



CHINA SHIPOWNERS MUTUAL ASSURANCE ASSOCIATION

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To all members,

UNITED NATIONS SECURITY COUNCIL RESOLUTION 2270 (2016)

On 2 March 2016 the United Nations Security Council ("UNSC") adopted Resolution 2270 (2016) ("the Resolution") in response to the nuclear test conducted by the Democratic People's Republic of Korea ("DPRK") on 6 January 2016 , and the launch of a ballistic missile by the DPRK on 7 February.

The Resolution expands on existing prohibitions contained in UNSC Resolution 1718 (2006) which prohibits any transfers to/from the DPRK or its nationals of technical training, advice, services or assistance related to the provision, manufacture, maintenance or use of nuclear-related, ballistic missile-related or other weapons of mass destruction-related items, materials, equipment, goods and technology. The Resolution expands these prohibitions to apply also to all arms and related material, including small arms and light weapons, as well as to financial transactions, technical training, advice, services or assistance related to the provision, manufacture, maintenance or use of such arms, and any item (except food or medicine) which could contribute to supporting DPRK's armed forces.

It further provides for all UN States to:

- (a) inspect cargo within or transiting through their territory, including airports, sea ports and free trade zones, destined for or originating from the DPRK;
- (b) prohibit chartering of their flagged vessels to the DPRK, and provision of crew services;
- (c) prohibit their own nationals and others subject to their jurisdiction, and entities incorporated in their respective territories from:
 - registering vessels in DPRK;
 - obtaining authorization for vessels to use the DPRK flag;

China Shipowners Mutual Assurance Association

Add: Building No. 12, Courtyard No. 1, Wuliqiao No. 1 Street, Chaoyang District, Beijing, P. R. China. PC: 100024
Tel: 0086 10 59223521 Fax: 010 59621611 (Claims) 59621612 (U/W)

- owning, leasing, operating, or providing any vessel classification, certification or associated service, or insuring, any vessel flagged by the DPRK;

(d) deny permission for any aircraft to take off from, land at or use their air space if such aircraft is known to be carrying items, the supply, sale, transfer or export of which are prohibited by related UN resolutions, except in cases of emergency landing;

(e) take steps to prevent export by DPRK of coal, iron, iron ore, gold, titanium ore, vanadium ore, and rare earth minerals, including by use of vessels or aircraft flagged to a UN Member State;

(f) prohibit the sale or supply of aviation fuel, including aviation gasoline, naphtha-type jet fuel, kerosene-type jet fuel, and kerosene-type rocket fuel, whether or not originating in their own territory, to the DPRK;

(g) expel DPRK diplomats, governmental representatives or nationals acting in a governmental capacity who have assisted in the evasion of sanctions or the violation of related UN resolutions;

(h) prevent specialized teaching or training of DPRK nationals within their territories, or by their nationals, in disciplines that could contribute to the proliferation of sensitive nuclear activities or the development of nuclear-weapon delivery systems.

The UN has previously designated Ocean Maritime Management (OMM) for asset freeze. The Resolution identifies 31 ships as being economic resources controlled or operated by OMM, and therefore subject to UN asset freeze. It also identifies 16 individuals and 12 entities for asset freeze, including Chongchongang Shipping Company (alias Chong Chon Gang Shipping Co. Ltd), and a number of banks and trading companies.

EUROPEAN UNION

On 4 March 2016, and in accordance with UN Resolution 2270, the European Union passed EU Implementing Regulation 2016/305, amending Regulation 329/2007. This has the effect of implementing an asset freeze against the 16 individuals and 12 entities identified in the UN Resolution. The identifying information for the listing of OMM has also been amended to include the IMO numbers of the 31 ships which it is reported to operate/manage.

UNITED STATES

On 18 February 2016, President Obama signed into law the North Korea Sanctions and Policy Enhancement Act (“NKSPEA”) of 2016, expanding the scope of US sanctions in respect of DPRK.

