



FOREIGN AFFAIRS COMMITTEE

EST. 1812

The Korea Interdiction and Modernization of Sanctions Act *Section by Section*

TITLE I—SANCTIONS TO ENFORCE AND IMPLEMENT UNITED NATIONS SECURITY COUNCIL SANCTIONS AGAINST NORTH KOREA

Sec. 101. Modification and expansion of requirements for the designation of persons. This section further restricts North Korea’s access to money and materials for its weapons programs by significantly expanding existing sanctions against the regime. It mandates sanctions against any foreign person who buys certain metals or minerals from the country or provides certain types of military use fuel or insurance or reinsurance to vessels sanctioned under a UN Security Council resolution for engaging in illicit trade with North Korea.

To deny the Kim regime the hard currency it needs to fund its weapons programs, this section expands the ability to sanction those who import North Korean coal, iron, or iron ore above the limits imposed by United Nations Security Council resolutions, buy textiles or fishing rights from North Korea, facilitate the online business activities of the regime, or fail to comply with United Nations Security Council Resolutions targeting the country.

It also provides tools to target those involved in the export or use of North Korean forced labor, which is both a significant human rights abuse and another source of hard currency for the regime. To improve the North Korean people’s access to food, it includes similar sanctions that can be used against those who buy food or agricultural products from the country.

Sec. 102. Briefing on measures to deny specialized financial messaging services to designated North Korean financial institutions. This section requires a briefing to Congress on entities that provide specialized financial messaging services to North Korean banks designated under UN Security Council resolutions. As banks use these services to conduct international transactions, this will help identify North Korean banks that remain connected to the international financial system.

Sec. 103. Prohibition on indirect correspondent accounts. A recent report by international investigators found that North Korea has used concealment to continue its access to the international financial system, including the ability to “transact through top global financial centers.” This section ensures that U.S. financial institutions have terminated the correspondent accounts they use to do business with foreign financial institutions if that

account is being used to provide financial services to the North Korean government or any of the companies and banks that have been found to enable the regime.

To completely cut the Kim regime out of the U.S financial system, this section also prohibits North Korea from conducting any transactions using U.S. dollars. This includes “U-turn” transactions, where funds are briefly transferred into dollars while being exchanged between North Korean won and another foreign currency. This will further restrict the regime’s ability to do business abroad by targeting its use of the U.S. dollar as an intermediary when transferring funds between two foreign currencies.

Sec. 104. Limitations on foreign assistance to noncompliant governments. This section amends existing law to make clear that foreign governments that buy or sell North Korea conventional weapons – a serious and continuing problem - are prohibited from receiving certain types of U.S. foreign assistance. It includes a reporting requirement to strengthen Congressional oversight of this prohibition.

Sec. 105. Amendments to enhance inspection authorities. North Korea continues to trade banned goods, utilizing evasion techniques that are “increasing in scale, scope and sophistication.” One recent ship interdiction seized the largest cache of ammunition in the history of North Korean sanctions. This section requires a report to Congress detailing foreign countries whose seaports and airports fail to inspect or seize the cargo of North Korean ships or aircraft, as required by United Nations Security Council resolutions. The Secretary of Homeland Security is authorized to implement enhanced screening of cargo bound for the United States that has transited one of these identified, failing seaports or airports.

Sec. 106. Enforcing compliance with United Nations shipping sanctions against North Korea. This section prohibits any ships owned by the Government of North Korea or owned or operated on behalf of any country not complying with U.N. Security Council resolutions from operating in United States waters or landing at any U.S. port.

Sec. 107. Report on nuclear program cooperation between North Korea and Iran. North Korea and Iran have cooperated in developing nuclear weapons, ballistic missiles, and conventional arms. This section requires a report to Congress detailing that cooperation and potential consequences.

Sec. 108. Report on implementation of United Nations Security Council resolutions by other governments. This provision requires a report to Congress on foreign governments’ compliance with and implementation of UN Security Council resolutions on North Korea. A recent investigation by North Korea experts found that implementation of these U.N. resolutions remains “insufficient and highly inconsistent.”

TITLE II—SANCTIONS WITH RESPECT TO HUMAN RIGHTS ABUSES BY THE GOVERNMENT OF NORTH KOREA

Sec. 201. Sanctions for forced labor and slavery overseas of North Koreans. This section prohibits goods produced in whole or part by North Korean forced labor from entering the United States. It also sanctions foreign persons that employ North Koreans who are forced to labor in inhumane conditions and are denied access to wages and benefits. Exporting forced labor to foreign countries is estimated to earn the regime billions of dollars of hard currency each year and represents a significant human rights violation.

Sec. 202. Modifications to sanctions suspension authorities. This section ensures the delivery of potential humanitarian aid would not be adversely impacted. It also allows Korean-Americans to plan reunion meetings with relatives in North Korea.

Sec. 203. Reward for informants. This section encourages whistleblowers to report violations of financial sanctions on North Korea by allowing the State Department to offer cash rewards for such information under the Department's existing rewards program.

Sec. 204. Report on designation of North Korea as a state sponsor of terrorism. This section requires the administration to determine within 90 days whether the Government of North Korea should be re-designated as a state-sponsor of terrorism. This determination will take into account widespread reports the North Korean government has carried out assassinations, kidnappings and other terrorist acts outside of its own borders, including the recent assassination in Malaysia of Kim Jong-un's exiled half-brother using a banned chemical substance.