



CULMEN
INTERNATIONAL

UN Sanctions On North Korea

IMPLEMENTATION BY SHIP REGISTRIES

INTRODUCTION



International law obligates all UN member states to implement UN sanctions decisions adopted by the Security Council under Chapter 7 of the Charter of the United Nations.

North Korea's foreign trade, revenue generation, and acquisition of prohibited technologies, materials, resources, and items that could be used in its weapons programs makes it heavily dependent not only on its own fleet of vessels, but also foreign-flagged vessels that are under control of its Maritime Administration.

The DPRK uses various techniques to hide its involvement with ships, including utilizing complex webs of front companies in various jurisdictions and working with complicit and opportunistic shipping companies,

All ship registries, regardless of whether they are open or closed registries, are therefore obligated to ensure that there is no direct or indirect control over a vessel by North Korean associated entities that are sailing under their flag.

SANCTIONS RISKS

International laws obligate shipping registries to ensure that vessels registered under their jurisdictions do not:

- Transport conventional arms, technologies related to nuclear, chemical or biological weapons as well as to ballistic missiles, and restricted goods or commodities such as coal, agricultural, fishery, and manufactured products from North Korea prohibited by the UN sanctions resolutions.
- Register a vessel that has been de-registered by another registry.
- Register a vessel designated or listed as being involved in any activities prohibited by the United Nations or other international sanctions.
- Register new or used vessels procured illicitly by North Korea.
- Allow North Korean entities or associated companies to charter or lease any vessels.
- Have any North Korean nationals as crew members.
- Facilitate any insurance or reinsurance services for any vessel flagged, owned, controlled, or operated, including through illicit means, by North Koreans.
- Facilitate classification services for North Korean associated vessels under its flag.



VIOLATIONS OF INTERNATIONAL LAW

The following activities have been identified as incidents considered violations of international maritime law by North Korean and associated entities:

- Flag-hopping: transiting through multiple flag registries over a relatively short period, including changing names and companies.
- Multiple registrations under fraudulent identities.
- Ship-laundering (to hide North Korean associations)
- Registration by front-companies.
- Registration by complicit networks.
- Registration with declarations that do not reflect the vessel's actual:
Owner (beneficial owner)
Operator/Management company
ISM Manager
Technical Manager
- Fraudulent registration documents.
- Continue to claim previous flag registration.
- Continue to illegally use certificates that have not yet expired.
- Have been registered by a previous registry for sanctions violations but re-apply with another using a false identity or have been physically altered and provided with a new identity and onboard documents.
- Utilize companies registered in offshore havens or shell companies in the onboarding phase.





DECEPTIVE PRACTICES

Registry Fraud:

There have been cases where North Korea has illegally registered or attempted to register vessels utilising false documentation under flags such as the Federated States of Micronesia and Fiji, who do not admit international vessels into their flag registry.

This fraudulent registration and related illegal activities also involve registering vessels without the knowledge or approval of a national maritime flag administration through complicit facilitators.

Other cases include a vessel continuing to fly a country's flag after its registration has expired or the vessel is de-registered, falsely broadcasting its previous flag and using the allocated MMSI number or submitting fraudulent documentation to the IMO for new IMO numbers.

Furthermore, there are also cases where fake registration companies utilise authentic-looking websites that claim to be the authorized registrar or agent for a particular national flag, and then provide a fraudulent registration – bestowing a flag nationality unbeknownst to the country concerned.

Confirmation of vessel identity and verification of sanctions evasion listing can be found on the IMO database for flag registries in the publicly accessible website of the Global Integrated Shipping Information System (or GISIS), using the vessel or company's IMO number.

To verify the previous flag registration, GISIS also provides the name and contact details of each national governmental body (authorized delegated entity) that manages the registration of vessels for that country's flag.



DECEPTIVE PRACTICES CONTINUED

AIS Manipulation:

Manipulation of the Automatic Identification System (AIS) for collision avoidance but also to track vessels has become synonymous with sanctions evasion. There are numerous cases where vessels involved in illicit ship-to-ship transfers and illicit North Korean port calls have gaps (dark periods) in their AIS transmissions, often lasting from a few hours, or several days to several months. Ship registries should advise their vessel operators that shutting off the AIS to evade sanctions will result in de-flagging and de-registration and the freezing and seizing of the vessel. Dark periods should be queried, and action taken in the absence of a satisfactory explanation.

Flags states should consider using cost-effective tools to mitigate risks associated with sanctions violation behavior involving AIS for example commercially available software applications that provide both predetermined and customized geo-fencing options and trigger alerts to inform users that their vessel is entering or sailing through high-risk zones, require more frequent transmissions in high-risk areas, and the use of Long-Range Identification and Tracking systems (LRIT).

Information Sharing

To further mitigate the risk of inadvertently registering a vessel that has been sanctioned or that has been de-registered for involvement in sanctioned activities, due diligence efforts can be enhanced through cooperation and information sharing between flag states, as well as with the UN sanctions committee for North Korea.

In this regard, UN resolution 2397 specifically requires states to cooperate in addition to their obligation to inform the sanctions committee through National Implementation Reports or ad hoc reporting. Alerts when there is an attempt to register a vessel that has already been de-registered by another State, in compliance with the resolutions, is but one example where such reporting is of vital international interest and helps mitigate the risk to others by informing other flag states.



CULMEN CAN HELP

If you have questions regarding DPRK sanctions evasion, Culmen International can help. Contact us if you have questions regarding improving due diligence and compliance procedures.

Prepared by Culmen International

