

US TARGETS "FOREIGN FINANCIAL FACILITATORS" FOR SUPPORTING NORTH KOREA

On August 22, 2017, The US Treasury Department's Office of Foreign Assets Control (OFAC) designated 10 entities and 6 individuals, including two Singapore-based companies, as Specially Designated Nationals (SDNs) for providing support to North Korea in contravention of US and UN sanctions. The list includes persons located in China, Russia, Namibia, and Singapore who are accused of assisting North Korea's nuclear and ballistic missile programs, dealing with North Korea's energy industry, facilitating the exportation of North Korean workers, and enabling sanctioned North Korean persons to access the US and international financial system.

The designations represent the latest in a series of US actions targeting persons located outside North Korea who provide support for sanctionable activity by the North Korean government and SDNs. On the same day as OFAC's designation, the US Department of Justice (DOJ) filed complaints seeking the forfeiture of approximately USD 11 million associated with two of the targeted entities: approximately USD 7 million wired to Singapore-based Velmur Management in May 2017 for shipments of gasoil from Russia to North Korea, and USD 4 million wired by China-based Dandong Chengtai Trading Co., for purchases of bulk commodities such as sugar, rubber, petroleum products, and soybean oil destined for North Korea. DOJ described these entities as "foreign financial facilitators" that participate in prohibited USD transactions to aid North Korea.

Previously, one of the other targeted entities, Mingzheng International Trading Limited (Mingzheng), was the subject of a DOJ complaint seeking the forfeiture of approximately USD 2 million, in June 2017. According to DOJ, "Mingzheng conspired to evade U.S. economic sanctions by facilitating prohibited U.S. dollar transactions through the United States on behalf of the Foreign Trade Bank, a sanctioned entity in the Democratic People's Republic of Korea (North Korea) and to launder the proceeds of that conduct through U.S. financial institutions."

In announcing the designations, US Treasury Secretary Steven T. Mnuchin stated: "It is unacceptable for individuals and companies in China, Russia, and elsewhere

to enable North Korea to generate income used to develop weapons of mass destruction and destabilize the region."¹

These designations follow the recent enactment of the "Countering America's Adversaries Through Sanctions Act" ("CAATSA"), signed into law on August 2, 2017.² CAATSA, among other things, authorized additional broad sanctions designed to further pressure North Korea to the negotiating table. These OFAC designations and DOJ asset forfeiture actions demonstrate that the Trump Administration not only will pursue sanctions violators through enforcement actions for causing US persons to violate US sanctions, but also will use designation authority to cut such persons and entities off from the US financial system and civil actions to recover the proceeds of their activities.

¹ <https://www.treasury.gov/press-center/press-releases/Pages/sm0148.aspx>

² [Clifford Chance Client Briefing: US Congress Could Enact Sweeping Sanctions Bill Against Russia](#), July, 2017

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