




End-Use Monitoring and Effective Export Compliance



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Export Enforcement: Mission & Priorities

Mission: Protect national security, foreign policy, and economic interests by inhibiting the unauthorized export/reexport of items subject to export control.



Priorities:

- Proliferation of weapons of mass destruction and their means of delivery (nuclear, chemical, biological, and missile)
- Terrorism (including terrorist organizations and state sponsors)
- Sanctions/embargoes (e.g., North Korea, Syria, etc.)
- Unauthorized military end-use (i.e., China, Russia, and Venezuela)
- Foreign policy/human rights

“Securing America’s Trade”

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Compliance Partnership

Industry

- Attend seminars
- Implement compliance programs
- Be alert to suspicious inquiries
- Customer due diligence
- Voluntary disclosures
- Compliance with foreign import/export controls

Government

- Ensure educated export/reexport communities
- Assess high-risk transactions
- Conduct end-use checks
- Coordinate enforcement with foreign partners
- Identify/refer export control violations

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End-Use Monitoring

Department of Commerce

- BIS End-Use Monitoring Program managed by the Office of Enforcement Analysis (OEA)
- Exports of items subject to the Export Administration Regulations (EAR), including Commerce Control List (CCL) items


Department of State

- Directorate of Defense Trade Controls (DDTC) Blue Lantern Program managed by DTC-Compliance (DTCC)
- Exports of U.S. Munitions List (USML) defense articles under the International Traffic in Arms Regulations (ITAR)

Department of Defense


- Defense Security Cooperation Agency (DSCA) Golden Sentry Program managed by DSCA's Directorate for Programs
- Exports of USML defense articles and services under the U.S. Foreign Military Sales (FMS) program

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What is an End-Use Check




- An End-Use Check (EUC) is a **physical verification** on location with a party of the transaction to determine if the party is a reliable recipient of U.S. goods and that items are or will be used in accordance with the EAR.
- As part of its licensing process and preventive enforcement efforts, BIS selectively conducts end-use checks on certain dual-use and munitions exports.
 - Monitor license condition compliance.
 - Monitor compliance of non-licensed transactions.
 - Confirm the end-use.
 - Determine if the company is a reliable end-user.
 - Discover more information about the parties.



Triggered Spark Gap (Controlled for Nuclear Proliferation-3A228)


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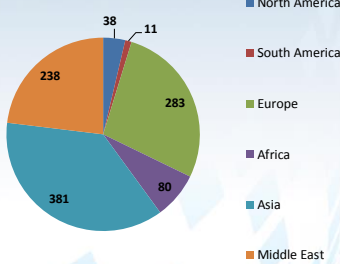
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BIS End-Use Monitoring



- **Pre-License Check (PLC):** Establishes *bona fides* and validates information on export license applications PRIOR to shipment.
- **Post-Shipment Verification (PSV):** Strengthens assurances that all parties comply with an export license and licensing conditions to deter diversions AFTER shipment
- **Non-Licensed PSV:** Measures compliance with U.S. export controls and monitors illicit diversion of U.S. exports.

FY15 - 1,031 EUCs in 55 Countries



Region	Number of EUCs
North America	38
South America	11
Europe	283
Africa	80
Asia	381
Middle East	238

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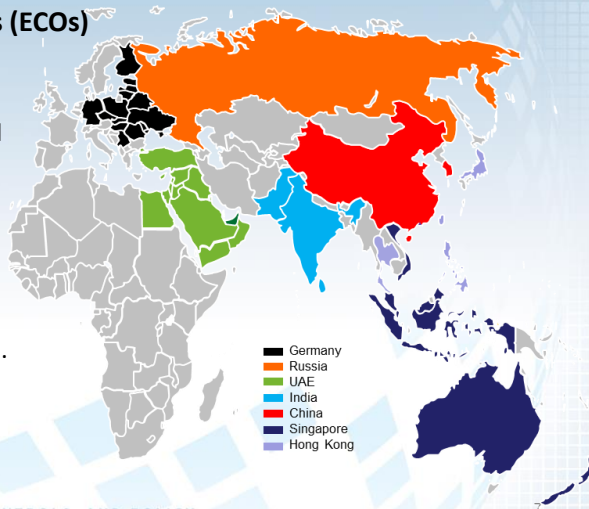
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Who Conducts End-use Verification?

