
Title **Countering North Korean and other Sanctions Evasion Tactics**

Purpose This guidance is to notify the London (re)insurance market of Democratic People's Republic of Korea (DPRK), Syrian and Iranian sanctions exposure risk, and to advise that existing due diligence and monitoring procedures should be reviewed and validated particularly in relation to marine cargo and hull exposures.

Type Event

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Background

The UN, US Department of Treasury, and the Financial Action Task Force (FATF) have all recently underscored their intention to enforce sanctions targeting the DPRK, Syria and Iran. As global efforts to identify proliferation finance and sanctions evasion intensify, numerous reports and advisories highlight how tactics to circumvent sanctions are constantly evolving. Key among these tactics is the use of otherwise legitimate shipping activities to conceal the movement of illicit goods. In this context, the insurance industry has also been called upon by sanctions enforcement agencies to support efforts to detect and disrupt illicit activity.

Whilst obtaining insurance is not likely to be the primary goal of those involved in the movement of illicit goods, it can be exploited to obtain the necessary permits to initiate voyages and enter ports to transfer prohibited goods. As the London (re)insurance market provides significant support to the global maritime industry, there is a risk to the (re)insurance market of inadvertent exposure to sanctionable activity. For this reason, it is prudent that the market review existing policies to ensure that procedures are in place to mitigate the risk of specific regional exposures to sanctions.

Lloyd's has worked with company market / Lloyd's market carriers and brokers, in conjunction with the Lloyd's Market Association (LMA) and the International Underwriting Association (IUA) to prepare this guidance. While this guidance primarily relates to **marine cargo and**

hull classes and exposure to sanctions programmes targeting the DPRK, Syria and Iran, it is also intended to outline best practice principles regarding broader sanctions due diligence and screening for the London (re)insurance market.

This guidance sets out a risk-based approach to minimise potential exposure to sanctionable activity. The guidance comprises;

- Background information on proliferation financing and sanction evasion tactics
- Suggested approach for a risk-based mitigation framework
- Guidance on due diligence and relationship with brokers
- Key risk factors for underwriters and compliance personnel to be aware of
- Enhanced due diligence measures, where appropriate, and suggested controls
- Ongoing monitoring and reporting.

What is proliferation financing

In its narrowest sense, proliferation financing is raising cash, mostly foreign exchange revenue, for proliferators to develop nuclear, ballistic and weapons of mass destruction. This is a limited view since proliferation is not merely about transporting proliferation-related components to regimes like the DPRK but is also linked to the exploitation of strategic goods and technology by the regime to generate revenue. As sanctions have tightened around regimes such as the DPRK, tactics to evade sanctions have evolved and become more reliant on its misuse of legitimate global networks. For example, a recent [UN Panel of Experts Report](#) (UN Security Council 1718 Committee, 5 March 2019) referred to a trend of increasingly sophisticated cyberattacks carried out by the DPRK to illegally force the transfer of funds from financial institutions and cryptocurrency exchanges.

Sanctions evasion tactics

Sanctions evasion tactics in this guidance refers to the various methods used to conceal involvement with or ownership of vessels, goods being shipped, or the origin or destination of vessels, to conduct activity that is prohibited under a sanctions programme.

Sanctions evasion tactics are difficult to identify as activity which may appear to be as such, often is undertaken for legitimate reasons. For example, a gap in a vessel's Automatic Identification System (AIS) transmission could be caused by weak signals, interference or patchy satellite reception, or an intentional tactic to conceal a vessel's location, origin from or destination to a sanctioned territory. Similarly, the practice of ship-to-ship transfers, where cargo is moved between vessels while at sea rather than while located in port, can be a legitimate activity to transfer cargo, or it can be used as a method to conceal involvement of DPRK ships. While it is not within the (re)insurance industry's remit or scope to police against these actions, the market is asked to maintain awareness of evolving sanctions evasion tactics as this knowledge can support the ability to identify red flags which may trigger further due diligence (see below section on red flags) that concludes with an appropriate underwriting decision.

There are numerous open resources regarding the evolving range of sanctions evasion tactics used by regimes such as the DPRK and Syria. See for example the US Treasury's

Office of Foreign Assets Control's (OFAC) Advisories including *Updated Guidance on Addressing North Korea's Illicit Shipping Practices* (21 March 2019) and *Sanctions Risks Related to Petroleum Shipments involving Iran and Syria* (25 March 2019). For reference, some key evasion tactics have been summarised in **Appendix A**.

