



Department of the Treasury Financial Crimes Enforcement Network

Advisory

FIN-2009-A002

Issued: June 18, 2009 (Amended December 18, 2009)

Subject: North Korea Government Agencies' and Front Companies' Involvement in Illicit Financial Activities

The Financial Crimes Enforcement Network (“FinCEN”) is issuing this advisory to supplement information previously provided¹ regarding the involvement by Democratic People’s Republic of Korea (“North Korea”) government agencies and front companies in illicit activities. The U.N. Security Council has recently adopted a resolution containing new provisions, including a call for enhanced monitoring of financial transactions, to prevent the financing of North Korea’s nuclear, ballistic missile, and other weapons of mass destruction (WMD)-related programs or activities. The Security Council’s action, combined with the potential that North Korea will attempt to evade these financial measures, illustrates the increased risk that North Korea and North Korean entities, as well as individuals acting on their behalf, pose to the international financial system and financial institutions worldwide.

On June 12, 2009, the U.N. Security Council adopted Resolution 1874, condemning North Korea’s May 25 nuclear test and calling upon member states to prevent the provision of financial services or any financial or other assets or resources that could contribute to North Korea’s nuclear, ballistic missile, or other WMD-related programs or activities. These provisions were adopted in addition to pre-existing obligations imposed by U.N. Security Council Resolution (“UNSCR”) 1718, adopted in 2006, to, among other things, freeze the assets of designated North Korean individuals and entities involved in nuclear, ballistic missile, and other WMD-related programs or activities.² UNSCR 1874 includes additional measures beyond the asset freeze in UNSCR 1718 by calling upon states to prevent North Korea from accessing financial services to facilitate transactions related to its nuclear, ballistic missile, and other WMD-related programs or activities. It also bans financial transactions related to the sales of all arms and related materiel, except for the export of small arms and light weapons and related materiel to North Korea.³ For example, UNSCR 1874 calls upon member states to prevent the provision of financial services by financial institutions within their jurisdictions, and by those institutions’ overseas branches,

¹ See “Guidance to Financial Institutions on the Provision of Banking Services to North Korean Government Agencies and Associated Front Companies Engaged in Illicit Activities,” December 13, 2005. www.fincen.gov/statutes_regs/guidance/html/advisory.html

² For details on UN member states obligations, see Resolution 1718 (2006), Adopted by the Security Council on 14 October 2006. www.un.org/docs/sc

³ See UNSCR 1874 (2009), ¶¶ 9, 10, 18. www.un.org/docs/sc.

that could contribute to North Korea's nuclear, ballistic missile, and other WMD-related programs or activities. In addition, UNSCR 1874 demands that North Korea immediately comply with UNSCR 1718, which includes a ban on the transfer of luxury goods to North Korea.

The U.N. Security Council's adoption of specific financial measures to address this conduct reinforces long-standing Treasury Department concerns regarding North Korea's involvement, through government agencies and associated front companies, in financial activities in furtherance of a wide range of illicit activities. These activities include currency counterfeiting, drug trafficking, and the laundering of related proceeds. FinCEN has previously noted such conduct, most recently in 2007.⁴ The Treasury Department remains especially concerned about the use of deceptive financial practices by North Korea and North Korean entities, as well as individuals acting on their behalf. Such deceptive practices may include North Korean clients' suppression of the identity and location of originators of transactions; their practice of arranging for funds transfers via third parties; repeated bank transfers that appear to have no legitimate purpose; and routine use of cash couriers to move large amounts of currency in the absence of any credible explanation of the origin or purpose for the cash transactions.

