



MARITIME SECTOR

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This **GUIDANCE NOTE** is produced by the Australian Sanctions Office (ASO) within the Department of Foreign Affairs and Trade (DFAT). This document should not be used as a substitute for legal advice. Users are responsible for ensuring compliance with sanctions laws.



OVERVIEW

This guidance note details the restrictions on dealing with sanctioned vessels. It also outlines the responsibilities of individuals and businesses to take reasonable precautions and exercise due diligence to ensure adherence to sanctions. This guidance is aimed at the financial and maritime sector.

Glossary

Term	Definition
Australian Sanctions Office	The Australian Sanctions Office (ASO) is the Australian Government's sanctions regulator. The ASO sits within the Department of Foreign Affairs and Trade (DFAT).
Regulated entity	A government agency, individual, business, or other organisation whose activities are subject to Australian sanctions laws.
Sanctions permit	A sanctions permit is an authorisation from the Minister for Foreign Affairs (or the Minister's delegate) to undertake an activity that would otherwise be prohibited by an Australian sanctions law.
Sanctioned Vessels	A vessel that: <ul style="list-style-type: none">- has been designated, or included in a class of vessels that has been designated as a sanctioned vessel by the Minister under the <i>Autonomous Sanctions Regulations 2011</i>;- has been designated by the Committee of the Security Council established under paragraph 12 of the UNSC Resolution 1718 (2006);- has been specified by the Minister under <i>Charter of the United Nations (Sanctions – Democratic People's Republic of Korea) Regulations 2008 (DPRK Regulations)</i>; or- is a DPRK vessel.

What vessels are sanctioned under Australian Sanctions law.

Under the *Autonomous Sanctions Regulations 2011*, the Minister may designate vessels or a class of vessels. Once designated, the Minister may direct a sanctioned vessel to leave Australia or not enter a port or place in Australia. Failure to comply with a direction could constitute a criminal offence.

Under the DPRK Regulations, the Minister may also specify additional vessels that are reasonably believed to be involved in activities or the transport of items prohibited by various UNSC Resolutions related to the DPRK. If specified, the vessels are not to be registered, and any existing registrations cancelled. The Minister may also specify vessels that are not to be registered (or to continue to be registered) in certain other circumstances in connection with DPRK persons or entities.

Further, the Committee established under UNSC Resolution 1718 (2006) has also designated vessels it reasonably believes are or have been related to nuclear or ballistic missile-related programmes or activities prohibited by various UNSC Resolutions related to the DPRK. Under the related DPRK Regulations, the following is prohibited:

- entering a port in Australia, including where it is contrary to a direction given by the Minister under the DPRK Regulations; and
- using or dealing with such a vessel, allowing such a vessel to be used or dealt with, or facilitating the use or dealing with such a vessel.

The DPRK Regulations also prohibits the following in respect of DPRK vessels:

- the provision of bunkering services;
- the provision classification or certification services;
- the provision of insurance or reinsurance services;
- ship-to-ship (STS) transfer of goods;
- leasing or operating the vessel; and
- chartering the vessel.

The list of all vessels sanctioned under Australian sanctions law can be found here [Consolidated List | Australian Government Department of Foreign Affairs and Trade](#).

Contravention of these prohibitions may constitute an offence.

What do I need to do?

The financial sector, as well as the maritime sector stakeholders, are potentially exposed to sanctioned vessels through their business engagements.

Those operating in the financial sector (including maritime insurance, and commodities brokers) may identify potential links to sanctioned vessels through financial data, such as a Bill of Lading, vessel and carrier information, or other shipping and route details. These details should be screened against the list of sanctioned vessels to manage the risk of contravening Australia's sanctions laws.

Those operating in the maritime sector (including maritime insurance, crew companies, shipbroking companies and port authorities) may have access to additional information (such as voyage-to-voyage attestation records for the transport of oil), due diligence documents of vessel ownership and other vessel details, and specific tools including vessel location and tracking programs for vessels and cargo. These details should be screened against the list of sanctioned vessels, as well as looking for high risk indicators to manage the risk of contravening Australia's sanctions laws.

If a sanctioned vessel is identified, find out which sanctions apply, and comply with them.

Common Red Flags in the Maritime Sector

Higher risk countries

Certain countries and territories pose a higher risk for sanctions compliance and your compliance efforts should be proportionate. High risk countries include Russia, Iran and DPRK. Those conducting activities in this sector that have exposure to these jurisdictions should carefully review the relevant regulations, seeking independent legal advice where necessary.

