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CIRCULAR

MARCH 07, 2016

TO ALL INSUREDS AND BROKERS

Dear Colleagues:

NORTH KOREA: UNITED STATES AND UNITED NATIONS IMPOSE ADDITIONAL SANCTIONS

THE UNITED STATES POSITION

On February 18, 2016, President Obama signed into law the North Korea Sanctions and Policy Enhancement Act of 2016 (H.R. 757) (the Act). This legislation tightens existing US sanctions against North Korea by, inter alia, imposing stricter licensing requirements for the export or re-export to North Korea of any US-origin goods, software, or technology. It also contains provisions requiring the President to impose targeted sanctions on persons deemed to engage in certain types of activities related to North Korea's nuclear proliferation and money laundering activity, as well as its efforts to undermine cybersecurity.

US exports and re-exports to North Korea

As a result of the Act, all US exports and re-exports to North Korea continue to require a US government export license.

Additional sanctions targets under the new North Korea sanctions: secondary sanctions

Under the Act (in a manner similar to earlier secondary sanctions imposed with respect to Iran), the United States may impose sanctions on any individual or entity that has knowingly engaged or assisted in sanctionable activity, or has attempted to do so, such activity being:

- Activities or transactions with the government of North Korea related to proliferation of weapons of mass destruction;
- Activities related to significant arms or related material;
- Import or export of luxury goods to or from North Korea;
- Censorship by the government of North Korea;

- Serious human rights abuses by the government of North Korea;
- Money laundering, counterfeiting, or narcotics trafficking involving or supporting the government of North Korea; or
- Significant activities undermining cyber security in support of the government of North Korea.

In addition, US sanctions may be now imposed on individuals or entities that have engaged in, facilitated or supported (or have attempted to do so):

- Transactions in violation of any applicable UN Security Council resolution; or
- Any conduct prohibited by the UN Security Council or a US Executive Order.
- The knowing bribery of a North Korean official or the misappropriation or theft of public funds by or for the benefit of such an official.

Penalties for violations of the sanctions by non-US persons

Individuals and entities targeted by the above sanctions will be designated as SDNs and added to the List of Specially Designated Nationals and Blocked Persons (the SDN List), maintained by the US Department of the Treasury's Office of Foreign Assets Control (OFAC). US persons will be prohibited from transactions and activities with or involving individuals and entities on the SDN List and SDNs will be prohibited from engaging in any business with the United States.

To avoid being designated as an SDN, Members should ensure that their trade with or involving North Korea does not involve the sanctionable activities outlined above.

Continuing sanctions

Unless authorized by the US government, existing US sanctions with respect to North Korea prohibit US persons from:

- registering vessels in North Korea, obtaining authorization for a vessel to fly the North Korean flag, and owning, leasing, operating, or insuring any vessel flagged by North Korea; and
- engaging in transactions with or involving certain North Korean individuals and entities whose names already appear on the SDN List; and
- importing into the United States, goods, services, and technology from North Korea unless authorized by OFAC. This broad prohibition applies to goods, services and

technology from North Korea that are used as components of finished products of, or substantially transformed in, a third country.

THE UNITED NATIONS POSITION

On March 3, 2016, the United Nations Security Council adopted a resolution (UNSCR 2270) intensifying economic sanctions against North Korea.

UNSCR 2270 further intensifies economic sanctions against North Korea. It targets North Korea's military as well as its economic sectors in an effort to stop North Korea's nuclear and missile activities.

Key elements/measures of the new UN sanctions include the following:

- Prohibition on the import from North Korea of coal, iron and iron ore, with limited exceptions, and import of gold, titanium ore, vanadium ore and rare earth minerals with no exceptions. Prohibition on North Korea's importation of aviation fuel, including rocket fuel.
- Imposition of a sweeping ban on North Korean bank branches and similar offices abroad, as well as joint ventures with North Korean banks. States will likewise be required to prohibit their banks from opening new offices in North Korea and to close existing ones if there is credible information that provides reasonable grounds to believe the associated financial services are contributing to North Korea's illicit activities.
- Requirement on states to inspect all North Korean cargo – either coming from North Korea or going to it – that crosses into their territory. States are also prohibited from permitting North Korea to lease or charter their flagged vessels or aircraft, or from letting their nationals operate North Korean vessels. All overflight of a state's territory is to be prohibited if there are reasonable grounds to suspect North Korean illicit cargo is aboard, and North Korea will be denied port call access for any seagoing vessels if those same grounds exist.
- Prohibition on any trade assistance – public and private – that supports trade with North Korea, if it could contribute to North Korea's nuclear and missile activities.
- Obligation for states to expel from their territories North Korean diplomats and any other foreign nationals engaged in illicit activities, with minimal exceptions.

UNSCR has expanded the following existing sanctions measures:

- Prohibition on any conventional arms-related trade with North Korea, including items that – while not serving as arms themselves – can enable North Korea to develop its armed forces. Such a conventional arms “catch-all” provision will help to prevent support for the North Korean military that, while not involving arms directly,

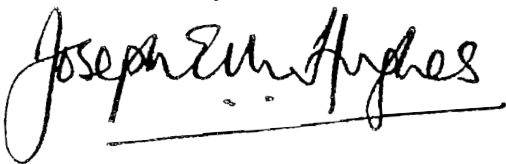
advances North Korea's capabilities. Such items could include all manner of dual use goods and equipment, such as computers, trucks and the like. North Korea is also forbidden to cooperate with other countries to improve their militaries or to receive military advice or training.

- Expansion of the list of proliferation-sensitive items that North Korea can no longer procure, including any item that another state determines could contribute to North Korea's nuclear or missile programs.
- Substantial expansion of the list of individuals and entities subject to the asset freeze and travel ban created in UNSCR 1718. Individuals named occupy various roles in North Korea's military, science and economic sectors. Entities include two banks, three trading companies, and seven North Korean government agencies associated with the North Korean military and nuclear or missile programs. The asset freeze will also apply to any funds that a state determines are owned or controlled by the North Korean government or the Workers' Party of Korea.
- Expansion of the list of luxury goods banned for export to North Korea.
- Prohibition on any specialized teaching or training for North Korean nationals in areas that could contribute to North Korea's proliferation of sensitive nuclear activities or its development of nuclear weapon delivery systems.
- Reaffirmation that any space-related cooperation with North Korea is forbidden.

Questions and further guidance

For any questions regarding any aspect of the foregoing and other sanctions in general, Insureds are asked to contact Charles J. Cuccia, Senior Vice President – Compliance, ph +1 212 847 4539, mob +1 917 215 2883, or by e-mail at charles.cuccia@american-club.com.

Yours faithfully,



Joseph E.M. Hughes, Chairman & CEO
Eagle Ocean Agencies, Inc.

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