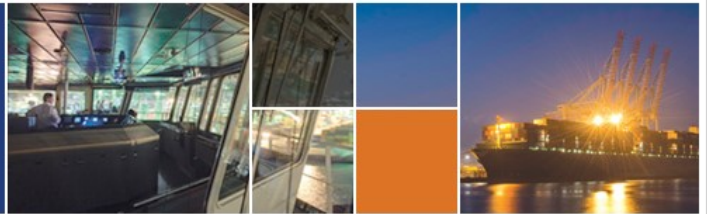




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## OFAC Designations in respect of North Korea - August 2017

August 2017

Members attention is drawn to the below OFAC Press Release dated 22 August 2017 which sets out details of latest OFAC designations in respect of North Korea, targeting 6 individuals and 10 entities based in North Korea, Russia, China, and Singapore, for their part in breaching US sanctions which target WMD programmes and for their help in financing the North Korean Government through trade involving North Korean coal and oil.

### **OFAC Designates 16 for Activities Related to Support of North Korea's Nuclear and Ballistic Missile Programs, Energy Trade, Labor Exports, and Sanctions Evasion**

The U.S. Department of the Treasury's Office of Foreign Assets Control (OFAC) designated 10 entities and six individuals in response to North Korea's ongoing development of weapons of mass destruction (WMD), violations of United Nations (UN) Security Council Resolutions, and attempted evasion of U.S. sanctions. Today's sanctions target third-country companies and individuals that (1) assist already-designated persons who support North Korea's nuclear and ballistic missile programs, (2) deal in the North Korean energy trade, (3) facilitate its exportation of workers, and (4) enable sanctioned North Korean entities to access the U.S. and international financial systems. As a result of today's action, any property or interests in property of the designated persons in the possession or control of U.S. persons or within the United States must be blocked, and U.S. persons are generally prohibited from dealing with them.

These actions taken by the Treasury Department complement United Nations Security Council Resolution (UNSCR) 2371, enacted on August 5, 2017, and hold the Government of North Korea responsible for its continued testing of ballistic missiles and WMD development.

*"Treasury will continue to increase pressure on North Korea by targeting those who support the advancement of nuclear and ballistic missile programs, and isolating them from the American financial system," said Treasury Secretary Steven T. Mnuchin. "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. We are taking actions consistent with UN sanctions to show that there are consequences for defying sanctions and providing support to North Korea, and to deter this activity in the future."*

Today's designations were made pursuant to E.O. 13382, which targets WMD proliferators and their supporters, and E.O. 13722, which targets, in part, North Korea's revenue from coal, as well as its energy and financial services industries. Details of these actions are described below.

#### North Korean WMD Programs

OFAC designated China-based Dandong Rich Earth Trading Co., Ltd. for its support to UN- and U.S.-designated Korea Kumsan Trading Corporation, an entity OFAC previously designated for being owned or controlled by, or acting or purporting to act for or on behalf of, directly or indirectly, the UN- and U.S.-designated General Bureau of Atomic Energy, which is responsible for North Korea's nuclear program. Dandong Rich Earth Trading Co., Ltd. has purchased vanadium ore from Korea Kumsan Trading Corporation. UNSCR 2270 prohibits North Korea's exports of vanadium ore, and requires member states like China to prohibit the procurement of vanadium ore from North Korea.

OFAC designated Gefest-M LLC and its director, Russian national Ruben Kirakosyan, for support to the UN- and U.S.-designated Korea Tangun Trading Corporation, also known as Korea Kuryonggang Trading Corporation, which is subordinate to the UN- and U.S.-designated Second Academy of Natural Sciences, an entity involved in North Korea's WMD and missile programs. Gefest-M LLC, a company based in Moscow, has been involved in the procurement of metals for Korea Tangun Trading Corporation's Moscow office.

OFAC also designated China- and Hong Kong-based Mingzheng International Trading Limited ("Mingzheng"). Mingzheng acts as a front company for UN- and U.S.-designated Foreign Trade Bank (FTB), and it has provided financial services to FTB by, among other things, conducting U.S.-dollar denominated transactions on behalf of FTB. FTB is North Korea's primary foreign exchange bank; it was designated by the United Nations on August 5, 2017 as part of UNSCR 2371. OFAC designated FTB in 2013 for facilitating transactions on behalf of North Korea's proliferation network, including for UN- and U.S.-designated Korea Mining Development Corporation and Korea Kwangson Banking Corporation. On June 29, 2017, OFAC designated Mingzheng's owner, Sun Wei.

