

WINDWARD°



The new state of deceptive shipping practices: Insights from the UN's Panel of Experts Report on DPRK



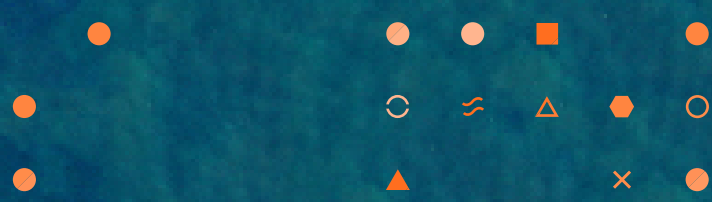


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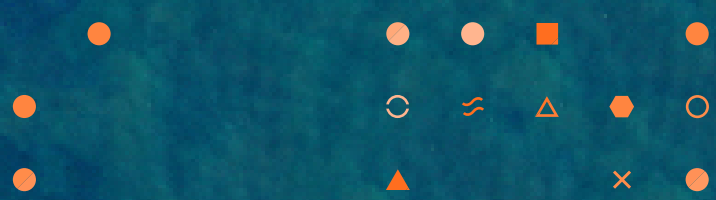
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Introduction

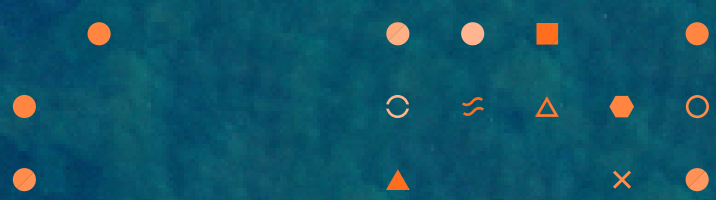
By any measure, the last eighteen months have been a watershed for sanctions compliance. When OFAC's May 2020 advisory was published - it took center stage in the regulatory environment. And the industry reacted almost without missing a heartbeat. New tools were onboarded and systems put in place to cope with the increased expectations. Deceptive shipping practices like AIS manipulation have become common terms and just as quickly as the advisory came in, it became the new operating standard. But more than a year later, the latest UN Panel of Experts on the Democratic People's Republic of Korea (DPRK) report has made it resoundingly clear that we can forget about the status quo. Eighteen months might not sound like a lot. But in the world of bad actors, a lot can happen.

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What's different?

Bad actors and regulators are in a constant arms race. While compliance professionals constantly develop new tools, sanction evaders perfect their craft by studying new ways to circumvent detection. Since the adoption of the 1874 resolution of 2009 by the Security Council, the UN Panel of Experts on DPRK has been investigating the evolution of deceptive shipping practices and how they are being used to avoid sanctions. The conclusions and recommendations are published twice a year depicting the latest trends and cases. In this issue, if one thing is clear it's this: identity related deceptive shipping practices should be a global concern to all compliance professionals.

And yet, these practices are barely mentioned in the OFAC advisory. What does this mean? Deceptive shipping practices like dark activity are well-known to the market. But this past year, bad actors have upended the expectations set by regulators and have become increasingly sophisticated - specifically targeting identity related tactics to slip by detection. This was made undeniably clear by the Panel of Experts' recommendations. Rather than focusing on cases of loitering or flag hopping, the report focuses on much more challenging schemes to catch.



The recommendations are in

In regards to identity laundering, a number of important checks were listed. For example, they stated the importance of identifying laundered AIS digital profiles used as cover identities to raise caution against trading with such ships. They also highlighted the importance of documenting up-to-date vessel identifies, supported with photographs of the exterior and interior of their vessels. And while stakeholders in the commercial market might disregard this as the flag registries' responsibility - when a vessel transmits regardless of its registration, the responsibility trickles down the entire value chain. Take the Mongolia flag registry as an example - hitting the news with cases of fraudulent use.

