

# Union Calendar No. 269

118<sup>TH</sup> CONGRESS  
1<sup>ST</sup> SESSION

# H. R. 6365

**[Report No. 118-330]**

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

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## IN THE HOUSE OF REPRESENTATIVES

NOVEMBER 13, 2023

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

DECEMBER 19, 2023

Reported with an amendment, committed to the Committee of the Whole  
House on the State of the Union, and ordered to be printed

[Strike out all after the enacting clause and insert the part printed in *italic*]

[For text of introduced bill, see copy of bill as introduced on November 13, 2023]

# **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 *nomie and trade sanctions by the United States and*  
10 *its allies, they are largely excluded from the licit glob-*  
11 *al financial system, including the movement, sale,*  
12 *and profit derived from their oil and gas resources.*

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

20            (3) *One method by which Iran and Russia fre-*  
21 *quently attempt to evade these U.S. sanctions on oil*  
22 *is to “false flag”, which means to avoid sanctions*  
23 *scrutiny by registering a vessel in a permissive coun-*  
24 *try or by sailing under another country’s flag without*

1        *communicating this to the country whose flag is being*  
2        *used.*

3            *(4) According to Foreign Policy, approximately*  
4        *two million barrels of oil from sanctioned countries,*  
5        *including Iran and Russia, are transported under*  
6        *false flags every day.*

7            *(5) In order to evade a sanctions regime, vessels*  
8        *transporting oil and gas resources from sanctioned*  
9        *countries must carry insurance policies to allow them*  
10       *to dock at a port, unload their goods, or use a port's*  
11       *services, such as refueling.*

12           *(6) The veracity of a vessel's flag is subject to ex-*  
13        *amination by port authorities, but verification by the*  
14        *port and service providers does not always occur.*

15           *(7) Given the lack of comprehensive checks on the*  
16        *veracity of flags, this Act will force a change in be-*  
17        *havior within the maritime shipping industry by*  
18        *limiting the availability of insurance products to*  
19        *those not verifying flag registration and providing a*  
20        *direct route for the Office of Foreign Assets Control*  
21        *("OFAC") to gain possibly actionable information*  
22        *that could lead to OFAC enforcement actions as well*  
23        *as additional targets for sanctions designations.*

1 **SEC. 3. MATERIAL MISREPRESENTATION.**

2 (a) *IN GENERAL.*—*In maritime insurance contracts,*  
3 *failure to verify a vessel’s registration shall be deemed a*  
4 *material misrepresentation by the policyholder.*

5 (b) *RULEMAKING.*—*The Undersecretary for Terrorism*  
6 *and Financial Crimes shall issue rules to carry out this*  
7 *section.*

8 **SEC. 4. IDENTIFICATION OF VESSELS WITH ILLICIT MARI-**  
9 **TIME INSURANCE.**

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

17 (b) *LIMITATIONS.*—*With respect to a maritime insur-*  
18 *ance contract, a report may only be made under subsection*

19 (a) *if the primary insurance regulatory authority—*

20 (1) *establishes that the maritime insurance con-*  
21 *tract has been issued by an insurer subject to the au-*  
22 *thority of the primary insurance regulatory author-*  
23 *ity;*

24 (2) *establishes that the maritime insurance con-*  
25 *tract satisfies the conditions established by the Under-*

1       *secretary for Terrorism and Financial Crimes to be*  
2       *voidable pursuant to section 3; and*

3               *(3) possesses, to the satisfaction of the primary*  
4       *insurance regulatory authority, clear and compelling*  
5       *credible factual evidence that a policyholder has failed*  
6       *to verify the registration of a vessel.*

7       **SEC. 5. REPORT.**

8               *(a) IN GENERAL.—Not later than the end of the 180-*  
9       *day period beginning on the date of the enactment of this*  
10       *Act, and annually thereafter for 5 years, the Secretary of*  
11       *the Treasury shall issue a report to the appropriate commit-*  
12       *tees of the Congress—*

13               *(1) detailing any reports received by the Under-*  
14       *secretary for Terrorism and Financial Crimes from a*  
15       *primary insurance regulatory authority under section*  
16       *4;*

17               *(2) detailing any steps taken by the Secretary of*  
18       *the Treasury on the receipt of that information;*

19               *(3) describing of activities taken by the Secretary*  
20       *of the Treasury, including meetings and advisories, to*  
21       *engage with the maritime community, foreign govern-*  
22       *ments, and civil society to improve outreach and un-*  
23       *derstanding of the compliance expectations related to*  
24       *maritime sanctions evasion; and*

1           (4) *describing any proposed improvements to ex-*  
2           *isting authorities or resources that could be provided*  
3           *by Congress.*

4           (b) *EXCEPTION FOR ONGOING INVESTIGATIONS.—The*  
5           *Secretary of the Treasury may not include information in*  
6           *a report required under subsection (a) related to ongoing*  
7           *investigations.*

8           **SEC. 6. REPORT.**

9           *Not later than the end of the 180-day period beginning*  
10          *on the date of the enactment of this Act, the Secretary of*  
11          *the Treasury shall issue a report to the appropriate commit-*  
12          *tees of the Congress containing recommendations for receiv-*  
13          *ing determinations described under section 4 from persons*  
14          *other than a primary insurance regulatory authority of a*  
15          *State, including establishing a whistleblower program.*

16          **SEC. 7. DEFINITIONS.**

17          *In this Act:*

18               (1) *APPROPRIATE COMMITTEES OF THE CON-*  
19               *GRESS.—The term “appropriate committees of the*  
20               *Congress” means the Committee on Financial Serv-*  
21               *ices of the House of Representatives and the Com-*  
22               *mittee on Banking, Housing, and Urban Affairs of*  
23               *the Senate.*

24               (2) *MARITIME INSURANCE.—The term “maritime*  
25               *insurance”—*

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

6           (B) includes cargo insurance, freight insur-  
7           ance, hull insurance, and protection and indem-  
8           nity.

9           (3) *REGISTRATION.*—The term “registration”  
10          means the process—

11           (A) by which a vessel is formally recognized  
12           by a country’s maritime authority, resulting in  
13           the vessel’s inclusion in the national vessel reg-  
14           istry; and

15           (B) conferring upon a vessel the nationality  
16           of the registering state;

17           (C) entailing the right to fly the flag of such  
18           registering state; and

19           (D) subjecting a vessel to the responsibility  
20           to adhere to maritime laws and regulations en-  
21           forced by such registering state.

22           (4) *STATE.*—The term “State” means any of the  
23           several States, the District of Columbia, a territory of  
24           the United States, an Indian Tribe, and a jurisdic-



1        *tion subject to the Compact of Free Association Act of*  
2        *2003.*

3                (5) *VESSEL.—The term “vessel” has the meaning*  
4        *given such term in section 3 of title 1, United States*  
5        *Code.*

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