Risk-based mitigation framework

The (re)insurance industry is characterised by a division of responsibility between brokers, insurers and reinsurers but each party in the placement chain is individually liable for sanctions compliance. In line with this guidance, market participants are expected to understand their sanctions risk profile, and review their current sanctions due diligence and screening processes to validate that they are proportionate to their risk profile.

Due diligence and screening procedures should be **risk-based and proportional** to a (re)insurer's sanctions risk profile. When assessing their exposure to sanctions risk, it is suggested that (re)insurers refer to the below table of non-exhaustive **risk factors**.

Table 1: Considerations when evaluating sanctions risk profile:

Risk category	Risk factor	Example of simple risk	Example of complex risk
Jurisdiction risk	Geographical location of asset/risk	North Sea, Atlantic Ocean	Yellow Sea, East and South China Sea, Sea of Japan, Mediterranean and Red Seas, Gulf of Tonkin, Persian Gulf (See Table 2 below)
	Geographical location (re)insured	EU, US	DPRK, China, Taiwan, Russia, Singapore, Hong Kong
	Legal and regulatory obligations (consider which sanctions laws and regulations are applicable to carrier / broker)	Parties in placement chain are subject to requirements from only one jurisdiction (e.g. all in the UK) and/or are based in non-sanctioned country	Parties in placement chain are subject to requirements from different or multiple jurisdictions (e.g. UK broker, Chinese carrier, US/EU reinsurer), and/or are based or proximal to sanctioned country
Product risk	Class of business (consider likely activities, goods, equipment, services or trade covered)	Non-marine, property, motor	Marine hull and cargo, marine chartering
	Type of product	Food, humanitarian medical supplies	Crude oil, coal, refined petroleum, iron, steel, zinc products, or dual use goods, goods subject to export control
Client/customer risk	Type of policyholder (consider corporate structure, ownership and control, and operational structure of (re)insured))	Multinational, high degree of compliance activity and transparency	Small company with limited trading history

	Counterparty risk	Cover extends only to named policyholder(s)	Cover could extend to persons/entities not identified at the point of underwriting
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When validating whether due diligence and screening processes are proportional to a (re)insurer’s risk profile, the following considerations may also be noted:

Direct vs. Reinsurance

It is accepted that **direct insurers** (and potentially facultative reinsurers) will be better placed than treaty reinsurers to:

- Seek pre-bind information from the insured/broker – insurers are expected to understand the underlying entities involved in a risk and their activities, and prior to binding a policy should, at a minimum, ensure that they have obtained sufficient information to make a robust determination of a risk’s profile.
- Consider whether additional compliance controls may assist in meeting regulatory expectations for higher risk exposures – for example, pre-bind review of a vessel’s AIS history could assist in identifying unusual patterns of activity of clients operating in and around high-risk geographical areas. Commercial data / software is now readily available for carriers that have high-regional exposures.

Whilst **reinsurers** (particularly treaty reinsurance underwriters) are further removed than direct insurers from meaningful insight into the activities of the insured parties, regulators will expect them (and direct insurers) to demonstrate the below:

- Clear communication with counterparties – setting out any sanctions compliance conditions with local cedants and brokers, including regional offices and coverholders.
- Relevant available resources utilised – there is a wide range of information available from the UN, OFAC, the US Coast Guard and numerous organisations that provide commercial shipping data (e.g. ship registry information). See **Appendix B** for a non-exhaustive list of resources.

Lead or follow (re)insurers

The lead (re)insurer, as the party primarily interacting with the broker, will be better placed to identify potential red flags and engage with the broker to obtain additional information on a risk. However both lead and follow (re)insurers have the same compliance obligations and should be aware of this guidance.

Delegated authorities

Any delegation of sanctions due diligence should be reflected in full detail in the contractual arrangements with the third party coverholder / TPA. (Re)insurers should

ensure that the third-party performs activities and services to a high standard and no less a standard than would have been undertaken by the (re)insurer itself.

(Re)insurers are also reminded that where they rely on the outsourced activities or services of third-parties to perform sanctions due diligence and screening on their behalf, they are not legally absolved from liability for breaches.

