

The Bureau of Industry and Security Presents

BIS 2018 ANNUAL CONFERENCE ON EXPORT CONTROLS AND POLICY

Emerging Technology and
National Security Policy

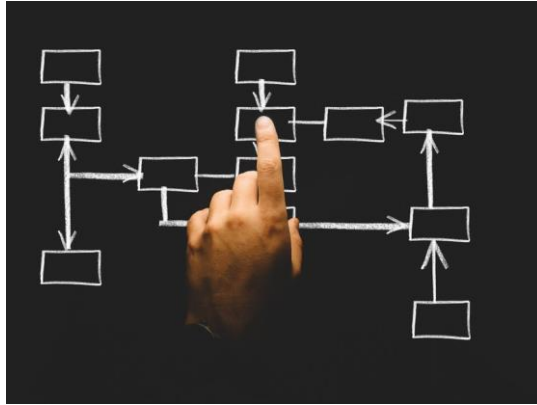


Look Before You Ship

Real Companies, Real Cases



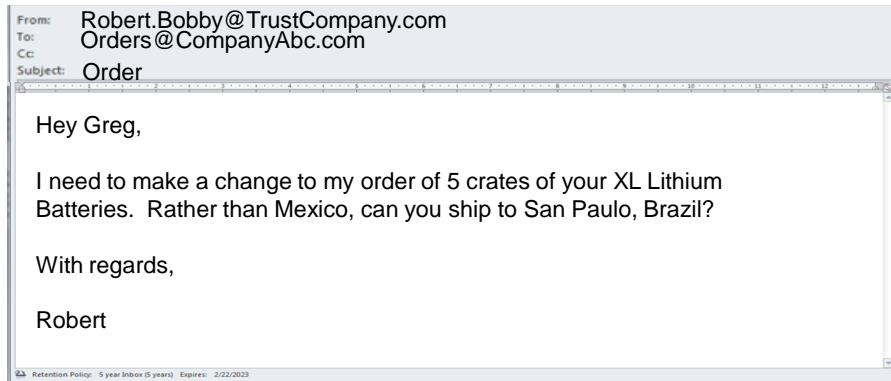
Examine Your Supply Chain



Look Before You Ship



Last Minute Change



Unknown End Use

Seller

- Item is on the CCL
 - NS2 Controlled

Customer

- New
- Distributor in Thailand

The Facts

- Language barrier
- Non responsive to requests for end use
- Pressure to make sale

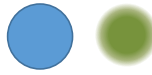
Identify Markers in Transactions

Simple



- Fairly straightforward
- Basic due diligence

Complicated



- Possible red flag
- Pressure to clear
- Increased due diligence

Complex



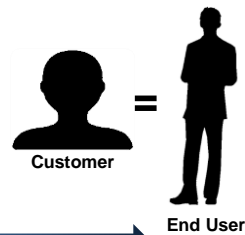
- Red flag(s)
- Potential risks
- Exceptional due diligence



Simple Transaction



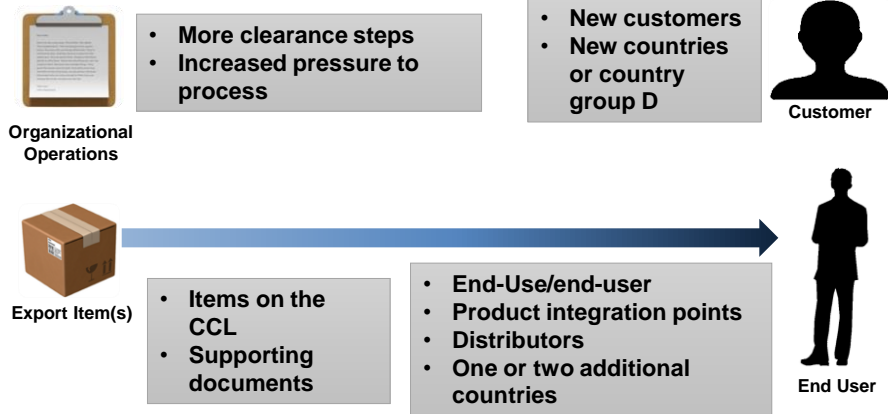
- Low volume exports
- Rely on freight forwarder to handle export clearance
- Minimal basic knowledge



