

# ***End-Use Monitoring and Effective Export Compliance***



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# BIS Export Compliance Mission

*Protect foreign and domestic policy objectives and economic interests by preventing the unauthorized export/re-export of items subject to the EAR.*

- Facilitate secure trade with the U.S.
- Prevent acquisition or unauthorized military use of sensitive U.S. dual-use commodities.
- Monitor technology transfer.
- Build cooperation/confidence between BIS, Host Nation Governments, and Industry.



# Export Compliance Priorities

- Proliferation of weapons of mass destruction and their means of delivery (nuclear, chemical, biological and missile).
- Terrorism (terrorist organizations and state sponsors of terrorism).
- Sanctions/Embargoes (North Korea, Syria, Iran).
- Unauthorized military end-use (China, Russia, Iran).
- Foreign policy/human rights.



# Export Compliance Objectives

- Streamline the export of most items.
- Monitor transfer of dual-use commodities.
- **Verify bona fides of parties, especially intermediaries.**
- Foster cooperation/confidence among U.S. Government, Host Government, and Industry.
- Enhance the understanding of U.S. export policy/controls through Industry Outreach.



# Compliance Partnership

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## Industry

- Attend seminars
- Internal Compliance Program (ICP)
- Be alert to suspicious inquiries
- Customer due diligence
- Voluntary disclosures
- Compliance with foreign import/export controls

## Government

- Educate industry
- Assess high-risk transactions
- Conduct End-Use Checks
- Coordinate enforcement with foreign partners
- Identify/refer export control violations



# USG End-Use Monitoring Programs



**Blue Lantern** – Direct Commercial Sales (DCS) of United States Munitions List (USML) articles, technology, and services.



**Golden Sentry** - Foreign Military Sales (FMS) of defense articles and services via government-to-government channels.

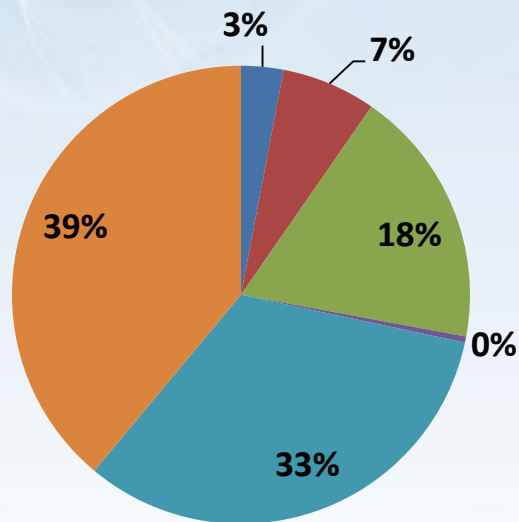


**End-Use Checks** - Dual-use items and munitions on the Commerce Control List (CCL) and “600-series” items.



# BIS End-Use Monitoring Program

FY2019 – 1,171 EUCs in 58 Countries



■ North America ■ South America  
■ Europe ■ Africa  
■ Asia ■ Middle East

- **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 export requirements and monitors illicit diversion of U.S. exports AFTER shipment.