Due diligence measures

Underwriters and compliance personnel are reminded that due diligence measures should include checks of proliferation-relevant risks and enhanced due diligence should be considered in cases that are deemed high-risk.

Sources of information and role of brokers

As outlined in UK Treasury's [Office of Financial Sanctions Implementation \(OFSI\) Guidance](#) (March 2018), it is OFSI's view that brokers should be well placed to obtain sufficient placement information to conduct appropriate sanctions checks against clients and insurance beneficiaries when cover is issued. While it is reasonable for (re)insurers to request brokers to liaise with their clients and request the placing information that the underwriter requires to conduct their sanctions due diligence, the specific requirements that a (re)insurer applies to the broker in respect of sanctions compliance are a matter for the parties to contract.

Where brokers have obtained such placing information to comply with their own sanctions obligations, (re)insurers can ask to see that placing information, but they may also wish to seek further information to ensure that they comply with their own sanctions obligations (which may differ from the broker's sanctions obligations). In accordance with their risk-based procedures, (re)insurers should verify that the placement information remains accurate and complete. Where high-risk factors exist, brokers should, to the best of their ability, ensure that due diligence information is provided to underwriters in sufficient time to enable them to consider it and raise further queries.

Red flags – when is enhanced due diligence triggered?

To assist the market in identifying higher risk exposure, Lloyd's has compiled the below non-exhaustive list of risk factors. Whilst these risk factors are not themselves illegal or prohibited, they have been present in previous cases of sanctionable activity.

Lloyd's suggests that the presence of the primary risk factor, a **geographical high-risk** location, combined with any other risk factor (secondary risk factor), may raise a red flag that triggers enhanced due diligence procedures. If enhanced due diligence measures do not mitigate the level of perceived risk, consideration should be given as to whether it is prudent to proceed with the provision of cover.

Table 2: Example risk factors – triggers for enhanced due diligence

Primary risk factor		Secondary risk factor	
Type of risk	Description	Type of risk	Description
Geographical high risk	Risks with exposures in the geographical areas known for illicit marine activity (including but not limited to the East China Sea, Yellow Sea, Sea of Japan, Mediterranean and Red Seas, Gulf of Tonkin, Persian Gulf/ Hormuz Straits) and proximity to sanctioned territories (see Appendix C)	Type of product	Coal, refined petroleum, iron, steel, zinc products, military goods and dual use goods subject to The Export Control Order 2008 (or Export Control legislation)
		Automatic Identification System (AIS) anomalies	Historical and lengthy disruption of the vessel's AIS, particularly when coupled with exposures in geographical areas deemed as high risk.
		Ownership and/or management complexities	A complex corporate vessel ownership structure (particularly if based/proximal to a high-risk area) and chartering vessels to third parties, when combined with other secondary red flags, may trigger further due diligence.
		Flag changes/ 'flags of convenience'	Frequent change of vessel flag, particularly if registered under 'flags of convenience' (where a vessel is registered in a state that is different to that of the vessel owner), where combined with other secondary red flags.
		Document inconsistencies	Inaccuracies or lack of detailed information in product descriptions.
		Associated sanctions risk	Vessels connected or linked to parties currently or historically designated for violating sanctions.

Enhanced due diligence (EDD) procedures

Where EDD and screening has been identified as necessary, (re)insurers / brokers are encouraged to seek a full explanation of contractual arrangements which could give rise to increased sanctions risks.

More specifically, due diligence checks should not merely seek to eliminate obvious links to i) 'North Korea' or 'Syria' or ii) any identified designated parties. It may be appropriate for an in-depth "activity-based" assessment of a client (also at renewal and for any extensions) to be conducted to lead to a clear understanding of the risk profile, often referred to as "network analysis". The importance of this network analysis is apparent in previous cases of sanctions evasion, see **Appendix D** for an example.

Circumstances may arise where a (re)insurer considers it necessary to further verify the information they obtained during the due diligence process. In these instances, they may choose to do so by obtaining independent authoritative documentary evidence which corroborates the information relating to the named (re)insureds, other parties and/or trade to which the (re)insurance may relate. (Re)insurers should consider whether conducting further supply chain analysis could lead to a clearer understanding of the risk profile – for example by asking questions on intended use of goods and seeking to identify end-user(s). An example questionnaire that could be used to seek further information from insureds/brokers is included at **Appendix E**.

