

Outreach Session

TARGETED SANCTIONS RELATED
TO PROLIFERATION & FINANCING

July 9, 2024

UNSC & FATF

- **Rec 7** – implement UNSC resolutions (regime) against proliferation of WMD.
 - 1718 – Democratic People's Republic of Korea (North Korea)
 - 2231 Iran – terminated – remaining actions.
 - TFS - Freezing measures
 - Prevent financing of proliferation of WMD programs.

Recommendation 7, IO 11

Main requirement

- Asset freezing measures defined by the UNSC
 - Asset freezing without delay
 - All funds or other assets owned or controlled,
 - Funds or other assets wholly or jointly owned or controlled, directly or indirectly,
 - Funds or other assets derived or generated from funds or other assets owned or controlled directly or indirectly
 - Funds or other assets of persons and entities acting on behalf of, or at the direction of designated persons.

What is the Proliferation of weapons of mass destruction (WMD) in general?

- The production or use of WMD, and their means of delivery, and related materials:
 - WMD: Nuclear, biological, or chemical weapons
 - Production or use of WMD
 - Transfer and export of WMD or related materials;
 - 'means of delivery':
 - Missiles, rockets, and other unmanned systems capable of delivering WMD
 - 'related materials':
 - Material, equipment, and technology for WMD and their means of delivery.

Proliferation of WMDs

Legal

- Specific country's nuclear programs
 - Limited - Disarmament
 - National procedures and protocols for control
- Biological and chemical weapons are prohibited.

Illegal

- illicit trafficking
- Reaches or developed by non-state actors.
- Nuclear program that is a threat to international peace: DPRK

What is Proliferation of WDM for FATF?

- The nuclear program considered prohibited by the UNSC: **DPRK – UNSCR 1718.**
- Remaining actions applicable to **Iran – UNSCR 2231.**
- Including: the illegal manufacture, acquisition development, export, trans-shipment, brokering, transport, transfer, stockpiling, or use of WMD and their means of delivery and related materials.

What is Proliferation Financing for the FATF?

- The **provision of financial services** or **assistance** to the provision, supply, sale, transfer, manufacture, maintenance, or use of items, materials, equipment, goods, and technology prohibited by the relevant resolutions.
 - Prohibited Items
 - Restricted goods.

What is Proliferation Financing for the FATF?

Prohibited or restricted items

- Weapons + technology
- Offering financial services to DPRK
- Commodities
- Dual-use goods
- Luxury goods

Highly- vulnerable sectors

- Trade
 - Finance
 - Transport
 - Insurance
- High-value goods dealers
- Virtual currency

TYPES OF SANCTIONS EVASION

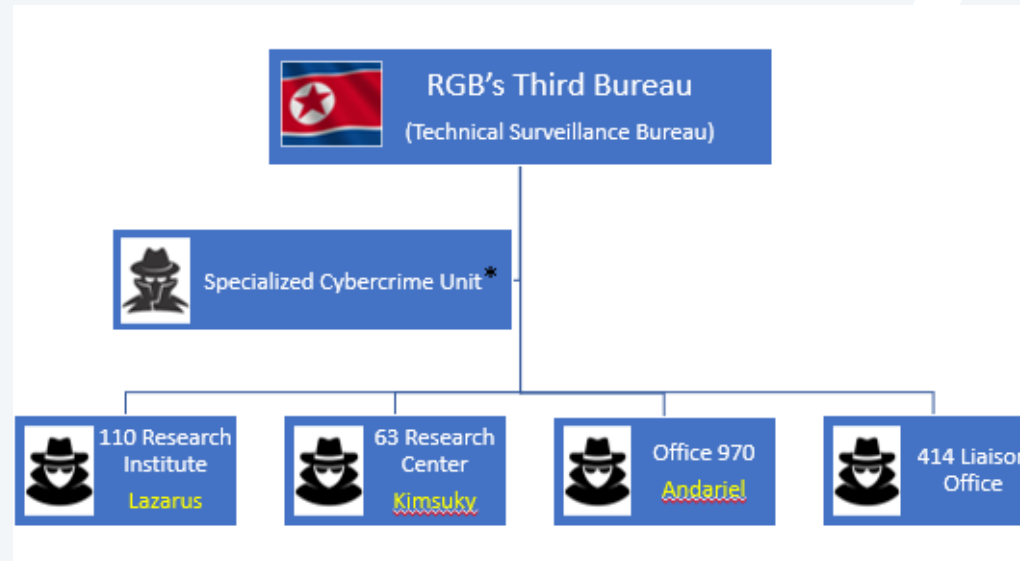
Prohibited: the provision of financial services

- All financial services to/from DPRK
 - Grants, loans, financial assistance
 - Bulk cash or gold
- Opening branches, subsidiaries and representative offices of DPRK banks or in DPRK.