# Who Conducts End-Use Verification?

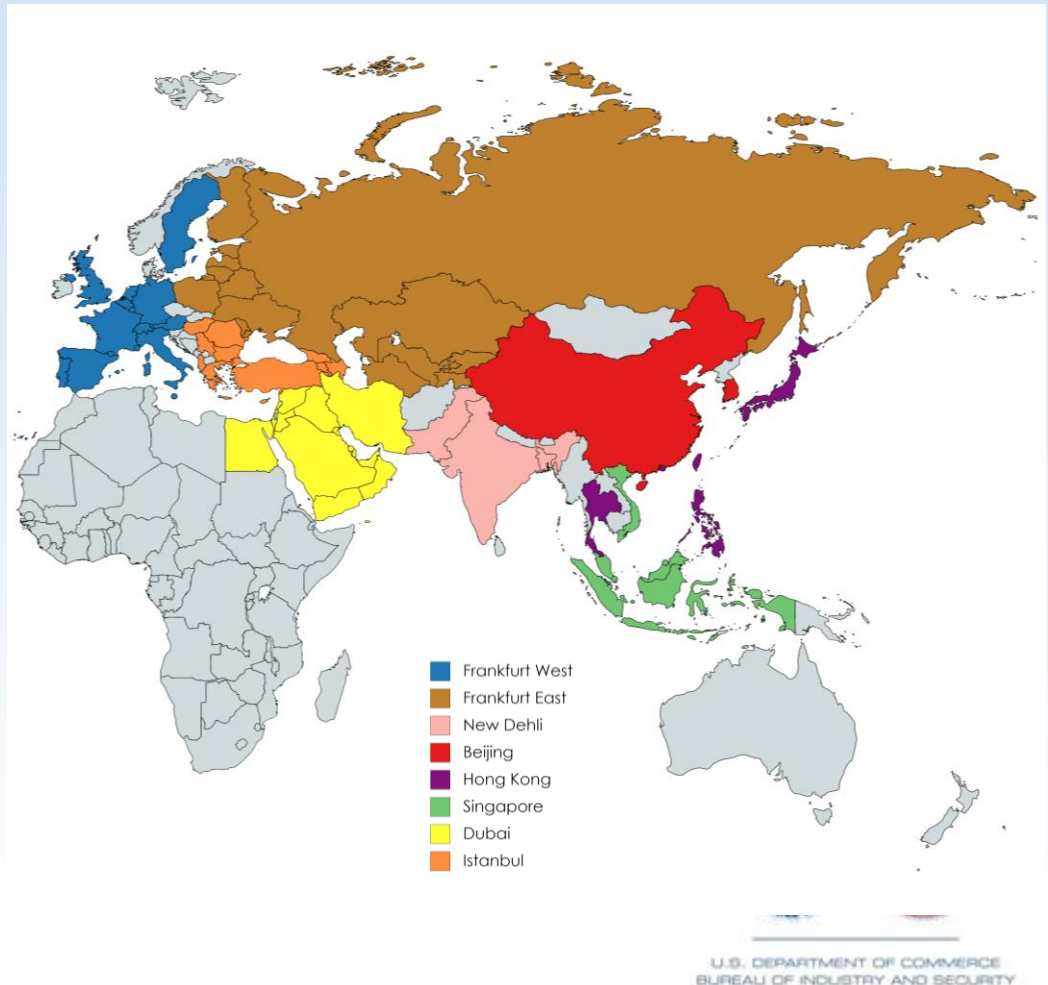
## ➤ Export Control Officers

- 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





# Istanbul's Regional AOR: 8 countries

## EU countries

Romania, Greece, Bulgaria

## Non-EU countries:

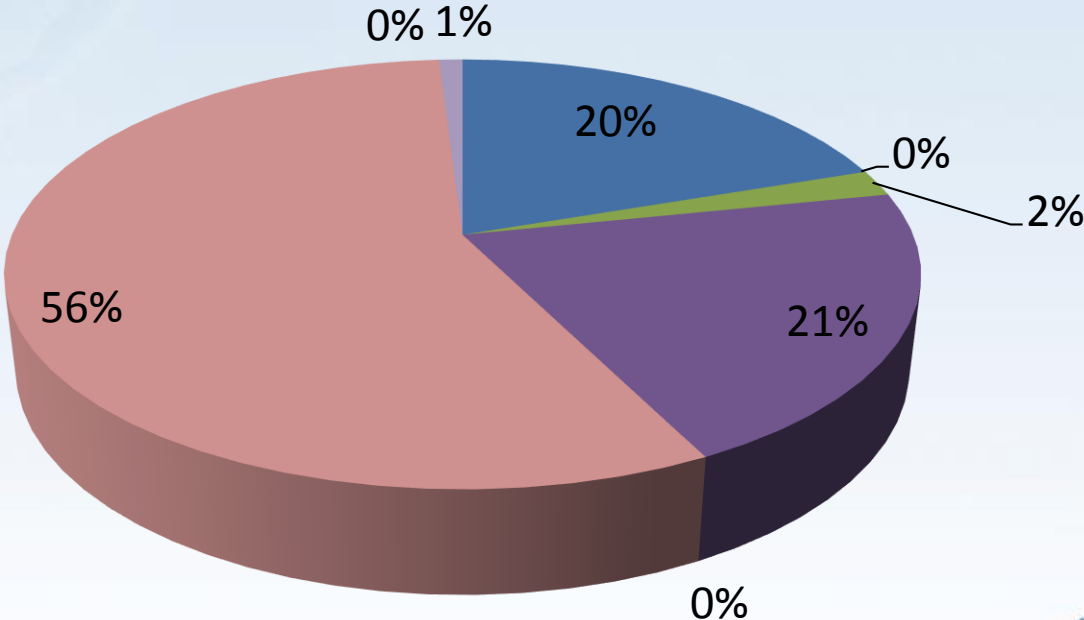
Israel, Azerbaijan, Georgia, Armenia, Turkey



