



JANUARY 3, 2018

CIRCULAR NO. 01/18

TO MEMBERS OF THE ASSOCIATION

Dear Member:

THE UNITED NATIONS IMPOSES ADDITIONAL SANCTIONS ON NORTH KOREA

As Members may already be aware, on December 22, 2017, the United Nations Security Council adopted yet another resolution (UNSCR 2397) imposing additional economic sanctions on North Korea. This Circular summarizes these new sanctions. It should be read in conjunction with earlier Club Circulars on this subject.

Summary of the new sanctions

UNSCR 2397 imposes new sanctions on North Korea's energy, export, and import sectors. It also creates new maritime-related authorizations to shut down North Korea's smuggling activities. UNSCR 2397 builds on UNSCR 2375 (2017) and prior resolutions.

The new resolution imposes the following measures:

1. Refined petroleum products: Reduces UNSCR 2375 annual cap on refined petroleum exports by 75% to allow a maximum of 500,000 barrels/year to North Korea.
2. Crude oil: Strengthens UNSCR 2375 freeze on crude oil by establishing a 4 million barrels/year or 525,000 tons/year annual limit. Increases transparency of sources of supply of crude oil provided to North Korea by requiring supplying member states to provide quarterly reports to the 1718 Sanctions Committee on amounts of crude oil provided to North Korea.
3. Commitment to future oil reductions: Commits the Security Council to reduce further petroleum exports to North Korea following another nuclear test or an ICBM launch.
4. Countering maritime smuggling: Provides additional tools to address smuggling and sanctions evasion, including a new requirement for countries to seize and impound ships caught smuggling items including oil and coal.
5. North Korean overseas workers: Requires countries to expel all North Korean laborers earning income abroad within 24 months (i.e. by the end of 2019).
6. Banning of DPRK exports: Bans all remaining categories of major DPRK exports. The previous Security Council resolutions banned North Korea's export sectors covering around 90% of its export revenue (e.g., coal, textiles, seafood, iron). The remaining major export sectors now banned include food, agricultural products, minerals, machinery and electrical equipment.
7. Banning of DPRK imports: Bans North Korea from importing heavy machinery, industrial equipment, and transportation vehicles, but exempts the provision of spare parts for civilian passenger aircraft for air safety reasons.
8. Protects humanitarian and diplomatic activities in North Korea: Imposes new measures aimed at the North Korean regime by targeting industrial and other major economic activities while preventing North Korea from exporting food and agricultural products. Provides a number of



exemptions aimed at protecting the delivery of humanitarian assistance to the North Korean people and not impeding the work of diplomatic and consular missions operating in North Korea.

9. Sanctions designations (annexes): Adds 16 new individuals and one entity connected to the financing and development of North Korea's nuclear and ballistic missile programs to the UN's sanctions list.

Source: *United States Mission to the United Nations*:

<https://usun.state.gov/remarks/8238>, December 22, 2017

Implementation of the new sanctions by member states of the UN

Member states of the UN are required to implement and enforce UN Security Council Resolution 2397. Where required, and where UN resolutions are not directly applicable as a matter of national law, member states are expected to take implementing action through enactment of national laws and promulgation of regulations applicable to individuals and entities within their jurisdiction.

US sanctions against North Korea

The United States already maintains comprehensive sanctions against North Korea pursuant to various Executive Orders and the North Korean Sanctions Regulations and will adhere to, and enforce, the requirements of the new UN North Korea sanctions.

American Club cover for vessels trading to or with North Korea

In compliance with the prohibitions of US sanctions against North Korea, and in accordance with the Club's rules, the American Club does not provide any P&I or other insurance coverage for any vessels trading with North Korea.

Questions and further guidance

The Club will keep abreast of developments regarding the implementation of Resolution 2397 and all other previous UN resolutions dealing with sanctions on North Korea, and inform Members of developments of significance.

Members are reminded that, pursuant to American Club rules, there is no cover for voyages where cover would violate, or pose a risk of violating, sanctions prohibitions and also that causing a violation could entail the imposition of sanctions or penalties. Members are accordingly reminded to proceed with extreme caution in dealing with North Korea and to conduct additional sanctions compliance due diligence to ensure their own, as well as the American Club's, compliance with sanctions prohibitions.

Should Members wish to discuss any questions or need additional guidance regarding any aspect of the foregoing or other sanctions in general, or for confirmations as to the availability of cover for voyages involving countries (Iran, Syria, Cuba, North Korea, Russia, Crimea region of Ukraine, Venezuela (presently only SDNs)) or entities or individuals subject to US economic sanctions (e.g., OFAC SDN List), they are invited to contact: Charles J. Cuccia, Senior Vice President - Compliance, ph. +1 212 847 4539, mob +1 917 215 2883, charles.cuccia@american-club.com.

Yours faithfully,

Joseph E.M. Hughes, Chairman & CEO
Shipowners Claims Bureau, Inc., Managers for
THE AMERICAN CLUB