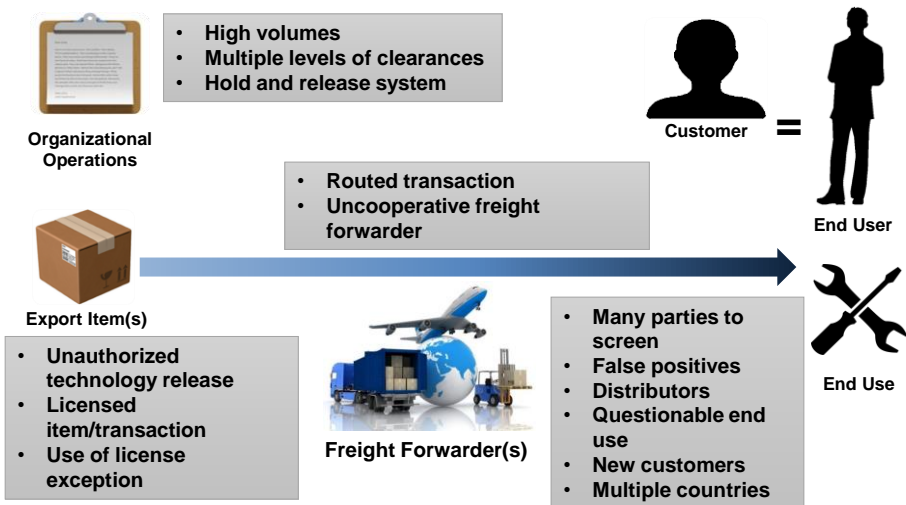
- EAR99 item
- Same export items for the past few years

- Known party/known end use
- Country group A/B

Complicated Transaction



Complex Transaction



Build an Action Plan Based on Transaction Type

- Identify with Risk Assessment
- Capture in Export Authorization Procedures
- Develop Action Plan in Areas of Concern
- Run Stress Test



Create Screening Escalation



Acting Against Expert Advice



Greensboro, NC

About RF Micro Devices Inc.

- Founded in 1991
- Merged with TriQuint Semiconductor in 2014
- RFMD and TriQuint formed Qorvo in 2015
- 3,500 employees as of 2014

Primary Items

- RF3000 and RF3002 spread-spectrum baseband modem
- Classified as ECCN 5A001
- Typical Applications: Wireless LAN Systems, ISM Band Systems, Direct Sequence Systems, Wireless Modems, Wireless Point-to-Point

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Violations

- On or about May 17, 2002 to November 23, 2003, RFMD exported spread-spectrum modems classified as ECCN 5A001 to China without licenses
- Fourteen occasions, valued at approximately \$58,000
- **Charges: Engaging in prohibited conduct (14), Acting with knowledge (14), False statements on Shipper's Export Declarations (SEDs) (13)**

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Mistakes

- 1) Failed to implement advice from consultant
- 2) Exported items to China without license
- 3) No self-audit procedures or EEI filings to discover issue

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Settlement Highlights

- \$190,000 civil penalty
 - Full amount and interest must be paid by due date, or a penalty charge and administrative charge will be incurred
- Export privileges contingent on timely payment
- Order shall be available to public

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Disregarding Guidance



Phoenix, AZ

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About MHz Electronics, Inc.

- Specializes in buying and selling electronic manufacturing equipment, test equipment, and specialty items
- 2.2 million dollars annual revenue
- Founded in 1973
- Approximately 10 employees
- 68,000 square foot warehouse for inventory

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Primary Items

- Sources items from numerous manufacturers, including:



- Exports to countries such as China and Taiwan
- Conducts sales on eBay

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Violations

- On or about January 15, 2013 and October 3, 2013, MHZ exported two items classified as ECCN 2B230 to China and Taiwan without licenses
- Both sales occurred on eBay
- First occasion, pressure transducer \$1,100
- Second occasion, pressure transducer \$280
- **Charges: Engaging in prohibited conduct (2)**

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Mistakes

- 1) Did not seek to determine ECCN
- 2) Did not seek to determine end user or end use
- 3) Did not seek to determine whether or not a license was required
- 4) No compliance program
- 5) Received outreach visits from both FBI and BIS prior to these violations

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Settlement Highlights

- \$10,000 civil penalty
- External audit
 - Export privileges dependent on audit
- Cannot deny allegations/order shall be available to public

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Failing to Screen?



Lima, PA

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About Pilot Air Freight

- Established in 1970, Pilot Freight Services is the largest privately held U.S. freight forwarder operating today
- Pilot Freight Services is a full-service global transportation and logistics company with over 75 locations throughout North America, as well as western European operations, administration offices in the Netherlands and Spain, and a worldwide network of overseas partners
- ...*“we move your freight anywhere in the world, we can also deliver the expertise and customized [shipping and logistics services](#) that help your business run more effectively and efficiently than you ever thought possible.”*
- 190 major markets worldwide
- Corporate Office in Lima, PA has attained [ISO 9001 registration](#)

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Violations

- On or about February 2015, Pilot facilitated the attempted unlicensed export to IKAN Engineering Services, on the BIS Entity List
- Export included ultrasonic mill cutting machine classified as ECCN 2B991 and related electrical equipment (EAR99), valued at approximately \$250,287
- **Charges: Aiding or abetting an attempted unlicensed export to a listed entity (1)**

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Mistakes

- Online interface was not connected to their primary portal that screens against the Entity List and other U.S. Government prohibited party lists
- No license was sought or obtained for this transaction
- Shipment was detained by BIS

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Settlement Highlights

- \$175,000 civil penalty
 - Full amount and interest must be paid by due dates, or a penalty charge and administrative charge will be incurred
- External audits (2)
 - Export privileges dependent on audits
- Order shall be available to public

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Questions?

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