# FY2020 EUC Statistics

## FY2020 102 EUCs for Post Istanbul

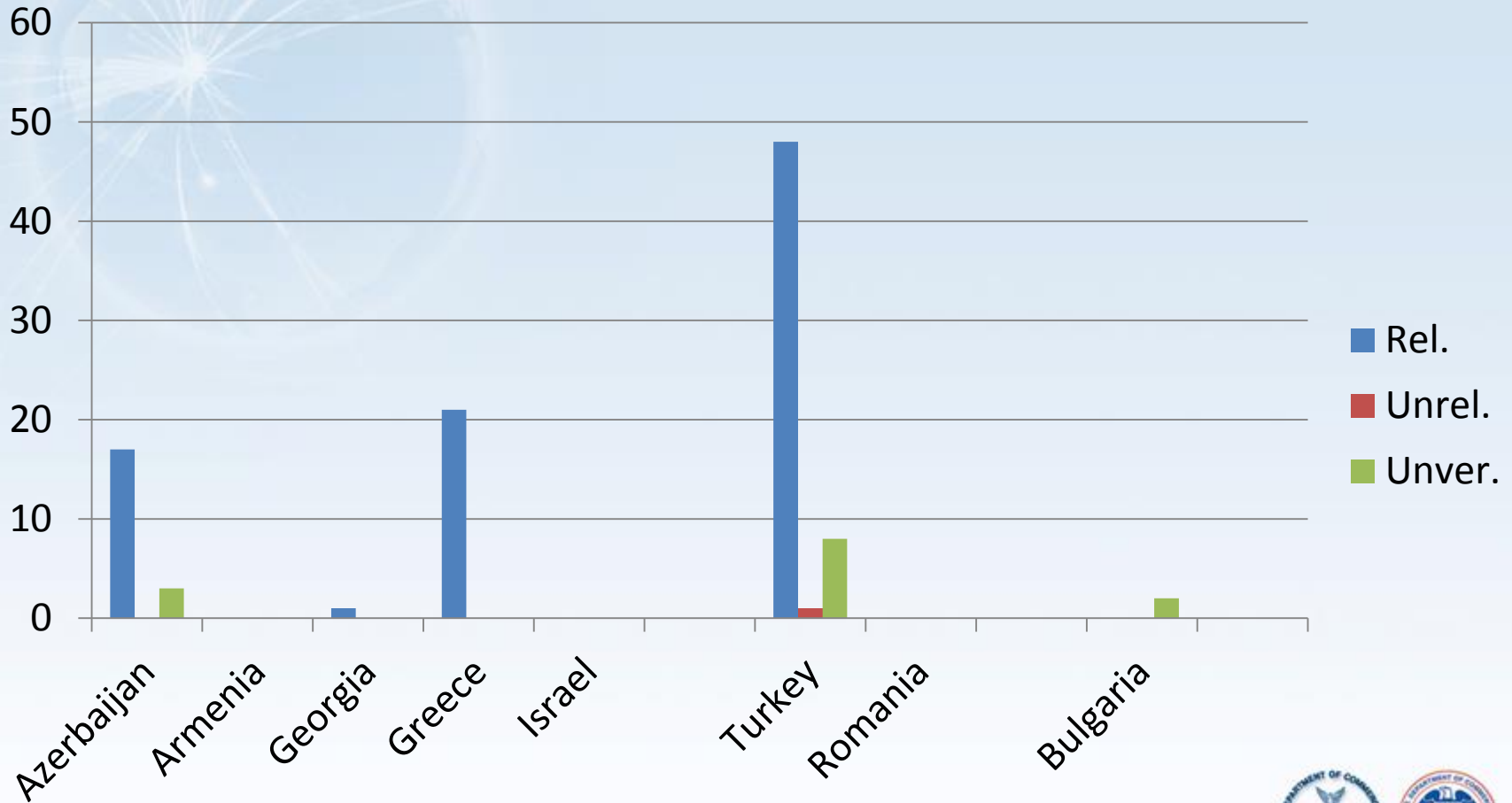
Azerbaijan 20	Romania 0	Bulgaria 2	Greece 21
Israel 0	Turkey 57	Armenia 0	Georgia 1



Note: these figures are calculated by every transactional check, and not by every verification.