Illicit generation of revenue through cyber activity

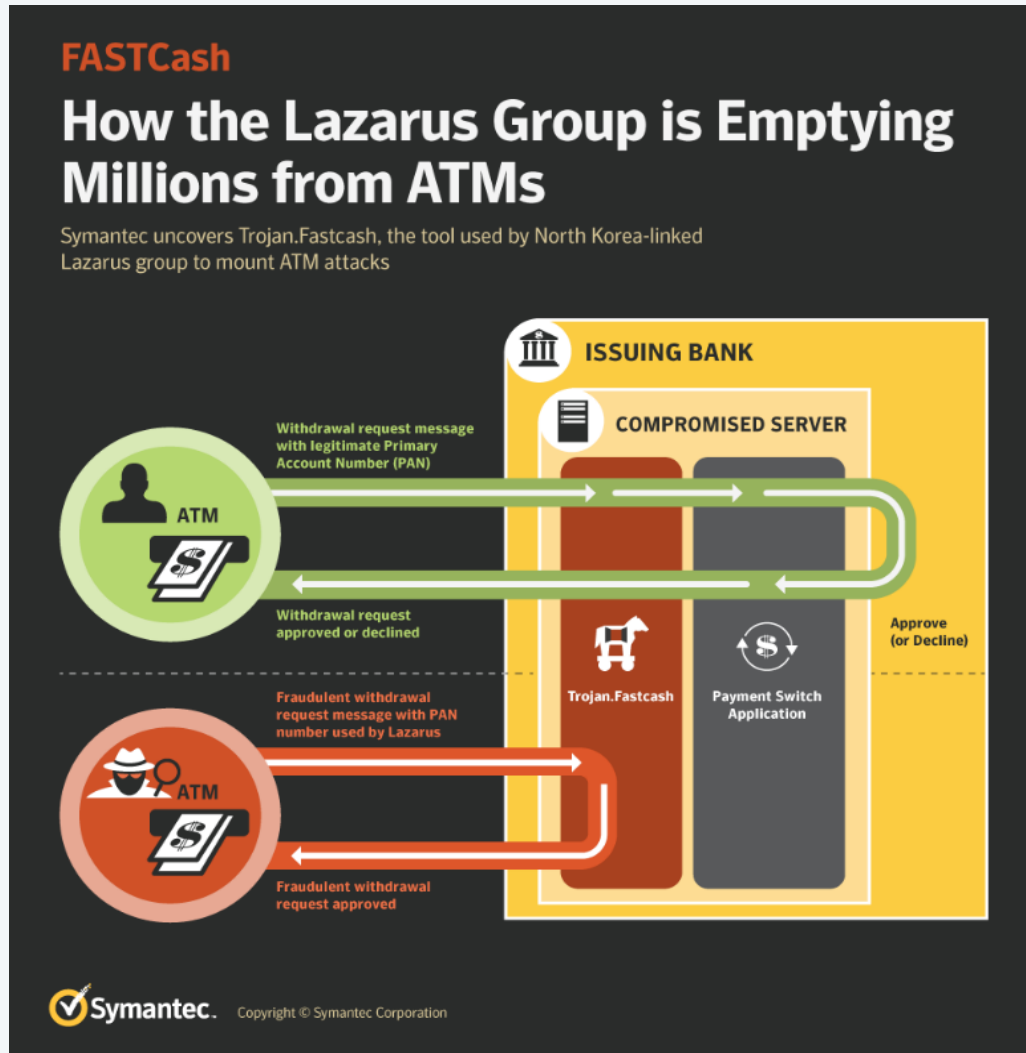
- DPRK sponsors hacker's groups
- UN panel of experts estimates DPRK's cyber actors have stolen virtual assets worth around \$1.2 billion globally since 2017, including about \$630 million in 2022 alone.
- A cybersecurity firm assessed that in 2022, **cybercurrencies** worth over \$1 billion (at the time of theft) were obtained, showing that 2022 was a record-breaking year for the DPRK.

Other cyber-attacks: Ransomware & espionage



- 892 foreign policy-related experts from 26 jurisdictions.
- Energy providers, health sector, crypto sector.
- Institutions in EU & LATAM
 - Education, chemical manufacturing, policy institutes, governmental research centres, etc.

Lazarus group



- In 2017, cash withdrawals from ATMs occurred in over 30 different countries.
- In 2018, cash was taken from ATMs in 23 separate countries.
- It is estimated that Lazarus has stolen millions of dollars.



