

Congress Adopts Significant New Sanctions Against Russia, Iran, and North Korea

Bill Also Limits the President's Ability to Ease Russia Sanctions

July 28, 2017

International Trade Controls

Congress has passed and sent to President Trump, for his signature or veto, a bill that would impose significant new sanctions against Russia, Iran, and North Korea. The legislation—[the Countering America's Adversaries Through Sanctions Act](#)—enjoys broad bipartisan support, having passed the U.S. House of Representatives on July 25 by a vote of 419-3, and the U.S. Senate on July 27 by a vote of 98-2. It builds on [an earlier sanctions bill](#) relating to Russia and Iran that overwhelmingly passed the Senate in June, and a separate bill targeting North Korea that easily passed the House in May.

The White House has provided conflicting signals as to whether President Trump will sign or veto the bill, but the overwhelming majorities that voted for the bill in both houses of Congress indicate that there would be sufficient support to override any veto. If enacted, the bill would be the most significant Congressional sanctions measure since 2012.

Russia

With respect to Russia, the bill would codify certain existing U.S. sanctions; tighten U.S. sectoral sanctions that target the Russian financial, energy, and defense sectors; and establish significant new and revised secondary sanctions that can be imposed on non-U.S. persons. It also would impose a Congressional review requirement before the President may terminate, waive, or otherwise ease U.S. sanctions against Russia and the Crimea region of Ukraine, which Russia purported to annex in March 2014, and it would impose on the executive branch certain reporting requirements that could have sanctions implications.

Codification of Certain Existing U.S. Sanctions

Many of the U.S. sanctions against Russia adopted since March 2014 and the separate U.S. sanctions targeting individuals and entities engaged in significant, malicious cyber-enabled activities were imposed by Executive Order, meaning that the President could modify or terminate them at any time (or simply choose not to renew the underlying authority for such action). The bill would limit the President's discretion in this regard by codifying those pre-existing sanctions measures.

Specifically, the bill would enact into law the sanctions imposed pursuant to Executive Orders

13660 and 13661 (blocking the property of persons contributing to the situation in Ukraine), Executive Order 13662 (imposing sectoral sanctions targeting the Russian financial services, energy, and defense sectors), Executive Order 13685 (imposing comprehensive sanctions against Crimea), and Executive Orders 13694 and 13757 (blocking the property of persons engaging in certain significant malicious cyber-enabled activities), except that the President would be permitted to:

- Terminate the application of the foregoing sanctions with respect to a person if the President submits to Congress a notice that: (1) the person is not engaging in the activity that was the basis for the sanctions or has taken significant verifiable steps toward stopping the activity; and (2) the President has received reliable assurances that the person will not knowingly engage in activity subject to such sanctions in the future.
- Waive the initial application of cyber-related sanctions under Executive Orders 13694 or 13757 with respect to a person if the President submits to Congress: (1) a written determination that the waiver is in the vital national security interests of the United States or will further the enforcement of U.S. sanctions; and (2) a certification that the Russian government has made significant efforts to reduce the number and intensity of cyber intrusions that it conducts.
- Waive the initial application of Ukraine-related sanctions, sectoral sanctions, or Crimea sanctions under Executive Orders 13660, 13661, 13662, or 13685 if the President submits to Congress: (1) a written determination that the waiver is in the vital national security interests of the United States or will further the enforcement of U.S. sanctions; and (2) a certification that the Russian government is taking steps to implement the Minsk Agreement to address the ongoing conflict in eastern Ukraine.

Revised Sectoral Sanctions

The U.S. sectoral sanctions targeting Russia's financial services, energy, and defense sectors have been among the most commercially significant U.S. sanctions imposed against Russia since March 2014. The proposed legislation would make the following notable changes to the U.S. sectoral sanctions:

