AMENDMENT IN THE NATURE OF A SUBSTITUTE
TO H.R. ___
OFFERED BY M_. __________

Strike all after the enacting clause and insert the following:

SECTION 1. SHORT TITLE.
This Act may be cited as the “Stopping Illicit Oil Shipments Act of 2023”.

SEC. 2. FINDINGS.
The Congress finds the following:

(1) When countries are designated under economic and trade sanctions by the United States and its allies, they are largely excluded from the licit global financial system, including the movement, sale, and profit derived from their oil and gas resources.

(2) For U.S. persons, American maritime sanctions, including on nations like Iran, Russia, and North Korea, restrict the financing of vessels and cargo, insurance and re-insurance, companies using vessels to transport their goods, shipowners, charterers, and those providing maritime services such as classification and certification.
(3) One method by which Iran and Russia frequently attempt to evade these U.S. sanctions on oil is to “false flag”, which means to avoid sanctions scrutiny by registering a vessel in a permissive country or by sailing under another country’s flag without communicating this to the country whose flag is being used.

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

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

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

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

SEC. 3. MATERIAL MISREPRESENTATION.

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

(b) Rulemaking.—The Undersecretary for Terrorism and Financial Crimes shall issue rules to carry out this section.

SEC. 4. IDENTIFICATION OF VESSELS WITH ILLICIT MARITIME INSURANCE.

(a) In general.—The primary insurance regulatory authority of a State may report to the Undersecretary for Terrorism and Financial Crimes when, in the sole discretion of the primary insurance regulatory authority, the primary insurance regulatory authority has determined that the conditions exist for a maritime insurance contract to be voidable pursuant to section 3.

(b) Limitations.—With respect to a maritime insurance contract, a report may only be made under subsection (a) if the primary insurance regulatory authority—

(1) establishes that the maritime insurance contract has been issued by an insurer subject to the
authority of the primary insurance regulatory au-

(2) establishes that the maritime insurance con-

(3) possesses, to the satisfaction of the primary

insuranceregulatory authority, clear and compelling
credible factual evidence that a policyholder has
failed to verify the registration of a vessel.

SEC. 5. REPORT.

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

(1) detailing any reports received by the Under-
secretary for Terrorism and Financial Crimes from
aprimaryinsurance regulatory authority under sec-
tion 4;

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

(3) describing of activities taken by the Sec-
retary of the Treasury, including meetings and
advisories, to engage with the maritime community,
foreign governments, and civil society to improve outreach and understanding of the compliance expectations related to maritime sanctions evasion; and

(4) describing any proposed improvements to existing authorities or resources that could be provided by Congress.

(b) Exception for Ongoing Investigations.—
The Secretary of the Treasury may not include information in a report required under subsection (a) related to ongoing investigations.

SEC. 6. REPORT.

Not later than the end of the 180-day period beginning on the date of the enactment of this Act, the Secretary of the Treasury shall issue a report to the appropriate committees of the Congress containing recommendations for receiving determinations described under section 4 from persons other than a primary insurance regulatory authority of a State, including establishing a whistleblower program.

SEC. 7. DEFINITIONS.

In this Act:

(1) Appropriate Committees of the Congress.—The term “appropriate committees of the Congress” means the Committee on Financial Services of the House of Representatives and the Com-
mittee on Banking, Housing, and Urban Affairs of
the Senate.

(2) **MARITIME INSURANCE.** — The term “mar-
time insurance” —

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

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

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

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

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

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

(D) subjecting a vessel to the responsibility
to adhere to maritime laws and regulations en-
forced by such registering state.
(4) **STATE.**—The term “State” means any of the several States, the District of Columbia, a territory of the United States, an Indian Tribe, and a jurisdiction subject to the Compact of Free Association Act of 2003.

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