

Transshipment: Red Flags and Best Practices



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U.S. DEPARTMENT OF COMMERCE
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11/03/2015

Purchase Order / Quote: PO#520

The above product obtained from Hassebrock Electronics, Inc. will be used as follows:

Will be implemented into wireless communication systems, navigation and telecommunications.

Civil end use.

"Bear80" www.bear80.ru will be the ultimate end user of the above product obtained in the following location.

Vnutrennij Str, d. 21, 107076, Moscow, Russia (383) 112-07-32

We acknowledge that these commodities, technology or software may be subject to the Export Administration Regulations of the United States and that diversion contrary to U.S. law is prohibited.

Furthermore, we acknowledge that products obtained from Hassebrock Electronics, Inc. will not be sold, transferred or diverted during shipment to the following countries: Cuba, Iran, North Korea, Sudan, Syria or Iraq, or to a military end use in China.

We certify that the above product will NOT be employed for:

- The design, development, fabrication, or testing of nuclear weapons or explosive devices; or un-safeguarded nuclear activities.
- Direct or indirect assistance in the design, fabrication, operation, or maintenance of rocket systems(including ballistic missile systems, space launch vehicles, and sounding rockets); or vehicles, and reconnaissance drones).
- Design, development production, stockpiling or use of chemical or biological weapons.

We acknowledge that, based on the end-use information provided above, additional information provided above, additional information clarification may be required.

Sincerely,

Kevin J. Karland

president

OAE Trading

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Screening Transaction Parties

Objective

- Does company exist on web?
 - Own or third party website?
 - Foreign language version of website?
- Can you geolocate company?
 - Confirm address
 - Residence or commercial property?
- Does the IP address, phone, and email match destination and POC?
 - Who answers the phone?
 - Secretarial firm? Who else does business there?
- Is party a registered business?
 - Tax ID?
 - Member of chamber of commerce?
 - Are owners/procurement officials involved with other businesses in same/different country?
- Consult the CSL

Subjective

- Do 3rd party website corroborate line of business?
- Do social media sites corroborate line of business and POCs?
 - You use them for vetting employees; use them for vetting customers!
- Are there inconsistencies/errors on paperwork (e.g., purchase orders, end-use statements)?
- Have you researched how/where else your product is being marketed?

<http://www.bis.doc.gov/index.php/enforcement/oea/eco>



Know your customer

- Who is the end user?
 - Logistics companies, freight forwarders, secretarial firms listed as end user is a red flag.
 - Involved in related line of business as item/purported end use?
 - Involved in any military activities?
- Who are the non-end users involved in transaction?
 - If reexport (transshipment) is expected, do you and your customer know the foreign country's export control requirements?
 - Are these companies listed on the license (application)?
- Have you informed, in writing, to all parties to the transaction, all relevant strategic trade control requirements (including license conditions)?





BIS Red Flag Guidance

(see Supp. No. 3 to Part 732 of EAR)

- Reluctance to offer information about the end-use of a product.
- The product's capabilities do not fit the buyer's line of business
- The product ordered is incompatible with the technical level of the country.
- The customer has little or no business background.
- Willingness to pay cash for a very expensive item when financing is available.
- The customer is unfamiliar with the product's performance characteristics.
- Routine installation, training or maintenance services are declined.
- Delivery dates are vague, or deliveries are for out-of-the-way destinations.
- A freight forwarding firm is listed as the product's final destination.
- The shipping route is abnormal for the product and destination.
- Packaging is inconsistent with the stated method of shipment or destination.
- Evasiveness whether the purchased product is for domestic use.
- Excessive orders of 9x515 or “600 series” parts or components.
- A 9x515 or “600 series” item may be reexported to a D:5 destination.



Internal Compliance Program

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



Transshipment Hubs

- A transshipment hub is any country or area that functions as a major hub for the trading and shipment of cargo.
- These hubs bring their own special challenges with regards to export controls due to the large volumes of export, transit, transshipment, and import and re-export traffic.
- Transshipment trade can be particularly vulnerable to the diversion of sensitive items to unlawful purposes.
- Following best practices and maintaining a strong compliance culture is particularly crucial.



Resources

- WWW.BIS.DOC.GOV
 - Policy Guidance -> List of Parties of Concern
 - Frequently Asked Questions
- Contact ERC Staff for end-user questions:
 - 202-482-5991
 - ERC@BIS.DOC.GOV
- Contact Exporter Services for licensing inquiries:
 - 202-482-4811



Thank You!

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