- **Railway, Metals, and Mining Sectors.** The U.S. Treasury Secretary would be authorized to impose sectoral sanctions against state-owned entities operating in the Russian railway or metals and mining sectors. It is important to note that this provision does not impose new sectoral sanctions, as the Treasury Secretary still would have to take action before new sectoral sanctions would be imposed. Moreover, the Treasury Secretary already has the authority to impose the sectoral sanctions contemplated by this provision, pursuant to previous Executive Orders that would be codified through the legislation. Thus, although this provision reflects a particular Congressional interest in the Russian railway and metals and mining sectors, it is unclear whether sectoral sanctions targeting specific entities operating in those sectors actually will be imposed.
- **Directive 1.** OFAC Directive 1 currently prohibits U.S. persons¹ from dealing in new debt of longer than 30 days maturity or new equity of sectorally sanctioned Russian banks (and

¹ For these purposes, U.S. persons are (i) U.S. citizens and U.S. lawful permanent residents (i.e., "green-card" holders) regardless of location and employer, (ii) any entity organized under the laws of the United

entities 50 percent or more owned by one or more such banks). The proposed legislation would require the Treasury Secretary, within 60 days of the date of enactment of the statute, to modify Directive 1 to shorten the maturity period with respect to new debt to 14 days. The shortened maturity period would take effect 60 days after the Secretary's action.

- **Directive 2.** OFAC Directive 2 currently prohibits U.S. persons from dealing in new debt of longer than 90 days maturity of certain sectorally sanctioned Russian energy companies (and entities 50 percent or more owned by one or more such energy companies). The proposed legislation would require the Treasury Secretary, within 60 days of the date of enactment of the statute, to modify Directive 2 to shorten the maturity period to 60 days. The shortened maturity period would take effect 60 days after the Secretary's action.
- **Directive 4.** OFAC Directive 4 currently prohibits U.S. persons from providing goods, services (except financial services), or technology in support of deepwater, Arctic offshore, or shale exploration or production projects that have the potential to produce oil in or offshore Russia if such projects involve certain sectorally sanctioned Russian energy companies (or entities 50 percent or more owned by one or more such energy companies). The bill would require the Treasury Secretary, within 90 days of the date of enactment, to expand this prohibition to cover *new* deepwater, Arctic offshore, or shale projects *anywhere in the world* that have the potential to produce oil if such a project involves a sectorally sanctioned Russian energy company (or an entity 50 percent or more owned by one or more such energy companies) *that has a controlling interest or a substantial non-controlling (i.e., 33 percent or greater) ownership interest in the project.* The change would take effect 90 days after the Secretary's action.

New and Revised Secondary Sanctions

The legislation would impose a broad range of new secondary sanctions targeting Russia, and also would make mandatory certain pre-existing, discretionary secondary sanctions.

New Secondary Sanctions

The proposed legislation would impose the following new secondary sanctions:

- **Russian Energy Export Pipelines.** The President, "in coordination with allies of the United States," may impose sanctions with respect to any person that the President determines knowingly, on or after the date of enactment: (1) makes an investment of \$1 million or more or a series of investments during a 12-month period with an aggregate value of \$5 million or more that directly and significantly contributes to the enhancement of Russia's ability to construct energy export pipelines; or (2) sells, leases, or provides to Russia for the construction of energy export pipelines goods, services, technology, information, or support valued at \$1 million or more (or a series of transactions during a 12-month period with an aggregate value of \$5 million or more) that could directly and significantly facilitate the maintenance or expansion of the construction, modernization, or repair by Russia of energy export pipelines.
- **Privatization of State-Owned Assets.** The President must (subject to certain waiver

States or of any jurisdiction within the United States (including foreign branches of such an entity) and their employees, and (iii) persons within the United States (even if only on a temporary basis).

authority) impose sanctions with respect to any person if the President determines that the person, with actual knowledge, on or after the date of enactment, makes or facilitates an investment of at least \$10 million (or any combination of investments of at least \$1 million each, which in the aggregate equals or exceeds \$10 million over a 12-month period) that directly and significantly contributes to Russia's ability to privatize state-owned assets in a manner that "unjustly benefits" Russian government officials or their close associates or family members.