Luxury goods

fta

Prohibition to supply directly or indirectly luxury goods



Jewellery



Luxury watches



**Rugs, tapestries,
porcelain / china**



**Transportation
items**

Yachts

Luxury automobiles

Racing cars

aquatic recreational
vehicles



Luxury yachts

- The DPRK attempted to buy two luxury yachts in Italy with assistance from an Austrian citizen.
- Italy blocked the nearly 13-million euro sale of two luxury yachts believed to have been bound for the impoverished nation of North.

Luxury Cars



- Mitsubishi sport car modified for military purposes
- Rolls Royce
- Mercedes



Other luxury goods

In 2019 Dutch customs seized 90,000 bottles of vodka believed to be for Kim Jong-un.



Prohibition on Dual-use goods

Are goods, software and technology that can be used for both civilian and military applications:

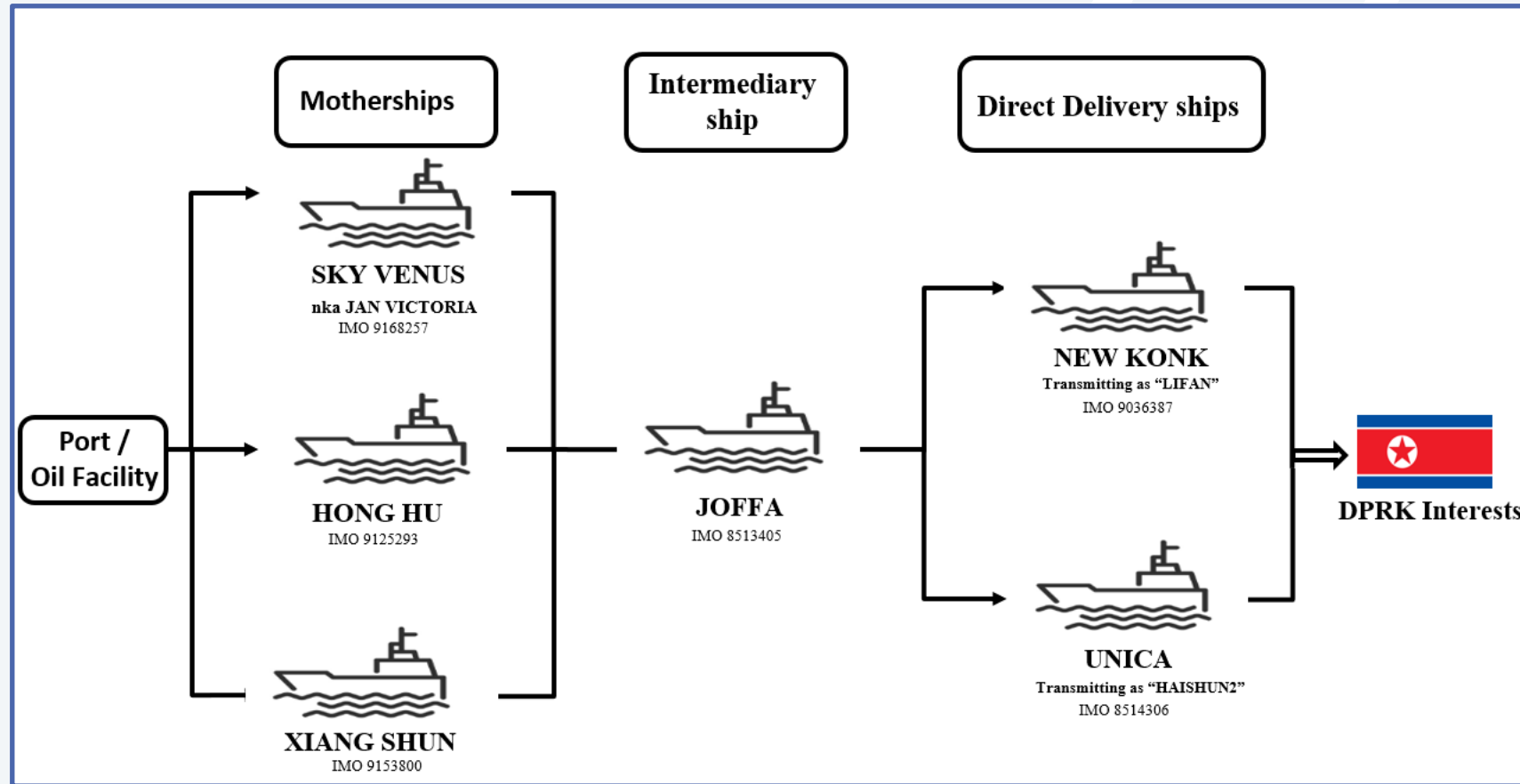
- Goods
- Chemical Precursors
- Equipment, technology
- Biological agents