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- **Export Control Officers (ECOs)**
 - Export control policy engagement.
 - Foreign government and local business outreach.
- **Sentinel Program:**
 - Checks conducted by Export Enforcement personnel in locations where no ECO is present.
- **U.S. Embassy officials**



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Consequences of Unfavorables

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- **Watch List:** Scrutiny of license applications and export transactions, including denial/conditions. May include outreach to alert exporters about customers of concern.
- **Unverified List:** Alerts exporters about foreign persons whose *bona fides* could not be verified. License Exceptions are not available and an export license or consignee statement may be required.
- **Entity List:** Imposes restrictions on exports, absent license approval, on foreign persons involved in activities contrary to the national security or foreign policy interests of the United States.
- **Referral for Further Investigation:** May result in criminal or administrative penalties.

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End-Use Check Documents



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- You may receive a request for documents
 - This is routine and does *not* indicate BIS has any specific compliance concerns about you or your customer
 - In FY14, BIS obtained and evaluated records for >1,000+ shipments
- Provide the following documentation:
 - Air waybills/bills of lading
 - Purchase orders and customer contact information
 - Commercial invoices and packing lists
 - Commodity specifications and ECCN information
 - Any export license, CCATS, etc.

Purchase Order

SUPPLIER NAME
ADDRESS

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Air WayBill

Not Negotiable (Air Carriage only) Issued by

Copies 1, 2 and 3 of this Air Waybill are originals and have the same validity.

Reference Number Official Shipping Information

Commodity Code	HTS Code	Other	Declared Value for Carriage	Declared Value for Customs

Amount of Insurance INSURANCE - If carrier offers insurance, and such insurance is requested in accordance with the conditions thereof, indicate amount to be insured in figures in box marked "Amount of Insurance"


PACKING LIST

Order # Date:

Qty	Part #	Description



Internal Compliance Programs/ Voluntary Self-Disclosures



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Elements of a Compliance Program:

- Management Commitment
- Continuous Risk Assessment
- Formal Written Program: Ongoing Compliance Training
- Pre/Post Export Compliance Security and Screening
- Adherence to Recordkeeping Requirements
- Internal and External Compliance Monitoring and Periodic Audits
- Program for Handling Compliance Problems, including Reporting Violations
- Completing Appropriate Corrective Actions

- Safeguard your company's reputation
- Enforcement mitigation
- Report suspicious inquiries

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Due Diligence Best Practices **UPDATE 2015**

- Screen customers (e.g., www.export.gov)
- Request an end-user certificate
- Visit the public website
- Review other social media sources
- Request business registration
- Understand foreign export control practices
- Provide license/regulatory conditions in writing and obtain written confirmation
- Conduct a visit
- Any other **red flags**?

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Hong Kong/Singapore/UAE Due Diligence Best Practices **UPDATE 2015**

My customer is located in Hong Kong:

- Request a copy of the import license from Hong Kong's Trade and Industry Department if your item is AG, MTCR, NSG, or WA controlled. A Hong Kong export license is required for any reexport.
- Request end-use certifications if your customer is located at a secretarial address where many other companies are registered.

My customer is located in Singapore:

- Request a copy of the Singapore Customs export permit if your AG, MTCR, NSG, or WA controlled item is destined for reexport.

My customer is located in the UAE:

- Request a copy of the business registration
- Request a copy of the UAE import permit if your item is a CWC Schedule 3 chemical, an armored vehicle (ECCN: 0A606), or is controlled for NP1 reasons.

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Russia Due Diligence Guidance

- Pay attention to the customer contact information (country code/web extension)
- Request end-use certifications for shipments consigned to freight forwarders/logistics companies
- Research customer line-of-business and request end-use certification if exporting under license exception CIV

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Export Controls: Joint Responsibility & Benefits

- Protecting national security is in the interests of the business community and BIS
- Culture of compliance:
 - Protects company reputation
 - Creates a level playing field
 - Creates trade benefits
 - Mitigates enforcement activities
- Government needs industry support...
 ...***including facilitating successful end-use checks!***

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Thank You!

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