- **Defense or Intelligence Sectors of the Russian Government.** Beginning 180 days after the date of enactment, the President must (subject to certain waiver authority and provisions allowing the President to delay the imposition of sanctions under certain circumstances) impose sanctions with respect to any person that the President determines knowingly, on or after the date of enactment, engages in a significant transaction with a person that is part of, or operates for or on behalf of, the defense or intelligence sectors of the Russian government. Notably, the President also is required, not later than 60 days after enactment, to issue regulations or other guidance to specify persons that are part of, or operate for or on behalf of, the defense or intelligence sectors of the Russian government.
- **Cybersecurity.** Beginning 60 days after the date of enactment, the President must (subject to certain waiver authority) impose sanctions against any person that the President determines: (1) knowingly engages in significant activities undermining cybersecurity against any person, including a democratic institution, or government on behalf of the Russian government; (2) is owned or controlled by, or acts or purports to act for or on behalf of, such a person; (3) knowingly and materially assists, sponsors, or provides financial, material, or technological support for, or goods or services (except financial services) in support of, such activities; or (4) knowingly provides financial services in support of an activity undermining cybersecurity.
- **Foreign Sanctions Evasion.** The President must (subject to certain waiver authority) impose sanctions with respect to a foreign person that the President determines knowingly, on or after the date of enactment, materially violates, attempts to violate, conspires to violate, or causes a violation of any U.S. sanctions against Russia or any U.S. sanctions relating to significant malicious cyber-enabled activities relating to the Russian Federation, or facilitates a significant transaction (including deceptive or structured transactions) for or on behalf of any person sanctioned under the U.S. sanctions against Russia or such person's close relatives.
- **Human Rights Abuses.** The President must (subject to certain waiver authority) impose sanctions with respect to a foreign person that the President determines based on credible information, on or after the date of enactment: (1) is responsible for or complicit in serious human rights abuses in any territory forcibly occupied or otherwise controlled by Russia; (2) materially assists, sponsors, or provides financial, material, or technological support for, or goods or services to, such a foreign person; or (3) is owned or controlled by, or acts or purports to act for or on behalf of, such a foreign person.
- **Military Support for Syria.** The President must (subject to certain waiver authority) impose sanctions with respect to any foreign person that: (1) the President determines has, on or after the date of enactment, knowingly provided to Syria significant financial, material, or technological support that contributes materially to the Syrian government's ability to acquire significant defense articles, services, or information; or to acquire or develop chemical, biological, or nuclear weapons or related technologies; ballistic or cruise missile

capabilities; or destabilizing numbers and types of advanced conventional weapons; or (2) is a successor to, or owned or controlled by, or has acted for or on behalf of, such a foreign person. Notably, although this provision is included in the portion of the bill relating to Russia, it is not, on its face, limited to Russian persons.

The sanctions that may be imposed against persons involved in the foregoing conduct vary among the different measures described above, but in many cases may include (without limitation) some combination of the following: (1) loss of U.S. Export-Import Bank assistance; (2) ineligibility to receive U.S. export licenses; (3) loss of access to certain loans or credit from U.S. financial institutions; (4) loss of U.S. support for loans from international financial institutions; (5) for financial institutions, a prohibition on being designated as a primary dealer, or serving as a U.S. government agent or as a repository for U.S. government funds; (6) ineligibility to contract with the U.S. government; (7) ineligibility to engage in transactions in foreign exchange that are subject to U.S. jurisdiction; (8) loss of access to U.S. financial markets; (9) prohibitions against dealings in property of the sanctioned person that is within U.S. jurisdiction; (10) prohibitions against U.S. persons investing in or purchasing significant amounts of debt or equity of the sanctioned person; or (11) exclusion from the United States of any alien that the President determines is a corporate officer or principal of, or a shareholder with a controlling interest in, the sanctioned person. Further, the foregoing measures also may be applied to the principal executive officer(s) of the sanctioned person.

