



FEBRUARY 26, 2016

CIRCULAR NO. 11/16

TO MEMBERS OF THE ASSOCIATION

Dear Member:

UNITED STATES IMPOSES ADDITIONAL SANCTIONS WITH RESPECT TO NORTH KOREA

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.

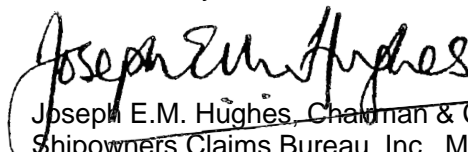
UN sanctions

Separately, the United Nations is expected to impose additional sanctions against North Korea. The US and China have agreed to a draft resolution increasing UN sanctions against North Korea. It has been reported that a draft sanctions resolution has been circulated to all 15 members of the Security Council for their consideration. A vote on the resolution could take place in a few days.

Questions and further guidance

For any questions regarding any aspect of the foregoing and other sanctions in general, or for confirmations as to the availability of cover for voyages involving North Korea or other countries subject to US economic sanctions (Iran, Syria, Sudan, and Cuba), please 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