#### North Korean Coal and Oil Trade

North Korea generates a significant share of the money it uses to fuel its nuclear and ballistic missile programs by mining natural resources and selling those resources abroad. In particular, coal trade has generated over \$1 billion in revenue per year for North Korea, activity which prompted the UN Security Council to seek to sharply curtail such exports in UNSCR 2321 of November 30, 2016, and to fully ban them in UNSCR 2371 of August 5, 2017. Today OFAC designated three Chinese coal companies collectively responsible for importing nearly half a billion dollars' worth of North Korean coal between 2013 and 2016. Dandong Zhicheng Metallic Materials Co., Ltd. ("Zhicheng"), JinHou International Holding Co., Ltd., and Dandong Tianfu Trade Co., Ltd. have sold, supplied, transferred, or purchased coal or metal, directly or indirectly, from North Korea, and the revenue may have benefitted the nuclear or ballistic missile programs of the Government of North Korea or the Workers' Party of Korea. JinHou International Holding Co., Ltd. and Dandong Tianfu Trade Co., Ltd. also were designated for operating in the mining industry in the North Korean economy.

Zhicheng specializes in the import, export, and transport of steel and anthracite coal, and it has worked with a number of U.S.-designated entities, including the UN-designated Koryo Credit Development Bank and Korea Ocean Shipping Agency. Zhicheng allegedly used the foreign exchange received from the end users of North Korean coal to purchase other items for North Korea, including nuclear and missile components. Zhicheng's director and majority owner, Chi Yupeng, was also designated today pursuant to E.O. 13722. Chi Yupeng has used a network of companies to engage in bulk purchases, wire transfers, and other transactions on behalf of North Korean interests. UNSCR 1718 prohibits direct and indirect support for North Korea's WMD program.

OFAC designated three Russian individuals and two Singapore-based companies involved in providing oil to North Korea. Transatlantic Partners Pte. Ltd. ("Transatlantic"), Mikhail Pisklin, and Andrey Serbin were designated pursuant to E.O. 13722 for operating in the energy industry in the North Korean economy. Pisklin, through Transatlantic, concluded a contract to purchase fuel oil with Daesong Credit Development Bank, a North Korean bank designated in 2016. Serbin is a representative of Transatlantic who worked with Irina Huish of Velmur Management Pte. Ltd.

("Velmur") to purchase gasoil for delivery to North Korea. Velmur was designated for having materially assisted, sponsored, or provided financial, material, or technological support for, or goods or services to or in support of, Transatlantic. Velmur also sold gasoil to North Korea. OFAC also designated Velmur's executive director, Irina Huish, for acting or purporting to act for or on behalf of, directly or indirectly, Velmur, and she has also worked with Transatlantic to circumvent sanctions. Both of these companies have attempted to use the U.S. financial system to send millions of dollars in payments on behalf of North Korea-related transactions.

#### Overseas Labor Revenue

OFAC designated Mansudae Overseas Projects Architectural and Technical Services (Proprietary) Limited for being owned or controlled by, or acting or purporting to act for or on behalf of, directly or indirectly, and having materially assisted, sponsored, or provided financial, material, or technological support for, or goods or services to or in support of, Mansudae Overseas Projects Group of Companies (MOP). MOP was designated by the United Nations on August 5, 2017 as part of UNSCR 2371. OFAC designated MOP in December 2016 for having engaged in, facilitated, or been responsible for the exportation of workers from North Korea, including exportation to generate revenue for the Government of North Korea or the Workers' Party of Korea. MOP is known to have used these workers to build statues abroad to raise revenue, a practice prohibited by UNSCR 2321, which led to MOP also being designated by the UN through UNSCR 2371. Some of the revenue generated by overseas laborers has been used by the UN- and U.S.-designated Munitions Industry Department, which is responsible for overseeing North Korea's ballistic missiles program and was designated by the U.S. Department of State in 2010 pursuant to E.O. 13382.

OFAC also designated Kim Tong-Chol and Qingdao Construction (Namibia) CC ("Qingdao") pursuant to E.O. 13722. Kim Tong-Chol was designated for acting or purporting to act for or on behalf of, directly or indirectly, and having materially assisted, sponsored, or provided financial, material, or technological support for, or goods or services to or in support of, MOP, Mansudae Overseas Projects Architectural and Technical Services (Proprietary) Limited, and Qingdao. Qingdao, a Namibia-based subsidiary of a Chinese company, was designated for having materially assisted, sponsored, or provided financial, material, or technological support for, or goods or services to or in support of, MOP and Mansudae Overseas Projects Architectural and Technical Services (Proprietary) Limited. Kim Tong-Chol entered into an agreement with Qingdao wherein Qingdao would take over four Namibian government-sponsored construction projects, as well as MOP employees and materials associated with the projects.