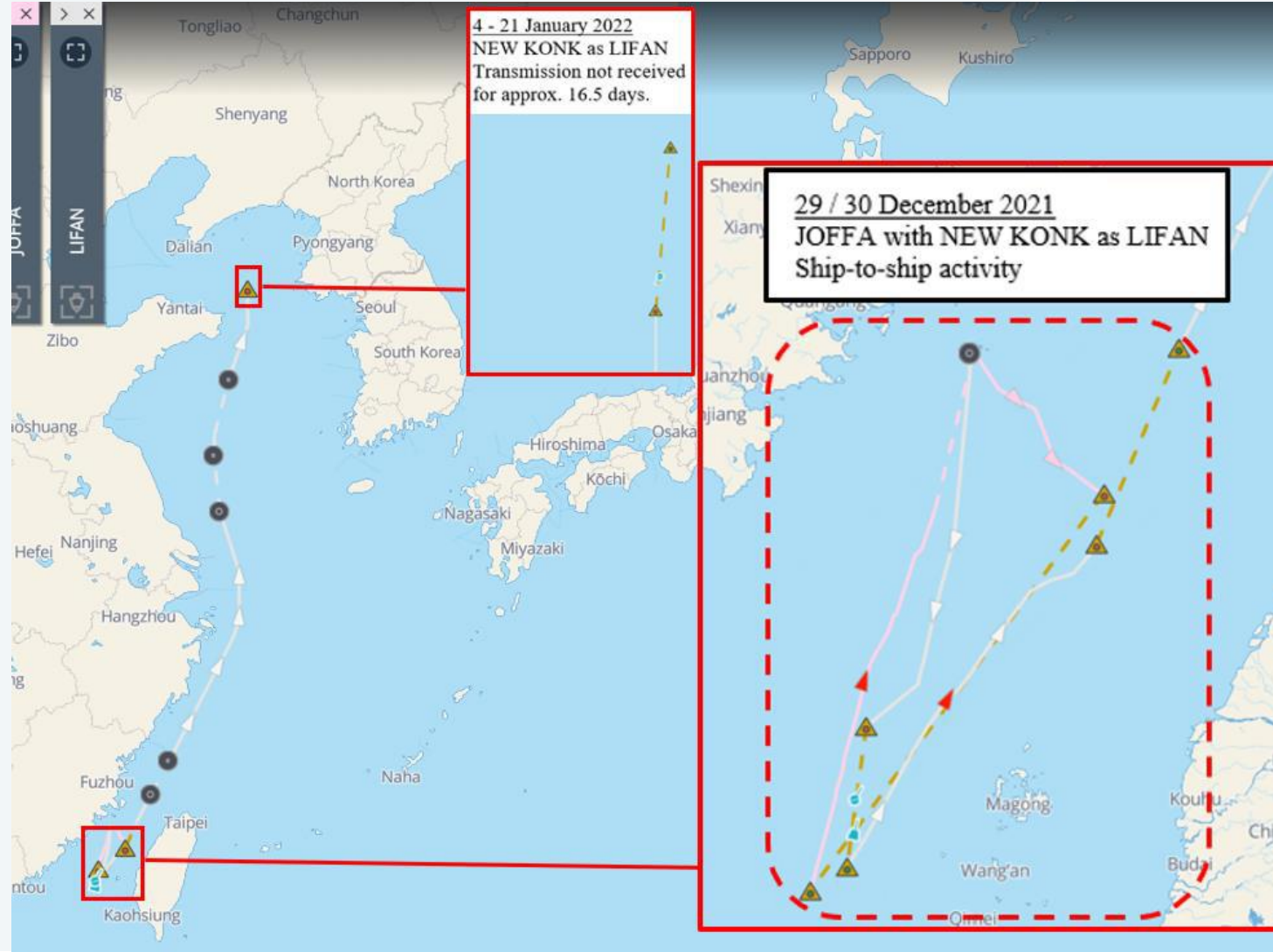
Ban or restrictions on commodities

- It is prohibited to procure from DPRK:
 - coal, iron, gold, titanium, copper, nickel, silver, zinc, lead, food and agricultural products, etc.
- It is prohibited to sell or supply:
 - Crude oil above an annual limit
 - All refined petroleum products above an annual limit
 - All aviation fuel, jet fuel, and rocket fuel (only what is needed for civil passenger flights)