Revised Secondary Sanctions

The bill would make mandatory (subject to certain waiver authority) the following secondary sanctions set out in the Ukraine Freedom Support Act of 2014 and the Sovereignty, Integrity, Democracy, and Economic Stability of Ukraine Act of 2014, where the sanctions in those two acts had been discretionary only (and never exercised):

- **Special Russian Crude Oil Projects.** Sanctions with respect to persons that knowingly make a significant investment in a special Russian crude oil project (i.e., a project intended to extract crude oil from deepwater, Arctic offshore, or shale locations in or offshore Russia).
- **Transfer of Defense Articles; Significant Transactions Involving Special Russian Crude Oil Projects, Gazprom, and Russian SDNs.** Sanctions with respect to foreign financial institutions that the President determines knowingly:
 - Engage in significant transactions involving the transfer of defense articles into Syria; into Ukraine, Georgia, or Moldova without the approval of the internationally recognized governments of Ukraine, Georgia, or Moldova, as applicable; or potentially certain additional countries if designated by the President;
 - Engage in significant transactions involving a significant investment in a special Russian crude oil project;
 - Engage in significant transactions involving Gazprom, if the President determines that Gazprom is withholding significant natural gas supplies from NATO member countries, or is further withholding significant natural gas supplies from countries such as Ukraine, Georgia, or Moldova; or
 - Facilitate a significant financial transaction on behalf of certain Russian persons designated on the U.S. Treasury Department's List of Specially Designated Nationals

and Blocked Persons (“SDN List”).

- **Significant Corruption.** Sanctions with respect to Russian government officials (or their close associates or family members) that the President determines are responsible for, or complicit in, or responsible for ordering, controlling, or otherwise directing, acts of significant corruption in Russia or elsewhere.

Exception for NASA

The bill makes clear that it is not to be construed to authorize sanctions that would impede the supply by Russia or the procurement by any party of any product or service relating to any space launch conducted for NASA or “any other non-Department of Defense customer.”

Congressional Review

Similar to the Congressional review requirement adopted before the Obama Administration eased sanctions against Iran in early 2016, the bill would give Congress the opportunity to prevent the President from terminating or waiving the application of U.S. sanctions against Russia (including both the pre-existing sanctions and the new sanctions that would be imposed by the bill), issuing a license that significantly alters U.S. foreign policy towards Russia, or allowing the Russian government access to the two diplomatic compounds that President Obama ordered to be vacated in December 2016.

Specifically, prior to taking any of the foregoing actions, the President would be required to submit to the Senate Banking and Foreign Relations Committees, the House Financial Services and Foreign Affairs Committees, and House and Senate leadership a report that describes the proposed action and the reasons for it. Congress would then have 30 days from the date of submission of the report (60 days if the report is submitted between July 10 and September 7 of the relevant year) to review the report and, if it chose, to block the President’s proposed action by adopting a joint resolution of disapproval (i.e., a resolution that passes both the House and the Senate). If the President chose to veto such a joint resolution, then Congress would have an additional 10 days to override the President’s veto, and thereby continue to prevent the President from taking the proposed action.

While this Congressional review provision has garnered significant attention in the press as restricting President Trump’s ability to terminate or ease the Russia sanctions, it is the codification of sanctions which previously were imposed only pursuant to Executive Orders, as discussed above, that more significantly constrains such ability.

Reporting Requirements

Finally, the bill would impose on the executive branch certain reporting requirements, including the following, which appear to be intended to solicit information that could be used as the basis for the imposition of additional sanctions against Russia.

- **Oligarchs and Parastatal Entities.** Within 180 days of enactment, the Treasury Secretary (in consultation with various other officials) would be required to submit to Congress a report addressing: (1) “[s]enior foreign political figures and oligarchs” in Russia, including their estimated net worth, sources of income, business interests, and an assessment of the relationship between such individuals and Vladimir Putin or other members of the “Russian ruling elite;” (2) Russian parastatal entities, including their leadership structure and

beneficial ownership and the scope of their non-Russian business affiliations; (3) the exposure of key U.S. economic sectors to Russian politically exposed persons and parastatal entities, which at a minimum must cover the U.S. banking, securities, insurance, and real estate sectors; (4) the likely effects of imposing debt and equity restrictions on Russian parastatal entities, or blocking the property of such entities; and (5) the potential impact of imposing secondary sanctions with respect to Russian oligarchs, state-owned enterprises, and parastatal entities.

