



Know Your Customer: Best Practices for Industry Compliance and Due Diligence

Why should I evaluate my customer when reselling U.S.-origin controlled items?

1. *It's the Law*: If you import, export, reexport, or transfer (in-country) U.S.-origin controlled items you are required to know your customer and evaluate any “red flags” that may be present in a transaction involving such items.
2. *Export Controls are a Shared Responsibility*: To protect national and global security interests, governments depend on industry to exercise due diligence, refrain from transactions of concern, and report suspicious inquiries.
3. *Protect company reputation*: Exercising due diligence helps guard against diversion of your products to end uses/users of concern, such as weapons of mass destruction (WMD) programs or terrorist organizations, which can be damaging to your company’s reputation.
4. *Mitigate enforcement actions*: Documenting due diligence and reporting any potential violations can help you avoid or significantly reduce government enforcement actions.

What questions should I ask?

1. *Is my customer listed on a U.S. Government proscribed list?*

Determine whether the U.S. Government has informed the public to exercise caution or avoid dealing with your customer by consulting the Consolidated Export Screening List (http://export.gov/ecr/eg_main_023148.asp), which includes entities listed by the Departments of Commerce, State, and Treasury. You may also use the new search tool:

<http://internationaltradeadministration.github.io/explorer/#/consolidated-screening-list-entries>

PURCHASE ORDER <i>New Customer</i>	Name <input type="text"/>				
SHIP TO: 37 Mira Ave, Sarov Nizhny Novgorod	Address <input type="text" value="37 Mira Ave"/>				
<table border="1"><thead><tr><th>Qty</th><th>Description</th></tr></thead><tbody><tr><td> </td><td> </td></tr></tbody></table>	Qty	Description			Sources <input type="text"/>
Qty	Description				
	Countries <input type="text"/>				
	<input type="text" value="1 result."/> All-Russian Scientific Research Institute of Technical Physics (VNIITF)				
	<table border="1"><tr><td>Source</td><td>Entity List (EL) - Bureau of Industry and Security</td></tr></table>	Source	Entity List (EL) - Bureau of Industry and Security		
Source	Entity List (EL) - Bureau of Industry and Security				

Note: The “ship to” address for this customer matches a proscribed party on Commerce’s Entity List.

Check all information against the list, including corporate and individual names and addresses. If you are unsure how to proceed with a potential match, contact the listing agency for guidance.

2. *Is this a normal transaction/does the transaction make sense?*

Identify the likely end use and end user of the items ordered and evaluate whether there is a legitimate need for the specific items requested. If you cannot answer these questions, request additional information from your customer.

Trading Company LTD Suite 700, Corporate Bldg.		PURCHASE ORDER
SHIP TO: 1 st Logistics Warehouse B, Free Trade Zone		
Qty	Description	Price
600 liters	Industrial solvent (60% methyldiethanolamine by volume)	\$8,200

Note: 1) the customer is a trading company, 2) the consignee is a forwarder, and 3) the commodity ordered is a Chemical Weapons Convention Schedule 3 chemical.

Questions to consider:

- Is this a routine transaction with a longstanding customer or a first-time order?
- Is the customer familiar with the products or technology requested?
- Will the customer likely use the item in their line of business or resell the item?
- If the customer is a reseller, what industry sectors or export markets does it serve?
- Is there a legitimate need for the item in question?
- Does the customer do business with entities of concern?

3. *Are there any red flags?*

While evaluating proposed transactions, pay attention to any unusual circumstances or indicators that an unlawful diversion may be planned by your customer. The U.S. Department of Commerce publishes a list of such indicators, as well as guidance for evaluating “red flags.” (See: <http://www.bis.doc.gov/index.php/compliance-a-training/export-management-a-compliance/freight-forwarder-guidance/23-compliance-a-training/47-know-your-customer-guidance>)

Some common red flag indicators include:

- The customer provides vague or inconsistent information about the end use/user of the item.
- The product's capabilities do not fit the customer's line of business.
- The customer is willing to pay cash for expensive items that are usually financed.
- The customer declines routine installation, training, or maintenance services.
- A freight forwarding firm is listed as the product's final destination.
- The packaging or shipping parameters are unusual for the product and stated destination.