Now more than ever, bad actors are hiding their true location and true identities and transmitting fraudulent information. Palau, Cameroon, Mongolia, Sierra Leone were a few of the flags mentioned in laundering cases and fraudulent transmissions. As this becomes the new MO - compliance teams, not just flag registries, need to find ways to set up effective controls. The OFAC advisory could not have predicted that AIS manipulation or spoofing would evolve so quickly or cases to increase so rapidly, but the UN Panel has thrown the potential risk into the spotlight, emphasizing a whole new level of sophistication to sanction evasion activity.

The recommendations also go on to provide guidance on information sharing, stating that "the misuse of MMSIs is a trend affecting various flag registries" and urging stakeholders to investigate vessels transmitting fraudulent identifiers. But how should registries, or for that matter shipowners, charterers, or any other stakeholder in the maritime ecosystem, run such investigations? If going by OFAC's advisory is not enough, then what should compliance teams look out for? If it wasn't something that could result in a major hit to reputation and business, perhaps the solution could be to continue with the mindset of 2020 - but 2021 has raised the bar for every stakeholder.

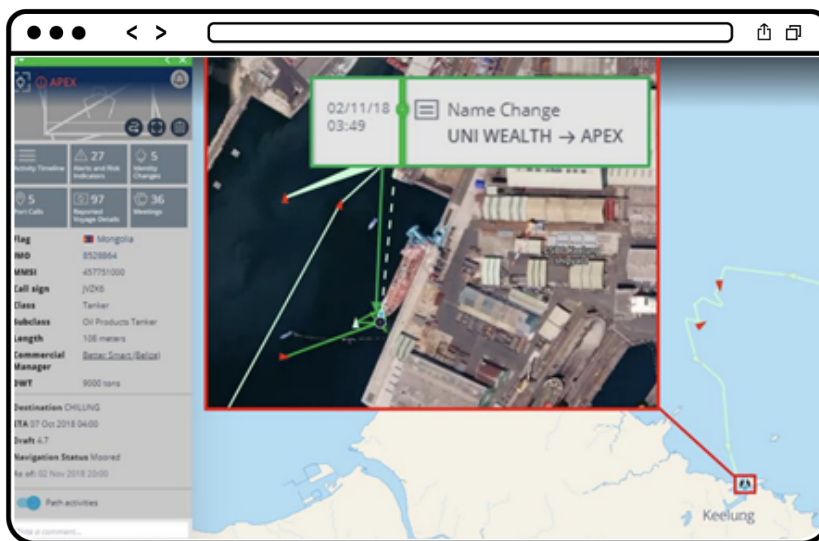
Investigations that matter

At first, dark activity was the name of the game. But since dark activity has been around for so long, when a vessel turns off its transmission, any tracking system is quick to red-flag it. On the other hand, identity manipulation, spoofing, identity swapping, are all much more likely to go undetected.

At Windward, we're long familiar with bad actors' habit of imitating vessel behavior in order to appear legitimate and bypass detection. This is why Windward is able to support the investigations of leading Experts in the sanctions space.

In fact, over **20 use cases** were listed in the Panel's report were enriched with Windward's insights and data. Take the case of **just one** of these. The Billions No.18 (IMO: 9191773) was designated on 28 December 2017 for having conducted a ship-to-ship transfer of refined petroleum with the DPRK tanker.

A month later its AIS transmission disappeared. For traditional tools, perhaps that would have been the end of the story. But Windward's system revealed that following this, the vessel tampered with its AIS, swapped into a new fraudulent identity, and went through an identity laundering process. Windward follows a vessel's entity over time regardless of transmitted changes. We leverage all three aspects of a vessel's identity – registry information from providers, digital data from the best AIS coverage in the market, and physical information via satellite imagery. Thanks to this, the Panel was able to track the true whereabouts and activity of the designated vessel and reveal the true nature of the 'disappearance' of the sanctioned vessel.



Source: Windward, annotated by the Panel

Conclusion

This is just a sneak peek into the discoveries of the panel, many of which Windward played a central role in investigating sophisticated cases of identity related deceptive practices. And this trend isn't going anywhere. To learn more about how Windward helped uncover the latest in sanctions trends, check out the [full report](#).