



MARITIME STATE OF PLAY REPORT: DECEPTIVE SHIPPING PRACTICES – EMERGING COMPANY TRENDS

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Deceptive shipping practices began to emerge as a topic of interest following the US Treasury Department Office of Foreign Assets Control's guidance on Deceptive Shipping Practices (2020). The guidance, at the time, highlighted seven practices that were pertinent in subterfuge shipping activities. Subterfuge shipping has always been an issue; however, this proverbial game of cat and mouse has continued to escalate in terms of the complexity of tactics used to circumvent these regulations, as well as the industry tools used to identify and combat them.

These tactics, historically used in activities related to Venezuela, Iran, Syria and North Korea have since also been employed in the shipping of Russian oil; many of which have evolved beyond the original scope. The formal sanctions placed against Russia are unparalleled, so the need for robust compliance frameworks and tools to carry out proper due diligence has never been higher.

The issue of vessel ownership itself and the need within industry to highlight and identify ultimate beneficial owners (UBOs) have widely been discussed and remains problematic owing to the complicated nature of vessel ownership.

This paper seeks to identify the key organizational movements observed within the global fleet, providing insight into possible behaviors and links used in subterfuge shipping.

Key points

- The link between entities and assets is key to better understanding and establishing possible sanctions risks, with over 1,600 ships being associated to designated entities.
- An unprecedented number of monthly changes being made to the "Companies" fields being associated to vessels, which are the highest observed in the last 13 years.
- Number of changes being carried out per month on the "Registered Owner" field increased 21% in 2021.
- Total number of entities being founded in 2021 increased 33%, contrasted with a 57% increase in those associated to IMO-registered cargo carrying vessels.
- Companies without parent company links increased 16% year over year in 2021; this figure further increased to 22% in 2022 (representing 7,496 companies during the two-year period).
- Drastic increases were recorded in 2021 and 2022 in the number of companies where there was more than one entity at a given address.
- Registered owners with single ship fleets (SSF) jumped 62% in 2021, equating to 3,064 companies.



Analysis

This section will cover multiple areas of interest identified within our companies database.

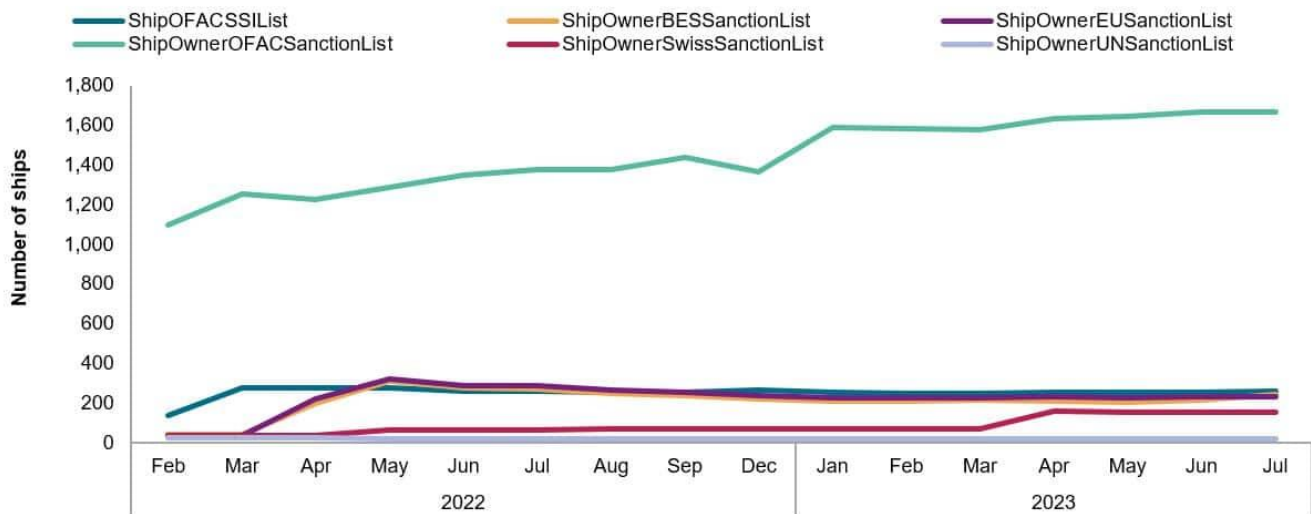
1. Sanctions escalation within the maritime sector

The sanctions landscape against Russia has escalated considerably since the initial sanctions of February 2022. Individual regulatory bodies have now gone through several rounds (with the European Union now on its 11th round) to restrict economic activity.

This has been felt rather strongly within the maritime domain, with a number of assets and entities being directly/indirectly targeted. The US, UK, EU and Switzerland are the most assertive in their designations, although different approaches are taken by these.

The link between entities and assets is key to better understanding and establishing possible sanctions risks. A direct contrast analysis of assets and entities shows that OFAC now currently has more than 700 vessels designated, with just under 200 maritime entities; however, when cross analyzing the underlying fleets relating to these entities, this shows more than 1,600 ships as of July 17, 2023.

Vessel designation by regulator through company association



As of July 17, 2023.

Source: S&P Global Market Intelligence

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2. New company registrations

Previous analysis conducted in April 2023 with a focus on Russian-affiliated entities showed a spike of 864 newly established maritime companies with an association or relationship to Russia; however, this rise in new companies being founded and incorporated was first seen in first half 2020, and continued through 2021.

[Click here](#) to download the full complimentary paper which includes the analysis of parent and care links, conflicting physical address of registration and single ship fleets.