Section 104(a) of the Act provides for the mandatory designation of individuals and entities found to have knowingly:

- (1) imported, exported, or re-exported to, into, or from DPRK certain controlled goods, services, or technology in connection with weapons of mass destruction or delivery systems for such weapons, or which materially contribute to the use, development, production, possession, or acquisition by any person of a nuclear, radiological, chemical, or biological weapon or any device or system designed in whole or in part to deliver such a weapon;
- (2) provided training, advice, or other services or assistance, or engaged in significant financial transactions, relating to the manufacture, maintenance, or use of any such weapon, device, or system to be imported, exported, or re-exported to, into, or from DPRK;
- (3) imported, exported, or re-exported luxury goods to or into DPRK;
- (4) knowingly engaged in, is responsible for, or facilitates censorship or serious human rights abuses by the Government of DPRK;
- (5) engaged in money laundering, the counterfeiting of goods or currency, bulk cash smuggling, or narcotics trafficking that supports the Government of DPRK or any senior official or person acting for or on behalf of that Government;
- (6) engaged in significant activities undermining cybersecurity through the use of computer networks or systems against foreign persons, governments, or other entities on behalf of the Government of DPRK;
- (7) sold, supplied, or transferred to or from the Government of DPRK or any person acting for or on behalf of that Government, a significant amount of precious metal, graphite, raw or semi-finished metals or aluminium, steel, coal, or software, for use by or in industrial processes directly related to weapons of mass destruction and delivery systems for such weapons, other proliferation activities, the Korean Workers’ Party, armed forces, internal security, or intelligence activities, or the operation and maintenance of political prison camps or forced labor camps, including outside of DPRK;

(8) imported, exported, or re-exported to, into, or from DPRK any arms or related material;
or

(9) knowingly attempted to engage in any of the above prohibited activities.

Section 105(b) of the Act provides for additional discretionary designations in respect of persons found to have knowingly:

(A) engaged in, contributed to, assisted, sponsored, or provided financial, material or technological support for, or goods and services in support of, any person designated pursuant to an applicable UNSC resolution;

(B) contributed to:

(i) the bribery of an official of the Government of DPRK or any person acting for on behalf of that official;

(ii) the misappropriation, theft, or embezzlement of public funds by, or for the benefit of, an official of the Government of DPRK or any person acting for or on behalf of that official; or

(iii) the use of any proceeds of any activity described in clause (i) or (ii); or

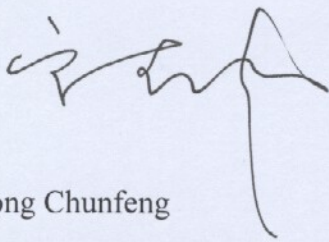
(C) knowingly and materially assisted, sponsored, or provided significant financial, material, or technological support for, or goods or services to or in support of, the activities described in subparagraph (A) or (B).

Section 205 of the Act provides for enhanced monitoring of trade involving DPRK, including:

- gathering information concerning foreign ports and airports to ascertain whether they operate sufficient procedures to prevent the facilitation of the activities prohibited pursuant to Section 104 of the Act;
- enhanced inspection of goods carried on board ships and aircraft entering the United States from ports or airports identified as operating insufficient anti-facilitation procedures.
- forfeiture of ships and aircraft used to facilitate activities prohibited under Section 104.

In addition to the new sanctions described above, the US has identified 11 individuals and 5 entities for asset freeze pursuant to existing authorities under 2 executive orders, Executive Order 13382, which targets WMD proliferators and their supporters, and Executive Order 13687, targeting the Government of DPRK, the Workers' Party of Korea, and their supporters. The designations include individuals and entities involved in defence, aerospace, energy and sciences.

Yours Faithfully

A handwritten signature in black ink, appearing to be 'Song Chunfeng', with a long vertical stroke extending downwards from the end of the signature.

Song Chunfeng

Managing Director

China Shipowners Mutual Assurance Association