- **Effect of Expanding Sanctions to Include Sovereign Debt and Derivative Products.** Within 180 days of enactment, the Treasury Secretary (in consultation with various other officials) would be required to submit to Congress a report addressing the potential effects of expanding the existing U.S. sectoral sanctions targeting certain Russian banks to include sovereign debt and “the full range of derivative products.”
- **Illicit Finance.** Within one year of enactment (and annually thereafter until 2021), the Treasury Secretary (in consultation with various other officials) would be required to submit to Congress a report describing U.S. government efforts to combat illicit finance relating to Russia.

Iran

With respect to Iran, the bill would require or permit the President to impose sanctions on persons that engage in a range of sensitive activities. The activities targeted by the legislation are defense- or military-related activities and human rights violations that in many cases already could have triggered the imposition of sanctions under existing Executive Orders. However, the bill would establish the authority for the sanctions in legislation instead of Executive Orders, make imposition of the sanctions mandatory in many cases, and require the executive branch to make related reports to Congress.

In particular, the bill would require the President to block the property and interests in property that come within U.S. jurisdiction of the following persons or persons undertaking the following types of activities:

- **Delivery Systems for Weapons of Mass Destruction.** Persons that the President determines knowingly engage in any activity that materially contributes to the Iranian government’s ballistic missile program or any other Iranian program for developing, deploying, or maintaining systems capable of delivering weapons of mass destruction. This requirement extends to such persons’ successor entities, entities owned or controlled by such persons, and individuals or entities that own or control such persons. The requirement also covers any person that forms an entity with the purpose of evading the sanctions, acts for or on behalf of a person engaged in conduct that triggers the sanctions, or knowingly provides or attempts to provide financial, material, technological, or other support for, or goods or services in support of, any person engaged in conduct that triggers the sanction.
- **IRGC.** Iran’s Islamic Revolutionary Guard Corps (“IRGC”) and foreign persons that are officials, agents, or affiliates of the IRGC.
- **Conventional Weapons.** Persons that the President determines knowingly engage in any activity that materially contributes to the supply, sale, or transfer, directly or indirectly to or from Iran, or for the use in or benefit of Iran, of a wide range of conventional arms,

material, and spare parts, or knowingly provide to Iran any technical training, financial resources or services, advice, or other services or assistance related to the supply, sale, transfer, manufacture, maintenance or use of such arms, material, or spare parts.

In addition to the blocking of property and interests in property of such persons, the bill would require the President to exclude from the United States persons that engage in the activities described above relating to delivery systems for weapons of mass destruction and certain conventional weapons.

The bill also would permit (but would not require) the President to block the property and interests in property that come within U.S. jurisdiction of persons, or agents of persons, responsible for extrajudicial killings, torture, or other gross violations of human rights against individuals in Iran who seek to expose the Iranian government's illegal activities or to obtain, exercise, defend, or promote human rights and freedoms.

In practice, these blocking measures (and related penalty provisions in the bill) would effectively prohibit U.S. persons from engaging in virtually all dealings directly or indirectly involving blocked persons. However, under the bill, certain activities in support of U.S. national security and intelligence gathering would be excepted from the sanctions, as would transactions for the sale of agricultural commodities, food, medicine, and medical devices, and the provision of humanitarian assistance to the people of Iran. The legislation also would permit the President to waive on a case-by-case basis for 180 days any sanction he would otherwise be required to impose and to renew the waiver every 180 days, provided the President determines it is vital to the national security interests of the United States to do so and so reports to the appropriate Congressional committees.

Finally, the bill also would require the President or Cabinet members to submit a variety of reports to Congress or conduct reviews regarding:

- Parties engaged in certain conduct targeted by the legislation.
- A strategy for deterring Iranian conventional military power and asymmetric Iranian activities that threaten the United States and its key allies in the Middle East, North Africa, and beyond.
- Cooperation (or lack thereof) between the United States and European Union on Iran sanctions.
- U.S. citizens detained by Iran or groups supported by Iran.
- Iranian parties that are already identified on the SDN List for activities relating to Iran but may also be candidates for sanctions under Executive Orders regarding terrorism or weapons of mass destruction delivery system proliferators.

