



US HOUSE OF REPRESENTATIVES PASSES BILL TO IMPOSE NEW SANCTIONS ON NORTH KOREA

On Thursday 4 May 2017 the House of Representatives of the United States voted overwhelmingly in favour of a bill that would extend the scope of the US sanctions programme against North Korea. The proposed new sanctions target the shipping, aviation, insurance and financial service industries in particular. The bill will become law if also passed by the United States' Congress and approved by President Trump.

The extraterritorial emphasis of the proposed expansion of US sanctions means that, if they do become law, companies of any jurisdiction should be even more careful in conducting extensive due diligence if they suspect that a transaction has a North Korean connection, and take legal advice where necessary.

The proposed new sanctions will impact on countries which do not comply with UN Security Council resolutions made in respect of North Korea, and companies which trade with North Korea or employ North Korean slave labour. If the sanctions do become law, they may become geopolitically controversial, as they would allow the US to designate non-US persons for transactions which do not have any US-connection.

The effect of a designation would be to block and prohibit all transactions in the property of the designated person that are or come within the US, or are or come within the possession of a US person.

In practice, this means that a designated company would be unable to transact with US counterparties, or transact in US dollars, as US dollar payments must be cleared through the US. In addition, designation can have severe reputational consequences.

Companies should note that there are already extensive UN, US and EU sanctions against North Korea.

The Bill includes the following substantive provisions:

1. Persons, including non-US persons, will generally become designated under US sanctions if they knowingly, whether directly or indirectly:
 - Purchase or acquire a significant amount of certain metals and minerals from North Korea.



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ANTHONY WOOLICH, PARTNER

- Sell or transfer a significant amount of rocket, aviation or jet fuel to North Korea.
 - Provide a significant amount of fuel or supplies, provide bunkering services, or facilitate a significant transaction or transactions to operate or maintain a vessel or aircraft that is designated under the US or UN sanctions programmes against North Korea, or that is owned or controlled by a person designated under the US or UN sanctions programmes against North Korea.
 - Insure, register, facilitate the registration of, or maintain insurance or a registration for a vessel owned or controlled by the Government of North Korea.
 - Maintain a correspondent account with a North Korean financial institution.
2. A vessel or aircraft may be seized and forfeited if it facilitates one of a number of defined types of transactions involving North Korea, including those listed above, under the jurisdiction of the US.
 3. Persons, including non-US persons, may also become designated under US sanctions if they knowingly, whether directly or indirectly, engage in a number of other activities with a North Korean connection, including:
 - The purchase or acquisition of significant quantities of coal, iron or iron ore from the Government of North Korea.
 - The sale, transfer or provision of significant amounts of certain petroleum and gas products to the Government of North Korea.
 - Conducting a significant transaction or transactions in North Korea's transportation, mining, energy or financial services industry.
 - Facilitating the operation of a branch, subsidiary or office of a North Korean financial institution.
 4. Vessels will be unable to enter into or operate in US waters, or transfer cargo in any port or place under US jurisdiction, apart from in limited circumstances, if they are owned or operated by or on behalf of:
 - The North Korean Government or a North Korean person.
 - Any country in which a sea port is located, the operator of which has been assessed to be non-compliant with certain UN Security Council measures taken against North Korea.
 - Any country which has been assessed to be non-compliant with certain UN Security Council measures taken against North Korea.
 5. Persons which knowingly employ North Korean slave labour may become designated under US sanctions.
 6. Six new entities, including the Korea Shipowners' Protection and Indemnity Association, and Chinpo Shipping Company (Private) Limited, may become designated under US sanctions.

For more information, please contact the authors of this briefing:

Anthony Woolich

Partner, London
T: +44 (0)20 7264 8033
E: anthony.woolich@hfw.com

Daniel Martin

Partner, London
T: +44 (0)20 7264 8189
E: daniel.martin@hfw.com

Jeremy Kelly

Associate, London/Brussels
T: +44 (0)20 7264 8798/
+32 2 643 3400
E: jeremy.kelly@hfw.com

HFW has over 450 lawyers working in offices across Australia, Asia, the Middle East, Europe and the Americas. For further information about international commerce issues in other jurisdictions, please contact:

Robert Follie

Partner, Paris
T: +33 1 44 94 40 50
E: robert.follie@hfw.com

Rula Dajani Abuljebain

Partner, Kuwait
T: +965 9733 7400
E: rula.dajaniabuljebain@hfw.com

Stephen Thompson

Partner, Sydney
T: +61 (0)2 9320 4646
E: stephen.thompson@hfw.com

Pierre Frühling

Partner, Brussels
T: +32 (0) 2643 3406
E: pierre.fruhling@hfw.com

Yaman Al Hawamdeh

Partner, Dubai
T: +971 4 423 0531
E: yaman.alhawamdeh@hfw.com

Hazel Brewer

Partner, Perth
T: +61 (0)8 9422 4702
E: hazel.brewer@hfw.com

Sarah Hunt

Partner, Geneva
T: +41 (0)22 322 4820
E: sarah.hunt@hfw.com

Mert Hifzi

Partner, Singapore
T: +65 6411 5303
E: mert.hifzi@hfw.com

Jeremy Shebson

Partner, São Paulo
T: +55 (11) 3179 2903
E: jeremy.shebson@hfw.com

Dimitri Vassos

Partner, Piraeus
T: +30 210 429 3978
E: dimitri.vassos@hfw.com

Henry Fung

Partner, Hong Kong/Shanghai
T: +852 3983 7777/
+86 21 2080 1000
E: henry.fung@hfw.com

Gerard Kimmitt

Partner, Houston
T: +1 (713) 706 1943
E: jerry.kimmit@hfw.com

Ziad El-Khoury

Partner, Beirut
T: +961 3 030 390
E: ziad.elkhoury@hfw.com

Nick Poynder

Partner, Shanghai
T: +86 21 2080 1001
E: nicholas.poynder@hfw.com

Wissam Hachem

Partner, Riyadh
T: +966 11 276 7372
E: wissam.hachem@hfw.com

Gavin Vallely

Partner, Melbourne
T: +61 (0)3 8601 4523
E: gavin.vallely@hfw.com

Lawyers for international commerce

hfw.com

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