

U.S. Treasury Announces First Money Laundering Designation Against Mainland Chinese Bank

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Today, the U.S. Department of the Treasury [announced](#) significant actions targeting Chinese companies and individuals for their commercial involvement with North Korea. These actions follow Trump's vague tweet on June 20, in which he stated "[w]hile I greatly appreciate the efforts of President Xi & China to help with North Korea, it has not worked out. At least I know China tried!" In light of today's designations and proposed rulemaking, that message appears to signal a willingness by the United States to directly target China. Non-U.S. companies should carefully consider this dramatic policy shift with an understanding of the broad scope of the current sanctions authorities. The Treasury Department may target North Korea's commercial partners irrespective of their geographic location.

USA PATRIOT Act Section 311

The most significant action is likely the Notice of Proposed Rulemaking (NPRM) by the Financial Crimes Enforcement Network (FinCEN) to sever China's Bank of Dandong from the U.S. financial system under its 311 authority. Although this is not the first listing of a Chinese bank, it will very likely be the most disruptive. In 2007, the Treasury Department labeled the Macau-based Banco Delta Asia as a financial institution of primary money laundering concern, and in 2012 listed China's Bank of Kunlun under an Iran-related sanctions authority.

Office of Foreign Assets Control Designations

The Office of Foreign Assets Control (OFAC) concurrently announced designations of two Chinese citizens pursuant to its WMD counter-proliferation authority for their alleged involvement with North Korean cover companies. OFAC also designated Dalian Global Unity Shipping Co. Ltd. for operating in the transportation industry in the North Korean economy pursuant to Executive Order 13722. That Executive Order authorizes the Secretary of the Treasury to identify industries in the North Korean economy, the participants of which may be designated solely based on their operating within that industry. In March 2016, the Secretary of the Treasury determined that entities within the transportation, mining, energy, and financial services industries are subject to designation. OFAC could effectively use that authority to issue derivative designations against any company that deals with North Korea's transportation, mining, energy, or financial services industries.

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