



PRESS RELEASE

British American Tobacco to Pay \$629 Million in Fines for N. Korean Tobacco Sales; Charges Unsealed Against Tobacco Facilitators

Tuesday, April 25, 2023

For Immediate Release

U.S. Attorney's Office, District of Columbia

Cases aim to disrupt funding of North Korean nuclear program

WASHINGTON – British American Tobacco (BAT) and its subsidiary, BAT Marketing Singapore (BATMS), one of the world's largest manufacturer of tobacco products, has agreed to pay penalties totaling more than \$629 million to resolve bank fraud and sanctions violations charges with U.S. authorities, arising out of the companies' scheme to do business in North Korea through a third-party company in Singapore, in violation of the bank fraud statute and the International Emergency Economic Powers Act (IEEPA). In addition, charges were unsealed in the District of Columbia against a North Korean banker and Chinese facilitators for their roles in facilitating the illicit sale of tobacco products in North Korea.

According to court documents, BATMS pleaded guilty to, and BAT entered into a deferred prosecution agreement in connection with, a criminal information charging BAT and BATMS with conspiracy to commit bank fraud and conspiracy to violate IEEPA. Specifically, in 2007, BAT spun off its North Korea sales to a third-party company, issuing a press statement that it was no longer involved in North Korea tobacco sales. In reality, BAT continued to do business in North Korea through the third-party company and maintained control over all relevant aspects of the North Korean business. BAT ran the payments for the tobacco sold to North Korean entities through the third-party company, resulting in approximately \$415 million of U.S. dollar banking transactions from North Korea to the third-party company in Singapore – money that was then passed on to BATMS and BAT. To make these payments, North Korean purchasers used front companies so that U.S. banks, which processed the transactions, would not know about the connection to North Korea.

“The United States is steadfast in its commitment to enforcing sanctions and withholding revenue for dictator Kim Jong-un,” said U.S. Attorney Matthew M. Graves. “The charges unsealed today illustrate that the Department of Justice will hold North Korean facilitators accountable for their illegal efforts to prop up the North Korean regime, and assist it in obtaining funds to develop nuclear weapons.”

“British American Tobacco and its subsidiary engaged in an elaborate scheme to circumvent U.S. sanctions and sell tobacco products to North Korea in violation of U.S. law,” said Assistant Attorney General Matthew G. Olsen of the Justice Department’s National Security Division. “With today’s action, which involves the largest settlement payment in the Department’s history, these entities have been held to account.”

“The FBI remains steadfast in its commitment to investigate North Korea’s evasion of sanctions placed on its government,” said Assistant Director Suzanne Turner of the FBI’s Counterintelligence Division. “This illegal conduct and the levied penalties show how serious of an offense it is to assist the North Korean regime to the detriment of the international community. To those contemplating similar actions, be forewarned: the full force of the FBI and its federal law enforcement partners will find you.”

Separately, on April 25, 2023, a federal judge in the District of Columbia unsealed charges against a North Korean banker, Sim Hyon-Sop, 50, and Chinese facilitators Qin Guoming, 60, and Han Linlin, 41, both of Liaoning Province, in connection with a multi-year scheme to facilitate the sale of tobacco to North Korea.

Between 2009 and 2019, the defendants engaged in a scheme to purchase leaf tobacco for North Korean-owned entities, and used front companies and false documentation to cause U.S. financial institutions to process at least 310 transactions worth approximately \$74 million that they otherwise would have frozen, blocked, investigated, or declined, had they known that the transactions connected to trade with North Korea. The transactions resulted in an estimated nearly \$700 million in revenue for North Korean entities, and ultimately, for the government of North Korea.

In conjunction with today’s announcement, the U.S. Department of State is announcing a reward of \$5 million for defendant Sim, and a reward of \$500,000 for defendants Qin and Han, for information leading to the capture of these three charged defendants.

Additionally, today, the Department of the Treasury also [announced a civil enforcement action](#) against BAT and BATMS.

This case is part of a larger Department of Justice response to the ongoing efforts of North Korea to evade sanctions and use the U.S. financial system to engage in illicit trafficking. As alleged in the indictment, trafficking in tobacco products generates revenue for advancing North Korea’s Weapons of Mass Destruction (WMD) programs. North Korea has been developing nuclear weapons since at least 2006 and financed these activities through illicit trade, including trafficking of tobacco and counterfeit cigarettes, which North Korea has engaged in since at least 1992. North Korea counterfeit cigarette production capacity is estimated to exceed two billion packs a year. Counterfeit cigarettes are a major source of income to the North Korean regime and may be the single most lucrative item in the North Korean portfolio, as smuggled tobacco is estimated to garner revenue as much as \$20 on every \$1 spent in cost. North Korean tobacco sales are alleged to flow back to the North Korean government, including to slush funds designed to sustain the loyalty of a core of party elite and to underwrite weapons development programs.

If convicted, the defendants face a maximum statutory penalty of 30 years’ imprisonment for the lead charge, bank fraud. A federal district court judge will determine any sentence after considering the U.S. Sentencing Guidelines and other statutory factors.

The cases are being investigated by the FBI Phoenix Field Office. HSI Colorado partnered in the investigation on the individuals, with valuable assistance provided by the Justice Department’s Office of International Affairs.

Assistant U.S. Attorney Karen P. Seifert, with assistance from Assistant U.S. Attorney Steven Wasserman, Paralegal Specialists Brian Rickers, and Paralegal Specialist Jorge Casillas for the District of Columbia are prosecuting the case. Trial Attorneys Beau Barnes and Emma Ellenrieder of the National Security Division’s Counterintelligence and Export Control Section partnered on these matters. Trial Attorney David Recker, former Assistant U.S. Attorneys Zia Faruqui and Michael Grady.

An indictment is merely an allegation. All defendants are presumed innocent until proven guilty beyond a reasonable doubt in a court of law.

Updated May 17, 2023

Attachments

- [23-cr-118 Information](#) [PDF, 392 KB]
- [bat_plc_dpa_4.14.2023-final-bat_signed_usao_nsd](#) [PDF, 1 MB]
- [BATms Plea Agreement 4.17.23 - final bat_signed_usao_nsd](#) [PDF, 1 MB]
- [Certified copy-23cr91 Indictment complete](#) [PDF, 2 MB]

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