North Korea

With respect to North Korea, the bill would significantly expand U.S. secondary sanctions; impose certain requirements on U.S. financial institutions that maintain correspondent accounts for foreign financial institutions; establish certain North Korea-related shipping restrictions; and impose on the executive branch certain reporting requirements that could have sanctions implications. In certain instances, the measures would expand the authorities adopted in the

North Korea Sanctions and Policy Enhancement Act of 2016.

Expanded Secondary Sanctions

Perhaps of greatest significance, the bill would authorize or require the imposition of secondary sanctions against any person that engages in a wide range of North Korea-related conduct.

Specifically, the bill would require the President to block the property and interests in property that come within U.S. jurisdiction of any person that the President determines knowingly engages in any of the following activities.

- **Defense Articles and Defense Services.** Directly or indirectly imports, exports, or reexports to or from North Korea any defense article or defense service. (Separately, the bill would require the President to withhold, subject to certain exceptions, foreign assistance for two years from the government of any country that provides to or receives from the North Korean government significant types or amounts of defense articles or defense services.)
- **North Korean Minerals.** Directly or indirectly purchases or otherwise acquires from North Korea any significant amounts of gold, titanium ore, vanadium ore, copper, silver, nickel, zinc, or rare earth minerals.
- **Rocket, Aviation, or Jet Fuel.** Directly or indirectly sells or transfers to North Korea any significant amounts of rocket, aviation, or jet fuel (except for use by a civilian passenger aircraft outside North Korea, exclusively for consumption during its flight to North Korea or its return flight).
- **Sanctioned Vessels or Aircraft.** Directly or indirectly provides significant amounts of fuel or supplies or bunkering services, or facilitates a significant transaction to operate or maintain, a vessel or aircraft designated under U.S. or UN sanctions targeting North Korea, or that is owned or controlled by a person designated under such sanctions.
- **North Korean Government Vessels.** Directly or indirectly insures, registers, facilitates the registration of, or maintains insurance or a registration for, a vessel owned or controlled by the North Korean government, except as specifically approved by the UN Security Council.
- **Correspondent Accounts.** Directly or indirectly maintains a correspondent account with any North Korean financial institution, except as specifically approved by the UN Security Council.
- **North Korean Laborers.** Employs North Korean laborers. (Separately, the bill also would establish a rebuttable presumption that significant goods mined, produced, or manufactured, in whole or in part, by the labor of North Korean nationals will not be entitled entry at any U.S. ports.)

Additionally, the bill would authorize, but would not require, the President to impose a range of sanctions against any person that the President determines knowingly, directly or indirectly, on or after the date of enactment is engaged in any of the following activities:

- **Coal, Iron, and Iron Ore.** Purchased or otherwise acquired from the North Korean government significant quantities of coal, iron, or iron ore in excess of the limits set out in certain UN Security Council resolutions.
- **Textiles.** Purchased or otherwise acquired from the North Korean government significant

types or amounts of textiles.

- **Funds Transfers that Contribute to UN Sanctions Violations.** Facilitated a significant transfer of funds or property of the North Korean government that materially contributes to any violation of UN sanctions targeting North Korea.
- **Bulk Cash, Precious Metals, and Gemstones.** Facilitated a significant transfer to or from the North Korean government of bulk cash, precious metals, gemstones, or certain “other stores of value.”
- **Petroleum, Petroleum Products, and Natural Gas.** Sold, transferred, or otherwise provided significant amounts of crude oil, condensates, refined petroleum, other types of petroleum or petroleum byproducts, liquefied natural gas, or other natural gas resources to the North Korean government, with the exceptions of heavy fuel oil, gasoline, and diesel fuel for humanitarian use.
- **North Korean Online Commercial Activities.** Engaged in, facilitated, or was responsible for the online commercial activities of the North Korean government, including online gambling.
- **Fishing Rights.** Purchased or otherwise acquired fishing rights from the North Korean government.
- **North Korean Food or Agricultural Products.** Purchased or otherwise acquired significant types or amounts of food or agricultural products from the North Korean government.
- **Exportation of Workers from North Korea.** Engaged in, facilitated, or was responsible for the exportation of workers from North Korea in a manner intended to generate significant revenue for use by the North Korean government or the Korean Workers’ Party.
- **North Korean Transportation, Mining, Energy, and Financial Services Industries.** Conducted a significant transaction in North Korea’s transportation, mining, energy, or financial services industries.
- **North Korean Financial Institutions.** Facilitated the operation of any branch, subsidiary, or office of a North Korean financial institution (except as approved by the UN Security Council).