False Flags and Flag Hopping

False flag operations involve the deceptive practice of deliberately misrepresenting the flag under which a vessel operates. This is done to mask the vessel's true identity and behaviour, often employed by individuals or entities engaged in illicit activities such as smuggling or illegal trade.

Flag hopping is a method used by individuals or entities to change the flag under which a vessel is registered. This involves frequent and rapid shifts in flag registration, making it difficult for authorities to monitor the vessel's movements and activities. Also, occurrences of a vessel claiming a country flag without proper authorisation, or instances when a vessel has changed flags frequently in a short period in a suspicious manner is consistent with flag hopping. While flag hopping is a common practice, it is important to consider the frequency of changes and the context of the flag State.

Ship-to-ship Transfers

Vessels with a history of STS transfers require enhanced due diligence. STS transfers involve transferring cargo directly between vessels at sea. Although often legitimate, STS transfers can be exploited for sanctions evasion or other illicit activities, especially when conducted at night or in high-risk areas to obscure the true origin or destination of commodities.

Irregular Sailing Patterns

Illicit actors may attempt to disguise the ultimate destination or origin of cargo or recipients by using indirect routing, unscheduled detours, or transit or transshipment of cargo through third countries. Although transit and transshipment are common in the global movement of goods, we recommend that you scrutinise routes and destinations that deviate from normal business practices, as appropriate.

Complex Ownership Structures

Global shipping operations often have complex structures due to the need to manage legal risk exposures under regional and international laws, employing a diverse crew from a global labour pool, and operating mobile assets across international waters and multiple jurisdictions.

Some individuals may exploit this complexity. This can involve the use of shell companies and/or multiple levels of ownership and management. Such structures can be employed to obscure the true owner of cargo or commodities, potentially to circumvent sanctions or other regulatory actions.

New Vessel Acquisitions

The acquisition of new vessels (referring to a change in ownership rather than the age of the vessel) as a means to circumvent sanctions involves intentionally obtaining additional ships to avoid or lessen the impact of sanctions. Malicious actors may employ this strategy to hide their ownership or control. By registering the vessels under different names or using intermediary entities, they can attempt to decrease the likelihood of detection.

Rotations of Owner and Manager Companies

Illicit actors often rotate shipowner and manager companies to obscure links to sanctioned activities, frequently switching between various owner and manager entities. It is essential to carefully examine if a vessel demonstrates a pattern of frequent changes in ownership or control. Monitoring and understanding these shifts in ownership and management structures are critical steps in identifying and addressing potential involvement in sanctions evasion.

False or Fraudulent Documentation

Complete and accurate shipping documentation is critical to ensure all parties to a transaction understand the entities, recipients, goods, and vessels involved in a given shipment. Bills of lading, certificates of origin, invoices, packing lists, proof of insurance, attestations, seafarer documentation, and lists of last ports of call are examples of documentation that typically accompanies a shipping transaction.

Falsifying documents (including customs and export control documents) or obtaining them through fraudulent means is illegal in most countries, and irregularities may provide a basis to hold a shipment until its contents are validated.

You are encouraged to conduct enhanced due diligence, as necessary, on documents that indicate or suggest that cargo is from an area determined to be at high risk for sanctions evasion. This should also be done for attestation documents required for vessels connected the transport of Russian oil under the Oil Price Cap (see below).

AIS Disablement, Manipulation or Spoofing

An Automatic Identification System (AIS) is an internationally mandated system that transmits a vessel's identification and navigational positional data via very high frequency (VHF) radio waves and satellites. The International Convention for the Safety of Life at Sea (SOLAS) requires that certain sizes of vessels travelling on international voyages operate AIS at all times with few exceptions.

Although safety or security issues may at times prompt legitimate disablement of AIS transmission, and poor transmission may otherwise occur, vessels engaged in illicit activities may also intentionally disable their AIS transponders (in a practice known as "going dark") or manipulate the data transmitted to mask their movement. The practice of manipulating AIS data, referred to as "spoofing," allows vessels to broadcast a different name, International Maritime Organization (IMO) number (a unique, seven-digit vessel identification code), Maritime Mobile Service Identity (MMSI), or other identifying information. This tactic can also conceal a vessel's next port of call or other information regarding its voyage. More information on Operational use of AIS can be found in IMO Resolution A.1106(29).

Physically Altering Vessel Identification

Passenger vessels of 100 Gross Tonnage (GT) or more and cargo vessels of 300 GT or more are required to display their name and IMO number in a visible location on the vessel's hull or superstructure. A vessel's IMO number is intended to be permanent regardless of a change in a vessel's ownership or name. Vessels involved in illicit activities have often painted over vessel names and IMO numbers to obscure identities and pass themselves off as different vessels.

