korea, restrict the financing of vessels and cargo,
8 insurance and re-insurance, companies using vessels
9 to transport their goods, shipowners, charterers, and
10 those providing maritime services such as classifica-
11 tion and certification.

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

19 (4) According to Foreign Policy, approximately
20 two million barrels of oil from sanctioned countries,
21 including Iran and Russia, are transported under
22 false flags every day.

23 (5) In order to evade a sanctions regime, ves-
24 sels transporting oil and gas resources from sanc-
25 tioned countries must carry insurance policies to

1 allow them to dock at a port, unload their goods, or
2 use a port's services, such as refueling.

3 (6) The veracity of a vessel's flag is subject to
4 examination by port authorities, but verification by
5 the port and service providers does not always occur.

6 (7) Given the lack of comprehensive checks on
7 the veracity of flags, this Act will force a change in
8 behavior within the maritime shipping industry by
9 limiting the availability of insurance products to
10 those not verifying flag registration and providing a
11 direct route for the Office of Foreign Assets Control
12 ("OFAC") to gain possibly actionable information
13 that could lead to OFAC enforcement actions as well
14 as additional targets for sanctions designations.

15 **SEC. 3. MATERIAL MISREPRESENTATION.**

16 (a) IN GENERAL.—In maritime insurance contracts,
17 failure to verify a vessel's registration shall be deemed a
18 material misrepresentation by the policyholder.

19 (b) RULEMAKING.—The Undersecretary for Ter-
20 rorism and Financial Crimes shall issue rules to carry out
21 this section.

22 **SEC. 4. IDENTIFICATION OF VESSELS WITH ILLICIT MARI-**
23 **TIME INSURANCE.**

24 (a) IN GENERAL.—The primary insurance regulatory
25 authority of a State may report to the Undersecretary for

1 Terrorism and Financial Crimes when, in the sole discre-
2 tion of the primary insurance regulatory authority, the
3 primary insurance regulatory authority has determined
4 that the conditions exist for a maritime insurance contract
5 to be voidable pursuant to section 3.

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

9 (1) establishes that the maritime insurance con-
10 tract has been issued by an insurer subject to the
11 authority of the primary insurance regulatory au-
12 thority;

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

17 (3) possesses, to the satisfaction of the primary
18 insurance regulatory authority, clear and compelling
19 credible factual evidence that a policyholder has
20 failed to verify the registration of a vessel.

21 **SEC. 5. REPORT.**

22 (a) IN GENERAL.—Not later than the end of the 180-
23 day period beginning on the date of the enactment of this
24 Act, and annually thereafter for 5 years, the Secretary of

1 the Treasury shall issue a report to the appropriate com-
2 mittees of the Congress—

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

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

9 (3) describing of activities taken by the Sec-
10 retary of the Treasury, including meetings and
11 advisories, to engage with the maritime community,
12 foreign governments, and civil society to improve
13 outreach and understanding of the compliance ex-
14 pectations related to maritime sanctions evasion; and

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

18 (b) EXCEPTION FOR ONGOING INVESTIGATIONS.—
19 The Secretary of the Treasury may not include informa-
20 tion in a report required under subsection (a) related to
21 ongoing investigations.

22 **SEC. 6. REPORT.**

23 Not later than the end of the 180-day period begin-
24 ning on the date of the enactment of this Act, the Sec-
25 retary of the Treasury shall issue a report to the appro-

1 priate committees of the Congress containing rec-
2 ommendations for receiving determinations described
3 under section 4 from persons other than a primary insur-
4 ance regulatory authority of a State, including estab-
5 lishing a whistleblower program.

6 **SEC. 7. DEFINITIONS.**

7 In this Act:

8 (1) **APPROPRIATE COMMITTEES OF THE CON-**
9 **GRESS.**—The term “appropriate committees of the
10 Congress” means the Committee on Financial Serv-
11 ices of the House of Representatives and the Com-
12 mittee on Banking, Housing, and Urban Affairs of
13 the Senate.

14 (2) **MARITIME INSURANCE.**—The term “mari-
15 time insurance”—

16 (A) means insurance coverage for physical
17 loss or damage of vessels, cargo, terminals, and
18 any transport by which the cargo is transferred,
19 acquired, or held between the points of origin
20 and the final destination; and

21 (B) includes cargo insurance, freight insur-
22 ance, hull insurance, and protection and indem-
23 nity.

24 (3) **REGISTRATION.**—The term “registration”
25 means the process—

1 (A) by which a vessel is formally recog-
2 nized by a country's maritime authority, result-
3 ing in the vessel's inclusion in the national ves-
4 sel registry; and

5 (B) conferring upon a vessel the nation-
6 ality of the registering state;

7 (C) entailing the right to fly the flag of
8 such registering state; and

9 (D) subjecting a vessel to the responsibility
10 to adhere to maritime laws and regulations en-
11 forced by such registering state.

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

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