Controls

Use of sanctions clauses

While the inclusion of sanctions limitation and exclusion clauses can provide (re)insurers with a degree of legal protection if illicit activity is detected post-bind, (re)insurers are reminded that an adequate sanctions clause may suspend liability but might not extinguish liability. As such, the use of such clauses should not be considered as a substitute for the due diligence and pre-bind screening processes detailed in this guidance. Similarly, a direct insurer may seek, as a prudent measure, to introduce warranties (contractual clauses) that aim to restrict higher risk activity (such as deviations in voyages or the disablement/ manipulation of a vessel's AIS) and warranties which promote continuous AIS broadcast (promoting compliance with the international convention on Safety Of Life At Sea (SOLAS). However this should be considered as part of the insurer's risk-based and holistic due diligence and screening programme.

Training

(Re)insurers should ensure that they implement and maintain effective and up-to-date training designed to ensure that all staff, especially relevant underwriters and claims staff in higher-risk classes (as identified above), are aware of this guidance, know what red flags to look for, and understand the controls in place. Any such training should be formal and administered on a regular basis particularly as sanctions evasion techniques continue to evolve. It is important that training is extended to regional teams where the need to mitigate elevated sanctions exposure risk is greater.

Technology solutions

While Lloyd's is continuing to explore the possibility of a centralised solution for information sharing, there are numerous software products available to support carriers / brokers with due diligence, tracking and screening. (Re)insurers should determine whether their sanctions risk profile could warrant the need for commercial tracking/ intelligence providers that could be utilised for EDD, screening and ongoing monitoring. Where vessel screening / tracking tools are already being used for underwriting purposes to rate, or charge a premium, for a risk, it may be useful to encourage its use by the compliance function particularly for EDD checks or monitoring. Where vessel data is utilised, (re)insurers should note that this data

has some limitations, and should therefore be analysed in conjunction with other information sources to build an accurate picture to inform underwriting / claim judgements.

Ongoing monitoring and reporting

(Re)insurers should ensure that their sanctions compliance processes and controls are documented, kept regularly updated and are regularly reviewed. (Re)insurers are asked to consider subjecting their sanctions compliance processes and procedures to testing, gap analysis and internal audit on a regular basis to ensure that they are operating as they should. For further guidance on this, refer to Lloyd's [Market Bulletin Y4861 Lloyd's International Sanctions Guidance: Compliance, Delegated Authorities and Claims](#).

(Re)insurers are also reminded that their internal reporting procedures should be aligned to their reporting obligations as outlined in UK HM Treasury's [Office of Financial Sanctions Implementation \(OFSI\) Guidance](#) (March 2018). The obligation to report voluntarily to OFSI is in addition to any other non-financial sanctions reporting obligations you may have. These could include submitting Suspicious Activity Reports (SARs) to the National Crime Agency (NCA) under the Proceeds of Crime Act 2002, making disclosures of potential breaches of export control legislation to UK HMRC and notifying the Financial Conduct Authority (FCA) if related to a failure of systems and controls. In some cases, there may be specific obligations to report under section 19 of the Terrorism Act 2000. Note that reporting to your regulator or submitting a SAR does not meet your reporting obligations under financial sanctions. If you have information to report regarding financial sanctions, this must be sent to OFSI: ofsi@hmtreasury.gsi.gov.uk.

In addition, as outlined in [Lloyd's Minimum Standards MS10 - Regulatory](#), Lloyd's market carriers are expected to notify Lloyd's immediately of any suspected or actual incidents of financial crime which includes potential international sanctions violations.

For further information

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APPENDIX A

Examples of known sanctions evasion tactics

As outlined in the body of this guidance, sanctions evasion tactics are difficult to identify as they may not themselves be illegal or a prohibited activity.