Open Registries

Within the international ship registry system, it is common for the owner of a vessel to be located in a country different from the State whose flag the vessel flies. Open registries are frequently used across the sector because they can provide more competitive services than traditional registries and do not require vessel owners to be registered in the registry country. Actors sometimes use the flags of other States for their merchant fleets to distance vessel activities from associations with a sanctioned jurisdiction or entity and avoid restrictions imposed by sanctions. Some open registries may be susceptible to such practices.

FURTHER INFORMATION

Australia has endorsed **IMO Resolution A.1192(33)** which urges all member states and relevant stakeholders to promote actions to prevent illegal operations in the maritime sector by the 'shadow fleet'.

In November 2024, Australia endorsed the UK's **Call to Action on the Shadow Fleet**. This initiative aims to promote practices that ensure compliance with international standards for safety, environmental protection, and insurance.

Sanctions Compliance Toolkit & the Sanctions Risk Assessment Tool

For more information on how to assess sanctions risks, please review 'The Sanctions Compliance Toolkit' and the 'Sanctions Risk Assessment Tool' which provide a comprehensive guide aimed at helping regulated entities and legal professionals navigate the complexities of Australian sanctions laws. These offer a structured approach to compliance by outlining key principles, risk management strategies, and best practices that regulated entities can adopt to help ensure they do not contravene sanctions.

- [Sanctions Compliance Toolkit](#)
- [Sanctions Risk Assessment Tool](#)

Oil Price Cap

Australia has joined the G7 in implementing two price caps on Russian-origin oil and refined petroleum products. On 2 December 2022, G7 countries plus Australia agreed to the price cap of USD 60 per barrel of seaborne Russian-origin crude oil. On 4 February 2023, the Price Cap Coalition also agreed to price caps of USD 100 per barrel for high value and USD 45 per barrel for low value Russian-origin refined petroleum products.

The price caps aim to support stability in global energy markets while reducing the revenue Russia receives from oil and refined petroleum products. This forms part of a comprehensive suite of measures Australia has introduced to impose costs on Russia for its illegal and immoral invasion of Ukraine.

It is important to note that the price cap policy does not allow Australians to import, purchase or transport (other than by ship) Russian-origin oil and refined petroleum products. If a transaction involves any such activity or if it involves Russian-origin oil and refined petroleum products at a price exceeding the relevant price cap, you may consider applying to the Minister for a permit authorising the specific transaction.

Persons seeking to rely on the oil price cap should apply for a sanctions permit

[Russia – Australia implements G7 price caps on Russian refined petroleum products | Australian Government Department of Foreign Affairs and Trade](#)

[Oil Price Cap \(OPC\) Compliance and Enforcement Alert | Australian Government Department of Foreign Affairs and Trade](#)

Sanctions permits

A sanctions permit is an authorisation from the Minister for Foreign Affairs (or the Minister's delegate) to undertake an activity that would otherwise be prohibited under Australian sanctions law. More detailed information on Australia's sanctions frameworks, including the specific criteria for granting permits under each framework, can be found on the DFAT [website](#).

[General Permits | Australian Government Department of Foreign Affairs and Trade](#)

**Penalties for sanctions offences**

Sanctions offences are punishable by:

- For an individual - up to 10 years in prison and/or a fine of 2500 penalty units (\$825,000 as of 7 November 2024) or three times the value of the transaction(s) (whichever is the greater).
- For a body corporate – a fine of up to 10,000 penalty units (\$3.30 million as of 7 November 2024) or three times the value of the transaction(s) (whichever is the greater).

The offences are strict liability offences for bodies corporate, meaning that it is not necessary to prove any fault element (intent, knowledge, recklessness or negligence) for a body corporate to be found guilty. However, an offence is not committed if a body corporate can demonstrate that it took reasonable precautions, and exercised due diligence, to avoid contravening Australia's sanctions laws.

**Further information and resources**

While this guidance note provides a framework for understanding key sanctions risks and compliance requirements, it does not cover every possible scenario. Sanctions compliance is a dynamic, ongoing process rather than a one-time assessment. Sanctions measures and associated risks are constantly evolving, requiring regulated entities to continuously monitor and reassess their compliance strategies. Regulated entities are encouraged to seek independent legal advice on their specific situation and to ensure thorough due diligence in all activities.

Further information is available on the Department's [website](#) or by making an enquiry to sanctions@dfat.gov.au.