

US Govt Seeks \$1.9 Million In North Korea Sanctions and Money Laundering Case

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A recent suit filed by the U.S. Department of Justice (DOJ) for the forfeiture of nearly \$2 million highlights the broad extraterritorial reach of U.S. sanctions laws. On June 14, DOJ filed [a complaint](#) to seize funds associated with transactions between several Chinese companies, including Mingzheng International Trading Limited (Mingzheng). Mingzheng and the other companies had been set up as a front and were conducting transactions in U.S. dollars on behalf of North Korea's Foreign Trade Bank (FTB), a blacklisted Specially Designated National (SDN). The case has two noteworthy lessons, with the latter lesson hopefully more relevant to your company:

Lesson One: Don't launder money for North Korean SDNs engaged in proliferation schemes. If you want to know more about how North Korea attempts to launder funds, [check out this detailed and fascinating report on the topic](#).

Lesson Two: If you conduct a transaction in U.S. dollars, even if all other aspects of the transaction occur outside of the United States, the U.S. government will likely claim jurisdiction over the transaction.

In the Mingzheng case, the U.S. government asserted jurisdiction because the Chinese companies used U.S. dollars, which triggered indirect dollar clearing transactions in the United States:

Although North Korean financial facilitators engage in U.S. dollar transactions overseas, funds are still cleared through a U.S. correspondent bank account, thereby triggering the U.S. economic sanctions. . . These U.S. dollar payments, which cleared through U.S. correspondent banking accounts, violated U.S. law, because Mingzheng was surreptitiously making them on behalf of FTB, whose designation [as an SDN] precluded such transactions.

In other words, the U.S. government is claiming that the Chinese companies caused U.S. banks to conduct dollar clearing transactions for the ultimate benefit of a blacklisted SDN, an activity that is prohibited under U.S. law. Most international trade transactions denominated in U.S. dollars will generate this type of activity in the United States, potentially triggering U.S. jurisdiction over the underlying transactions.

Conducting transactions denominated in U.S. dollars is only one way that non-U.S. companies can become subject to U.S. sanctions laws. Non-U.S. companies can also get in trouble if they conduct a transaction with an SDN or embargoed territory (currently the Crimea region of Ukraine, Cuba, Iran, North Korea, and Syria) that involves U.S. companies, products, or persons. The classic example here is of a non-U.S. company ordering products from the United States in order to resell them to an SDN or embargoed territory. A similar and common issue arises when a non-U.S. company has employees who are U.S. citizens. Such employees must be fully recused from any business related to SDNs or embargoed territories. 'Secondary' sanctions are another way that non-U.S. companies can become

subject to U.S. sanctions, but that's a complex story for another blog post.

The takeaway: If you conduct a transaction that is or may become subject to U.S. law, you need to ensure that all aspects of the transaction complies with U.S. sanctions rules. A basic and important due diligence step is to screen all such transactions against the U.S. SDN List and identify any transactions that might involve sanctioned countries or territories.