Evasion technique	Description / example
Physically changing appearance of the vessel	Altering or disguising the ship's name or International Maritime Organisation (IMO) number, illegal vessel name-changing.
Disabling or manipulating the Automatic Identification System (AIS)	Turning off or manipulating the output from their AIS system to mask certain parts of their voyage or manipulating the information being transmitted from the vessel, particularly for long periods.
False flags	Falsifying their vessel's flag to mask illicit trade. A vessel owner/manager can continue to use a country's flag after it has been struck from the registry, or creating fraudulent national flag registries (ships claiming country flag without authorisation).
Fraudulent or false cargo and vessel documents	Falsifying bills of lading, certificates of origin, lists of last ports of call, ship or other forms of identity theft, fraudulent invoices or packing lists to obscure the country's involvement in a shipment.
Ship-to-Ship transfers	Transferring cargo between vessels while at sea, particularly at night, rather than while located in port to conceal involvement of a DPRK ship, or the origin or destination of the cargo.
Use of small / unregistered vessels	The use of smaller vessels in ship-to-ship transfers to assist in avoiding recognition by surveillance aircraft.
Voyage irregularities	Indirect routing, detours or trans-shipment through third countries to obscure origin and destination of vessels.
Complex ownership or management networks	The use of shell companies, matrix business models and structures to disguise ultimate owners or involvement in illicit activity.

APPENDIX B

Resources list and further reading**Sanctions lists and resources**

UN sanctions list:

<https://www.un.org/sc/suborg/en/sanctions/1718/materials>

UN sanctions implementation notices:

<https://www.un.org/sc/suborg/en/sanctions/1718/implementation-notice>

UN 1718 Sanctions Committee (DPRK) reports:

https://www.un.org/securitycouncil/sanctions/1718/panel_experts/reports

US State Department DPRK sanctions website:

<https://www.state.gov/e/eb/tfs/spi/northkorea/>

US Treasury DPRK sanctions resource centre:

<https://www.treasury.gov/resource-center/sanctions/Programs/pages/nkorea.aspx>

US OFAC (Office of Foreign Assets Control) sanctions search:

<https://sanctionssearch.ofac.treas.gov/>

EU DPRK sanctions website:

<https://www.consilium.europa.eu/en/policies/sanctions/history-north-korea/>

European sanctions blog:

<https://www.europeansanctions.com/category/north-korea/>

Carnegie Endowment summary of DPRK sanctions:

<https://carnegieendowment.org/publications/interactive/north-korea-sanctions>

OFAC Advisories

Sanctions Risks Related to Petroleum Shipments involving Iran and Syria (25 March 2019)

https://www.treasury.gov/resource-center/sanctions/Programs/Documents/syria_shipping_advisory_03252019.pdf

Updated Guidance on Addressing North Korea's Illicit Shipping Practices (21 March 2019)

https://www.treasury.gov/resource-center/sanctions/Programs/Documents/dprk_vessel_advisory_03212019.pdf

Sanctions Risk Related to North Korea's Shipping Practices (23 February 2018)

https://www.treasury.gov/resource-center/sanctions/OFAC-Enforcement/Documents/dprk_vessel_advisory_02232018.pdf

Risks for Businesses with Supply Chain Links to North Korea (23 July 2018)

https://www.treasury.gov/resource-center/sanctions/Programs/Documents/dprk_supplychain_advisory_07232018.pdf

Sanctions Risk Related to Shipping Petroleum to Syria (20 November 2018)

https://www.treasury.gov/resource-center/sanctions/Programs/Documents/syria_shipping_advisory_11202018.pdf

Sanctions evasion and proliferation finance

Report on DPRK underwriting proliferation

<https://rusi.org/publication/occasional-papers/underwriting-proliferation-sanctions-evasion-proliferation-finance-and>

Financial Action Task Force, Proliferation Financing Report, 18 June 2008 (see Annex 1: Elements that may indicate proliferation financing)

<http://www.fatf-gafi.org/media/fatf/documents/reports/Typologies%20Report%20on%20Proliferation%20Financing.pdf>

Evolving sanctions evasion and proliferation financing tactics

<https://www.cbsnews.com/news/north-korea-finding-new-ways-to-evade-sanctions-secret-un-report-reveals/>

North Korean news

North Korea news and analysis service:

<https://www.38north.org>

North Korea sanctions aggregator:

<https://www.pyongyangpapers.com>

North Korea news and analysis

<https://www.nknews.org>

North Korea economics-focused resource

<https://www.nkeconwatch.com>

Iran / Syria news

<https://www.nti.org/learn/countries/iran/>

<https://www.politico.com/tag/iran-nuclear-agreement>

<https://www.jpost.com/Middle-East/Iran-News>

<http://syriatimes.sy/>

<https://syriadirect.org/>

Vessel verification and monitoring

International Maritime Organisation (IMO) registry – IHS maritime (manager of IMO ship numbering scheme) for verification of IMO numbers for individual ships. You can research existing [IMO numbers](#) or contact IHS Maritime directly at ship.imp@ihs.com.