How should I evaluate red flags?

Consider all information provided by your customer: seemingly mundane details can provide important insight into the possible end use, end user, or destination of your product. Leverage all available resources to investigate any red flag indicators.

Information to consider:

- Contact information: Be alert to telephone/fax country codes and e-mail/website domain extensions in communications with your customer that do not match the destination country.

International Supply · Business Towers Suite 100 Detroit, Michigan, USA · info@intlsupply.ru Tel: +7 495 123 456		
SUPPLIER: Optics Laboratories Palo Alto, CA 94301	SHIP TO: Express Freight Pier 7, Port of New York	
Qty	Description	Price
3	Laser optics HS Code: 900190 ECCN: 6A005	\$23,000

Note: Internet domain and telephone country code inconsistent with “ship to” address.

- Shipping address: Consider whether the shipping address is consistent with the stated end use or destination. If the shipping address is a warehouse, confirm the ultimate destination. If the shipping address is an office building, is the product suitable for use in that setting?

Oil & Gas Supply · Warehouse 4 · Industrial Zone Tel: +12 345 6789 Web: http://www.oil-gas.com		PURCHASE ORDER
PURCHASER: International Office Supply Central Office Park, Suite 12 Country 2	SHIP TO: International Office Supply Central Office Park, Suite 12 Country 2	
Qty	Description	Price
30	Pressure transducers HS Code: 902620 ECCN: 2B230	\$45,000

Note: The export commodities are not typically used in an office setting.

- Service languages: Do your customer's communications, commercial documents, or website include information in a language not widely spoken in the country in which your customer is located? If so, inquire whether your customer exports to other markets and confirm the intended destination of your product.

International Supply



The pump solution

PRODUCTS

- > [Products and solutions](#)
- > [Water solutions](#)

CONTACT US

- > [Address information](#)

Choose Language:



English



Deutsch



русский

Due diligence resources:

- Business registries and journals, news sources, and your customer's own website and social media are a good source of information about the likely end use, end user, or destination of your item.
- Web-based mapping services can help you evaluate addresses and determine their suitability for end use of the items in question.

Best Practices for Resale/Reexport

- Determine the export control classification number (ECCN) of your product and identify any applicable restrictions. Be sure to provide this information to your customer.
- Research your customer using all available information, including government proscribed lists, online information, news reports, business registries, etc.
- Request an end-use certification from your customer and retain copies of all documents and communications related to a transaction.

- Exercise caution if you are unable to resolve any red flag indicators. In such cases, you may wish to seek an export license or advisory opinion, or refrain from the transaction and notify export control authorities of the suspicious purchase inquiry.

Heightened Due Diligence based on WMD and Military End Use/Users

- Regardless of the control status of the commodity, items destined for actors or programs linked to WMD activities require additional scrutiny and should be notified to the appropriate export control government authority. Similarly, certain brokering or trade facilitation acts involving WMD activities require such scrutiny. For U.S.-origin items, this includes ensuring authorization from the U.S. Government prior to transfer, reexport, or facilitation.
- Many items destined for military end use or end users in countries like Russia or China also require additional scrutiny, and may require authorization prior to transfer or reexport. For U.S.-origin items, this may include prior authorization from the U.S. Government.

U.S. Government Authorization

- In addition to the export control requirements of your country, the transfer (in-country) or reexport of certain U.S.-origin controlled items may require authorization from the U.S. Government.
- The U.S. Department of Commerce authorizes exports, reexports, and transfers (in-country) of items subject to the Export Administration Regulations (EAR). For more information about the EAR, visit www.bis.doc.gov.
- The U.S. Department of State authorizes exports, reexports, retransfers of U.S. defense articles under the International Traffic in Arms Regulations (ITAR). For more information about the ITAR, visit www.pmddtc.state.gov.