Ship-to-ship transfer



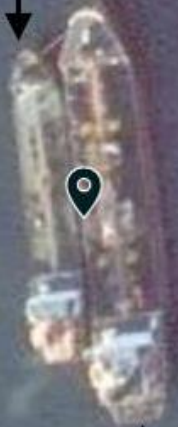
Ship-to-ship transfer



Ship-to-ship transfer

21 January 2022
DPRK's EEZ
Coordinates: 38.22102, 124.10602

UN HUNG (formerly VIFINE)



NEW KONK

19 June 2019
NEW KONK and VIFINE conducting STS

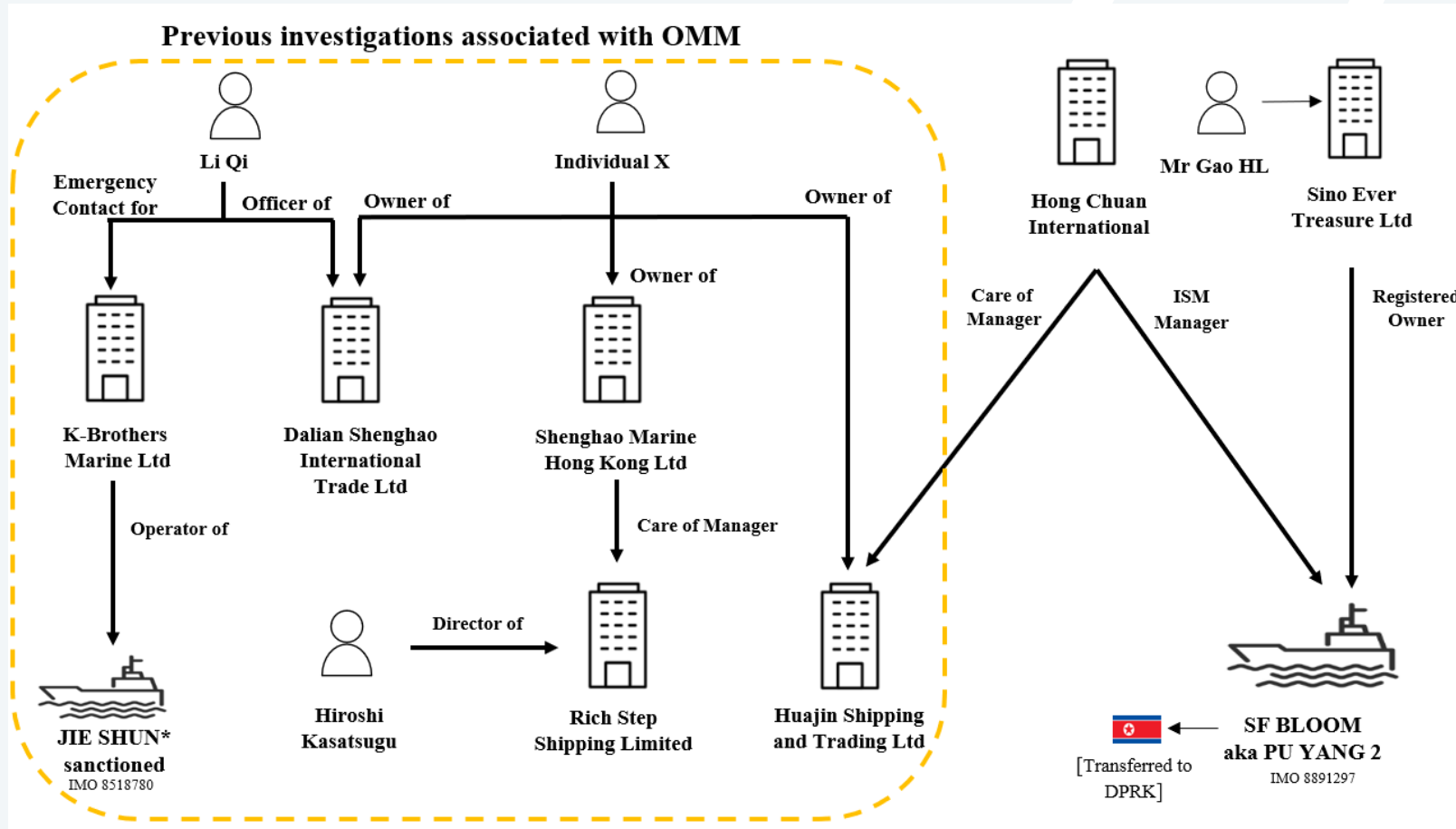


Ship-to-ship transfer

- Prohibited petroleum product transfer worth US\$5,730,886



Complex legal network of ownership and management



Complex legal network to finance illicit trade

A company delivered oil in two shipments and paid \$4,564,942.80 and \$8,510,097.75 through bank transfers to the supplier.