US coast guard – publishes a list of vessels that are owned or operated by North Korea or a North Korean person which will be denied entry to all U.S. ports (note that this list is separate to the list maintained by OFAC) - <http://www.nvmc.uscg.gov/CAATSA.aspx>.

Other resources

Industry information service:

<https://www.lloydslistintelligence.com>

Shipping industry website

<https://www.tankershipping.com>

Ship-to-ship transfers

<https://www.marineinsight.com/maritime-law/what-is-ship-to-ship-transfer-sts-and-requirements-to-carry-out-the-same/>

<https://www.nbcnews.com/news/north-korea/top-secret-report-north-korea-keeps-busting-sanctions-evading-u-n947926>

The Oil Companies International Marine Forum (OCIMF) – association of oil companies with interest in the shipment of crude oil and oil products

<https://www.ocimf.org/>

Information relating to the exploration, drilling, and production of offshore and onshore oil and gas

<https://www.worldoil.com/>

North Korea sanctions and trade resource

<https://www.cmtradelaw.com>

UK P&I Club Circular 1/19: North Korea - Enforcement of UN, U.S and EU Sanctions

<https://www.ukpandi.com/knowledge-publications/article/circular-1-19-north-korea-enforcement-of-un-u-s-and-eu-sanctions-146936/>

Information on IMO Circular MSC.1/Circ. 1602, 5 March 2019

<https://safety4sea.com/us-updates-guidance-on-north-korea-sanctions/>

APPENDIX C

North Korea – high risk geographical locations

The OFAC Advisory, *Updated Guidance on Addressing North Korea's Illicit Shipping Practices* (21 March 2019), included the below regional map where ship-to-ship transfers of refined petroleum commonly occur – sea names have been added for ease of reference.



Graphic extracted from p.3 of the OFAC Advisory, *Updated Guidance on Addressing North Korea's Illicit Shipping Practices*, 21 March 2019.

APPENDIX D

DPRK Sanctions Evasion Example

Lighthouse Winmore and Billions No.18

In December 2017, the UN Security Council listed four ships, on its North Korea Sanctions List. Hong Kong-flagged *Lighthouse Winmore* and Panama-flagged *Billions No. 18* were found to have transferred marine diesel to DPRK-flagged tankers, *Sam Jong 2* and *Rye Song Gang I* on 19 October 2017. Both tankers engaged in activity to conceal vessel movements including switching off their Automatic Identification System a few days before and after the transfers.

Network Analysis

The *Lighthouse Winmore* was chartered the month before the ship-to-ship transfers by the Marshall Islands company, Oceanic Enterprise Ltd, via a Singapore-based broker. Its sole director and shareholder is Shih-Hsien Chen, a national of Taiwan Province of China. The Yingjen Fishery Company communicated administrative and logistical arrangements to the owner via the broker, while the Billions Bunker Group Corporation issued operational instructions to the captain.

The UN Panel of Experts noted that the owner/operator of the *Lighthouse Winmore*, Lighthouse Ship Management (also involved in ship-to-ship transfers), was previously known as the similar-sounding Billion Great International Group Ltd, suggesting a link to Chen's companies. In addition, two of Chen's tankers, the *Lighthouse Winmore* and the *Golden Rich*, both use the same document of compliance holder and International Safety Management manager¹, Vanguard Shipping Safety Management Consultant Co. Ltd, which is the owner and operator of another tanker engaging in ship-to-ship transfers, the *Jin Hye*.

At the time of the 5 March 2018 Report from the UN Security Council Panel of Experts established pursuant to resolution 1874 (2009), the Panel were continuing to investigate Shih-Hsien Chen's central role in transfers of petroleum products to the DPRK. The Panel underscored the DPRK's reliance on trusted foreign nationals to continue to conduct illicit activities.

¹ A "Document of Compliance" is a document issued to a company which complies with the requirements of the International Safety Management Code – the international standard for safe management and operation of ships at sea.

