

Client Update

U.S. Announces North Korea Shipping Practices Advisory and Sanctions Designations

On February 23, 2018, the U.S. Department of the Treasury's Office of Foreign Assets Control ("OFAC"), the U.S. Department of State and the U.S. Coast Guard jointly issued an advisory regarding deceptive shipping practices used by North Korea to evade sanctions.¹ OFAC also published new sanctions designations targeting one individual and 27 entities in North Korea and other countries in the Asia-Pacific region, as well as 28 North Korea-linked vessels flagged in countries around the world.² In a press release, the Treasury Department referred to the designations as the "largest North Korea-related sanctions tranche to date" and as part of a "maximum pressure campaign" against North Korea.³

The U.S. prohibits trade and other transactions by U.S. persons that directly or indirectly involve North Korea. It also may sanction non-U.S. persons that engage in trade with North Korea. The U.S. government's advisory cautions that deceptive tactics by North Korea can create sanctions risks for various parties involved in the shipping industry, including insurers, flag registries, shipping companies and financial institutions.

According to the advisory, the shipping industry is the "primary means" by which North Korea evades UN and U.S. sanctions to fund its nuclear weapons and ballistic missile programs. The advisory provides several examples of tactics used by North Korea to obfuscate the identity of its vessels, the goods being shipped and the origin or destination of cargo, including:

- Physically altering vessel identification numbers;
- Engaging in ship-to-ship transfers between vessels at sea;

¹ U.S. Dep't of the Treasury, North Korea Sanctions Advisory, [Sanctions Risks Related to North Korea's Shipping Practices](#) (Feb. 23, 2018).

² U.S. Dep't of the Treasury, OFAC Recent Actions, [North Korea Designations; Publication of North Korea Vessel Advisory](#) (Feb. 23, 2018).

³ U.S. Dep't of the Treasury, Press Release, [Treasury Announces Largest North Korean Sanctions Package Targeting 56 Shipping and Trading Companies and Vessels to Further Isolate Rogue Regime](#) (Feb. 23, 2018).

- Falsifying cargo and vessel documents, such as bills of lading, certificates of origin, invoices, packing lists, proof of insurance and lists of last ports of call;
- Disabling a ship's Automatic Identification System ("AIS") to mask ship movement; and
- Manipulating AIS data to falsify a ship's identity.

The advisory suggests several steps that the shipping industry and those involved in shipping-related transactions, including insurance companies and financial institutions, can take to mitigate sanctions risks, including:

- Monitoring for signs of AIS manipulation;
- Conducting research prior to ship-to-ship transfers on the identity of the vessels and whether there is a legitimate reason for the transfer;
- Reviewing applicable shipping documentation for indications of manipulation or other red flags of illicit activities;
- Clearly communicating sanctions obligations and requirements to international partners; and
- Leveraging available resources, including commercial shipping data and information available from OFAC, the U.S. Coast Guard and the UN, when conducting due diligence.

Annexes to the advisory provide an overview of U.S. and UN sanctions related to the maritime industry and a list of North Korean vessels capable of ship-to-ship petroleum transfers.

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Please do not hesitate to contact us with any questions.

WASHINGTON, D.C.

Satish M. Kini
smkini@debevoise.com

Robert T. Dura
rdura@debevoise.com

NEW YORK

Carl Micarelli
cmicarelli@debevoise.com

Zila R. Acosta-Grimes
zracosta@debevoise.com