The diagram illustrates a complex legal network for financing illicit trade, centered around a Director and a Contract. The network involves several entities and transactions:

- Director** (represented by a person icon) is connected to **Global SGP Singapore** (represented by a building icon) and **Global Commodities Hong Kong** (represented by a building icon).
- Contract** (represented by a document icon) is connected to **Global Commodities Hong Kong** and **Global SGP Singapore**.
- Global Commodities Hong Kong** is connected to **Marine Oil** (represented by a barrel icon) via a transaction of **\$ 4.5 million**.
- Global SGP Singapore** is connected to **Marine Oil** via a transaction of **\$ 8.5 million**.
- Marine Oil** is connected to **Lighthouse Winmore** (represented by a ship icon) via a transaction of **FOB**.
- Marine Oil** is connected to **Billions No. 18** (represented by a ship icon) via a transaction of **FOB**.
- Marine Oil** is connected to **Victory Wings Ex Sky Ace 1** (represented by a ship icon) via a transaction of **Planned**.
- Lighthouse Winmore** is connected to **Oceanic Enterprise Ltd Marshall Islands** (represented by a building icon) via a transaction of **Charterer**.
- Billions No. 18** is connected to **Bunker's Taiwan Group Corp BVI** (represented by a building icon) via a transaction of **Owner/Op**.
- Victory Wings Ex Sky Ace 1** is connected to **Pacific Bunker Co Ltd Marshall Islands** (represented by a building icon) via a transaction of **Owner**.
- Oceanic Enterprise Ltd Marshall Islands** is connected to **Billions Bunker Group Corp Marshall Islands** (represented by a building icon) via a transaction of **11 Shipments**.
- Bunker's Taiwan Group Corp BVI** is connected to **Shih-Hsien Chen** (represented by a person icon) via a transaction of **Owner/Op**.
- Pacific Bunker Co Ltd Marshall Islands** is connected to **Shih-Hsien Chen** via a transaction of **Owner**.
- Shih-Hsien Chen** is connected to **Billions Bunker Group Corp Marshall Islands** via a transaction of **Owner**.

The diagram shows a complex web of transactions and relationships, with a central focus on the Director and the Contract, leading to the delivery of oil and the payment of \$4.5 million and \$8.5 million.