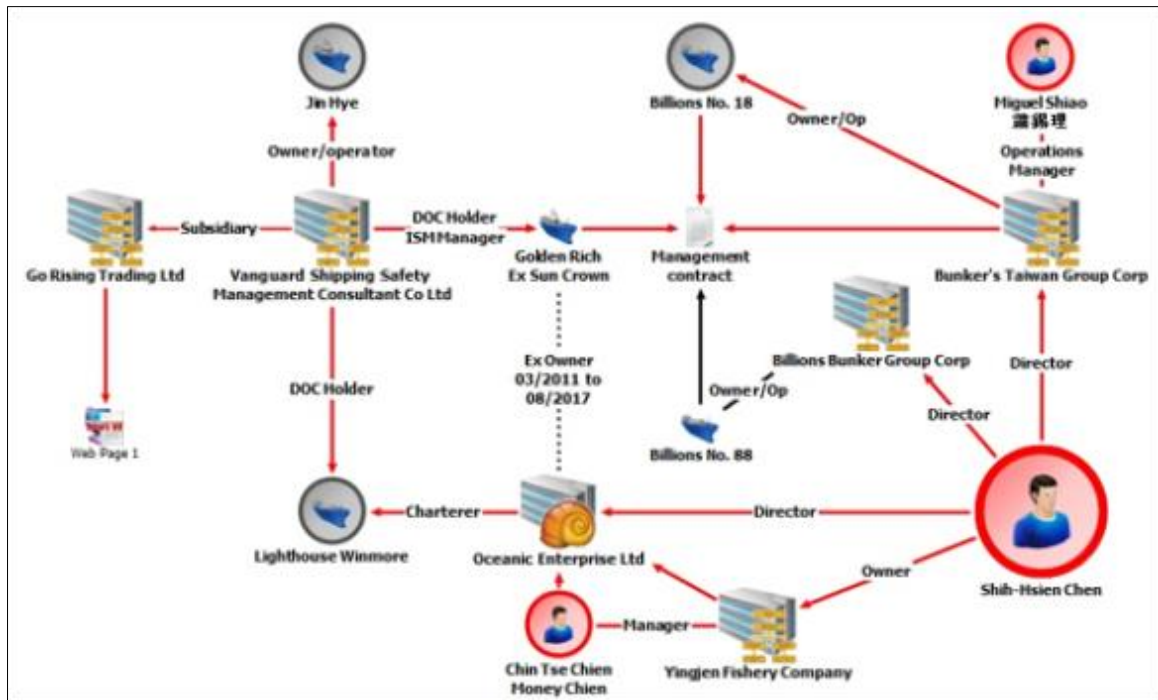


Figure XV extracted from p.33 of the *Report of the UN Security Council Panel of Experts established pursuant to resolution 1874 (2009)*, distributed 5 March 2018.

KOTI

Panama-flagged product tanker *Koti* was seized at Pyeongtaek-Dangjin port, south of Incheon by the South Korean authorities in December 2017, as the vessel was believed to have transferred oil products to the DPRK despite international sanctions. In a similar pattern used in the above cases of *Lighthouse Winmore* and *Billions No. 18*, the *Koti* departed from Yeosu and selectively used its Automatic Identification System for several days from 30 November 2017 to conceal its location.

APPENDIX D

Example enhanced due diligence questions

As noted in the body of this guidance, this questionnaire is an example only. Re(insurers) should adopt a risk-based approach when determining what enhanced due diligence measures should be undertaken.

Insureds and counterparties	
Name of insureds	<i>(direct insurance only)</i>
Name of all parties covered under contract of (re)insurance	
Name of ultimate beneficial owners /controller(s) of ships	
Have the above names been screened against UN, EU, US, UK sanctions lists?	
Vessel activity	
Has the ship been screened against UN, EU, US, UK sanctions lists / higher risk vessels named in relevant OFAC Advisories?	
How is the ship managed	
How is the ship crewed	
Where is the ship flagged	
What are the trading activities of the ship (are there any details on previous trading activities)	<i>(consider whether the vessel has engaged in ship-to-ship transfers, sailed to high risk geographical locations, been known to turn off AIS in such locations etc.)</i>
Supply chain analysis	
Details of the nature of the trade, the identity of the goods, equipment or services – and the identity of parties involved in such trade/supplies.	
Location/origin of goods/equipment.	
Destination (including intermediate destinations) of goods/equipment.	
Intended use and/ or end-user/specification/modification of goods/equipment.	
Identities of intermediaries involved in the handling of the goods/equipment.	
Payments	
Identity of party / parties who will be making payments (including premium)	<i>(if this is different from the named (re)insured, to ascertain the position under sanctions)</i>