

CLIENT ALERT

# Updates to Russia and North Korea Sanctions as the Countering America's Adversaries Through Sanctions Act Is Implemented

OCTOBER 4, 2017

Recent developments have implemented and supplemented the sanctions against North Korea and Russia that were enacted over the summer in the Countering America's Adversaries Through Sanctions Act on August 2, 2017 (the "Act"). For more information about the Act and its impacts, please see our prior briefing [here](#).

## North Korea

The United States continues to apply increasing pressure on North Korea through broad sanctions that have wide applicability across many industries, particularly within shipping and transportation.

The latest such action was taken via Executive Order 13810, issued on September 20, 2017.

### Shipping

- E.O. 13810 authorizes the Secretary of the Treasury to sanction:
  - Any person who owns, controls, or operates any seaport, airport, or land port of entry in North Korea.
  - Any person who is found to have engaged in at least one significant importation from or exportation to North Korea of any goods, services, or technology.
- E.O. 13810 establishes a 180-day provision for vessels: no vessel may call at a U.S. port nor aircraft land in the United States if:
  - That vessel or aircraft has either called at a North Korean port or landed in North Korea within any 180-day period; or
  - That vessel has engaged in a ship-to-ship transfer with a vessel that has called at a North Korean port within any 180-day period.

Note that General License 10, issued concurrently with E.O. 13810, authorizes an otherwise banned vessel to call at a U.S. port in certain distress and emergency circumstances.

## Financial Services

E.O. 13810 authorizes the Secretary of the Treasury to designate a foreign bank account as owned, controlled, or having been used by a North Korean person, with the result being that any funds that originate from, are intended to go to, or that pass through that account to or from a U.S. person must be blocked. Any U.S. person who approves, finances, guarantees, or facilitates any dealings by a foreign or U.S. person to funds linked to such accounts could be in violation this provision.

- E.O. 13810 authorizes the Secretary of the Treasury to order the blocking of:
  - All U.S.-based or U.S.-person-controlled funds of any foreign financial institution that knowingly conducted or facilitated any significant transaction for any already blocked person; and
  - Any person who operates in the construction, energy, financial services, fishing, information technology, manufacturing, medical, mining, textiles, or transportation industries in North Korea.
- E.O. 13810 authorizes the Secretary of the Treasury to impose sanctions on any non-U.S. financial institution that, on or after September 21, 2017, knowingly conducts or facilitates:
  - Any significant transaction on behalf of persons blocked under certain Executive Orders relating to North Korea or the proliferation of weapons of mass destruction relating to North Korea; or
  - Any significant transaction in connection with trade with North Korea.

The latest designation of blocked North Korean persons and banks is available [here](#).

## Russia

On September 29, 2017, the Office of Foreign Assets Control (“OFAC”) amended and reissued Directives 1 and 2 of the Russia Sectoral Sanctions in accordance with the Act. These reissued directives will affect debt issued by sanctioned entities after November 28, 2017.

Directive 1, which deals with the financial services sector of the Russian economy, currently prohibits U.S. persons from dealing in a sanctioned party’s new debt or equity with a maturity exceeding 30 days. This directive has been modified such that U.S. persons will now be prohibited from dealing in a sanctioned party’s debt or equity that was issued on or after November 28, 2017, if the maturity exceeds 14 days. The current 30-day time frame remains in place for debt or equity issued on or after September 12, 2014, and before November 28, 2017.

Directive 2, which deals with the energy sector of the Russian Federation’s economy, currently prohibits U.S. persons from dealing in a sanctioned party’s new debt with a maturity exceeding 90 days. This directive has similarly been modified such that U.S. persons will be prohibited from dealing in a sanctioned party’s debt that is issued after November 28, 2017, if the maturity exceeds 60 days. The current 90-day time frame remains in place for debt issued on or after July 16, 2014, and before November 28, 2017.

These reissued directives make it more difficult for the Russian Federation to do business with U.S. persons and are only one part of an expansive number of restrictions imposed by the Act. For more information about the Act and its impacts, please see our prior briefing [here](#).

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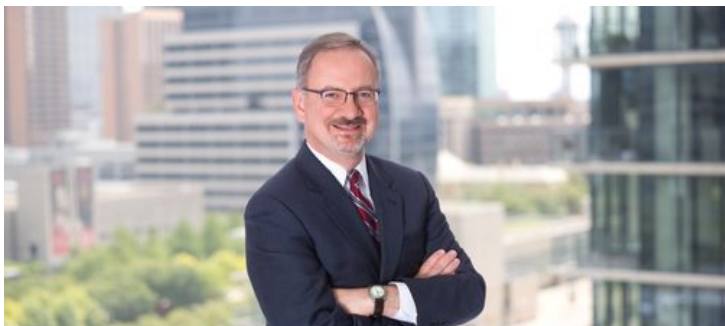
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