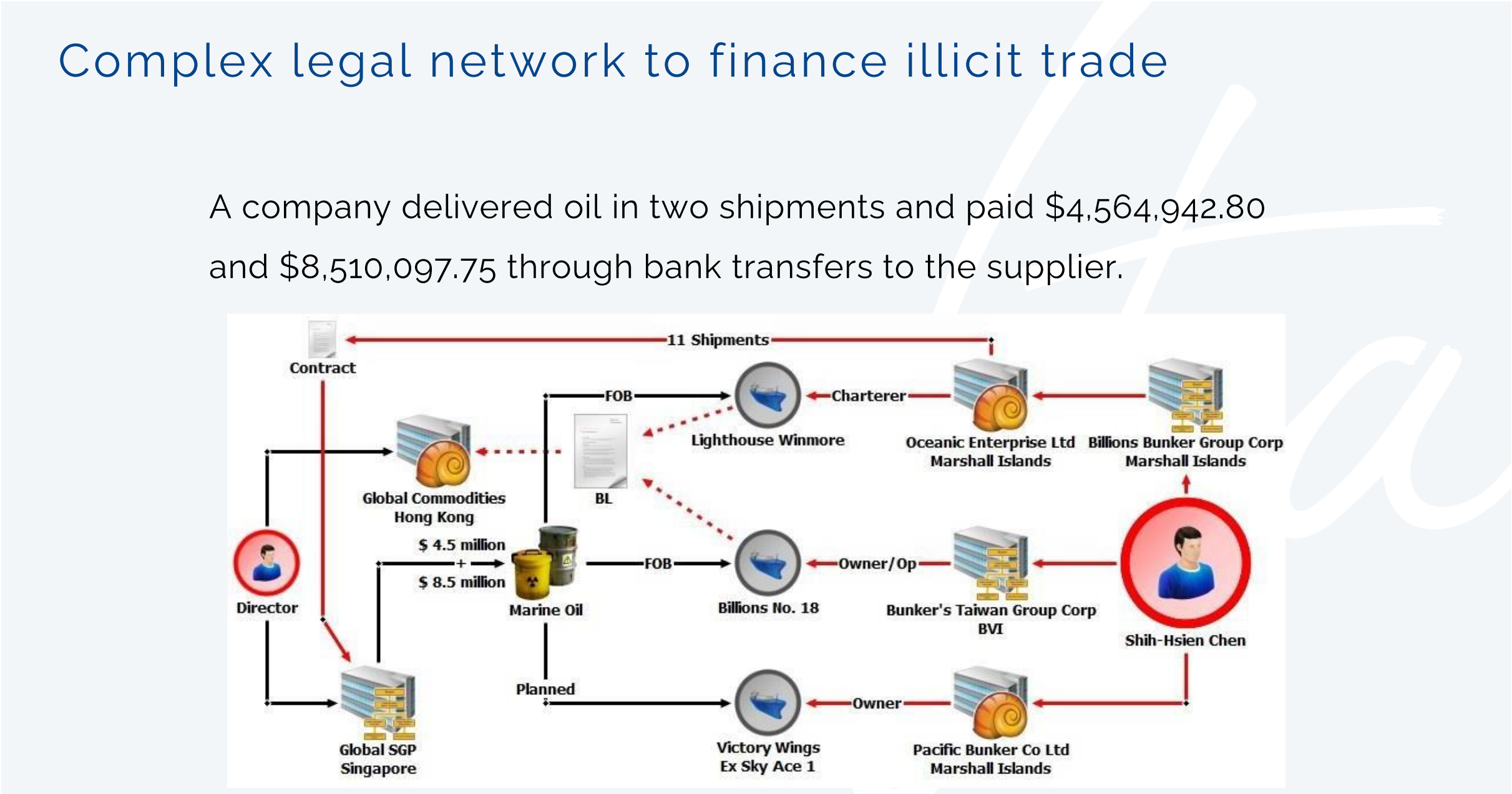
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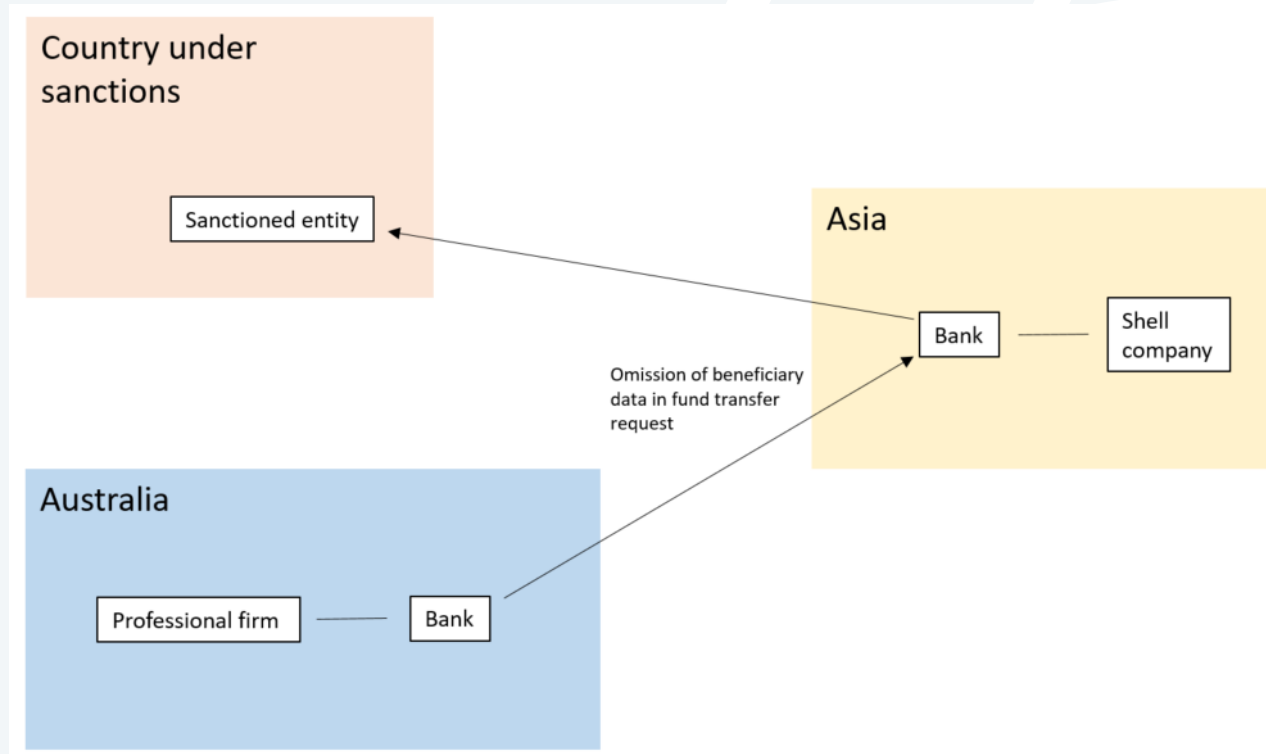
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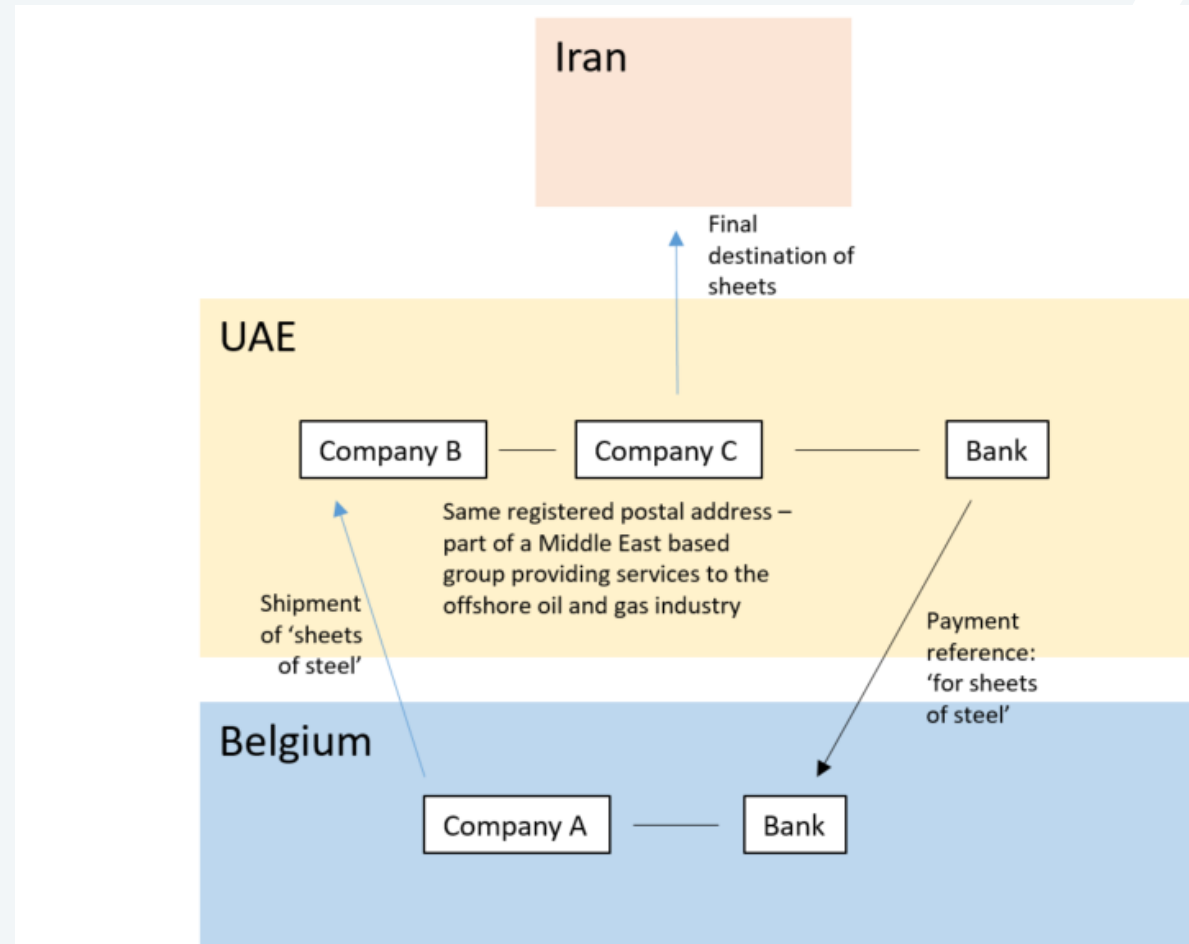


Use of professional

Circumvention of PF
Sanctions by a
professional firm.



The use of companies to procure dual-use goods for Iran.



Financing of Proliferation Risks:

- Financing
 - Financial instruments - import/export
 - Insurance and re-insurance of trade (vessels, cargo, shipping)
 - Crypto market.
- Commodities and other goods
 - Oil/gas
 - Coal, nickel, gold, other minerals and metals
 - Dual use goods
 - Luxury goods
- International trade sector
 - Ports & Free Zones
 - Shipping registry

Managing and mitigating the risk

Applying a CDD.

- KYC
- Identifying the UBO

Screening

Risk assessment

- Corporate
- Client

Constantly be aware of new trends

Apply Risk-based additional measures:

- Client & transaction monitoring
- Targeted preventive measures for goods/trade



Thank you

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