In light of the financial measures in UNSCR 1718 and UNSCR 1874, and the use of deceptive financial practices by North Korea and North Korean entities, as well as individuals acting on their behalf, to hide illicit conduct, FinCEN advises all U.S. financial institutions to take commensurate risk mitigation measures. FinCEN notes that with respect to correspondent accounts held for North Korean financial institutions, as well as their foreign branches and subsidiaries, there is now an increased likelihood that such vehicles may be used to hide illicit conduct and related financial proceeds in an attempt to circumvent existing sanctions. Financial institutions should apply enhanced scrutiny to any such correspondent accounts they maintain, including with respect to transaction monitoring. Furthermore, because the prohibition in UNSCR 1718 on North Korea's procurement of luxury goods continues to apply, financial institutions should continue to ensure they are not providing financial services for such North Korean procurement. In order to assist in applying such enhanced scrutiny, a list of North Korean banks is included below. The Treasury Department encourages financial institutions worldwide to take similar precautions.

In addition, Treasury is concerned that in an attempt to evade U.N. Security Council Resolution provisions, North Korea may increasingly rely on cash transactions. All financial institutions should remain vigilant regarding attempts by North Korean customers to make large cash deposits into new or existing accounts, as well as the associated risk of the passing of counterfeit currency. The Treasury Department remains concerned about North Korean production and distribution of high-quality counterfeit U.S. currency. The U.S. government is ready to assist with the investigation of North Korean counterfeiting of U.S. currency wherever it is detected.

⁴ Finding that Banco Delta Asia SARL Is a Financial Institution of Primary Money Laundering Concern, 70 Fed. Reg. 55214 (September 15, 2005). www.fincen.gov/statutes_regs/patriot/pdf/finding_banco.pdf Imposition of Special Measure Against Banco Delta Asia, Including Its Subsidiaries Delta Asia Credit Limited and Delta Asia Insurance Limited, as a Financial Institution of Primary Money Laundering Concern, 72 Fed. Reg. 12730 (March 14, 2007). www.fincen.gov/statutes_regs/patriot/pdf/bda_final_rule.pdf

For assistance with counterfeit U.S. currency-related investigations, please contact your local U.S. Secret Service office.⁵

Consistent with the standard for reporting suspicious activity as provided for in 31 C.F.R. part 103, if a U.S. financial institution knows, suspects, or has reason to suspect that a transaction involves funds derived from illegal activity or that a customer has otherwise engaged in activities indicative of money laundering, terrorist financing, or other violation of federal law or regulation, the financial institution shall then file a Suspicious Activity Report. Separately, FinCEN reminds financial institutions that Executive Order 13382 of June 28, 2005, requires the blocking of all property and interests in property, within the United States or in the possession or control of U.S. persons, of certain individuals and entities. Further information can be obtained from the website of the Office of Foreign Assets Control of the U.S. Treasury Department.⁶

NORTH KOREAN BANKS⁷

Below is a list of some North Korean banks as taken from public and commercially available information. This is not meant to be a comprehensive list and is provided for ease of reference only. For the purposes of this advisory, financial institutions should take independent steps as necessary to ensure sufficient awareness of their entire exposure to North Korean financial transactions regardless of the financial institution conducting the transactions.

Amroggang Development Bank
Bank of East Land
Central Bank of the Democratic People's Republic of Korea
Credit Bank of Korea
Dae-Dong Credit Bank
First Credit Bank⁸
Foreign Trade Bank of the Democratic People's Republic of Korea
Hana Banking Corporation Ltd.
The International Industrial Development Bank
Korea Joint Bank (KBJ)
Korea Daesong Bank
Korea Kwangson Banking Corp
Korea United Development Bank
Koryo Commercial Bank Ltd.
Koryo Credit Development Bank
Kumgang Bank (added December 18, 2009)
North East Asia Bank
Tanchon Commercial Bank

⁵ A complete list of U.S. Secret Service field offices and overseas offices can be found at http://www.secretservice.gov/field_offices.shtml

⁶ See www.ustreas.gov/offices/enforcement/ofac

⁷ Each of these banks is headquartered in Pyongyang, North Korea. However, this advisory applies to all North Korean bank branches, within North Korea or abroad.

⁸ This should not be confused with First Credit Bank located in Los Angeles, CA, USA.