Requirements Relating to Correspondent Accounts

Under the bill, and subject to limited exceptions (e.g., for transactions licensed by the U.S. Treasury Department), if a U.S. financial institution knows that a correspondent account it maintains for a foreign financial institution is being used by the foreign financial institution to provide significant financial services to certain persons, foreign governments, or financial institutions designated in connection with the U.S. sanctions against North Korea, then the U.S. financial institution must ensure that the correspondent account is no longer used to provide such services.

Shipping Restrictions

The bill would impose two notable North Korea-related shipping restrictions:

- Within 180 days of enactment of the legislation, the President would be required to submit to Congress a report that, among other things, must identify the operators of foreign sea

ports and airports that: (1) knowingly and significantly fail to implement or enforce regulations to inspect ships, aircraft, cargo, or conveyances in transit to or from North Korea, as required by certain UN Security Council resolutions; (2) knowingly facilitate the transfer, transshipment, or conveyance of significant types or quantities of cargo, vessels, or aircraft owned or controlled by persons designated under UN sanctions targeting North Korea; or (3) knowingly facilitate a wide variety of other sanctionable conduct with respect to North Korea. Cargo bound for or landed in the United States that, among other things, has been transported through a sea port or airport the operator of which has been identified pursuant to the foregoing report may be subject to enhanced inspection.

- Prohibits the entry or operation in U.S. waters and the transfer of cargo in any port or place under U.S. jurisdiction by certain foreign vessels, including foreign vessels that are known to be owned or operated by or on behalf of: (1) the North Korean government or a North Korean person; (2) any country in which a seaport is located, the operator of which has been identified in the report to Congress described above; or (3) any country that the President has identified as not complying with UN sanctions against North Korea.

Reporting Requirements

Finally, the bill would impose on the executive branch certain reporting requirements, including the following (among others), which appear to be intended to solicit information that could be used as the basis for the imposition of additional sanctions against North Korea.

- **Specialized Financial Messaging Services.** Within 180 days of enactment, and every 180 days thereafter for five years, the President must submit to Congress a briefing that identifies each person or foreign government that directly provides specialized financial messaging services to, or enables or facilitates direct or indirect access to such messaging services for, a UN-sanctioned North Korean bank (or any North Korean person on behalf of a UN-sanctioned North Korean bank). The briefing also must include a detailed assessment of the Treasury Department's efforts to work with other countries to end such provision or access.
- **Grounds for Additional Sanctions.** Within 180 days of enactment, the President must submit to Congress a report determining whether reasonable grounds exist to impose sanctions against the Korea Shipowners' Protection and Indemnity Association (a North Korean insurance company); Chinpo Shipping Company (Private) Limited (a Singaporean company); the Central Bank of the Democratic People's Republic of Korea; Kumgang Economic Development Corporation ("KKG") (a North Korean company); Sam Pa (an individual apparently affiliated with KKG); or the Chamber of Commerce of the Democratic People's Republic of Korea.
- **North Korea-Iran Cooperation.** Within 180 days of enactment, and annually thereafter for five years, the President must submit to Congress an assessment of the extent of cooperation between North Korea and Iran with respect to nuclear, chemical, or biological weapons, ballistic missile development, or conventional weapons, including the names of Iranian, North Korean, and any other foreign persons that have engaged in, directed, or facilitated such activities.
- **Implementation of UN Sanctions Against North Korea.** Within 180 days of enactment, and annually thereafter for five years, the President must submit to Congress a report that evaluates the degree to which governments of other countries have knowingly failed to implement certain UN sanctions against North Korea.

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We will continue to monitor these developments closely, and are well-positioned to assist clients in understanding how these significant new sanctions against Russia, Iran, and North Korea may affect their business operations.

If you have any questions concerning the material discussed in this client alert, please contact the following members of our International Trade Controls Practice Group:

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