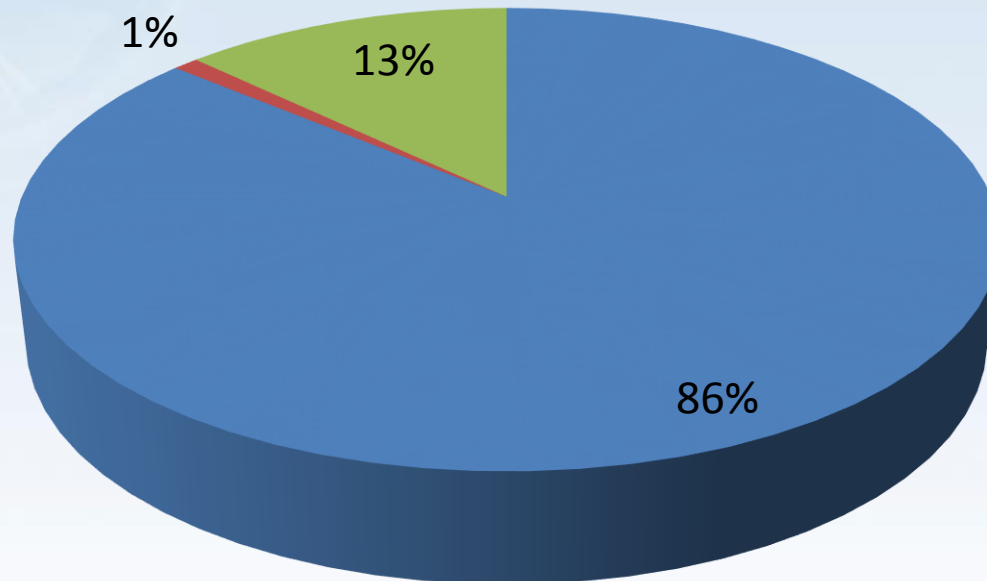
# Reliability of EUC's in FY2020



# Reliability Breakdown of EUC's FY20

## Overall Percentage of EUC Disposition

■ Reliable ■ Unreliable ■ Unverified



# What is an End-Use Check?

- An End-Use Check (EUC) is an on-site ***physical verification***, with a party involved in the transaction, to determine if the party is a reliable recipient of U.S. goods and technology 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.



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



# End-Use Check Objectives

- Review transaction(s) from U.S. exporter to end-user.
- Verify license condition(s) compliance.
- Monitor compliance of non-licensed transaction(s).
- Confirm the end-use and end-user.
- Determine if U.S. exporter, consignees, and/or end-users are reliable entities.
- Create a positive relationship with industry.



# End-Use Check Documents

- 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.
- 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.



	<b>Purchase Order</b>
SUPPLIER NAME	
ADDRESS	

Not Negotiable (Air Consignment note)		Issued by	
<b>Air WayBill</b>			
Copies 1, 2 and 3 of this Air Waybill are originals and have the same validity.			
Reference Number		Optional Shipping Information	
Currency	CHES Code	WTA/VAL PPD COLL	Other PPD COLL
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".	

<b>PACKING LIST</b>		
Order #	Date:	
<b>Qty</b>	<b>Part #</b>	<b>Description</b>

# Consequence of Unreliable Recommendation or Non-Participation with EUC

- **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:** Foreign parties that are prohibited from receiving some or all items subject to the EAR unless the exporter secures a license. Parties have been involved in activities contrary to the national security or foreign policy interests of the United States.
- **Denied Persons List:** A list of people and companies whose export privileges have been **denied** by BIS. An American company or person may not participate in an export transaction.
- **Referral for further Investigation:** May result in criminal or administrative penalties.





# Elements of a Robust Compliance Program

- **Management commitment**
- Continuous risk assessment
- Formal written program and ongoing compliance training
- Pre/Post export compliance security and screening
- Adherence to record keeping requirements
- Internal and external compliance monitoring and periodic audits
- Program for handling compliance problems including reporting violations
- Appropriate corrective actions



# Due Diligence/Best Practices

- Screen customers ([www.export.gov/ecr](http://www.export.gov/ecr))
- **Request an End-User Certificate**
- Visit the company's public website
- Review 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**?



# Red Flag Indicators

- The customer is reluctant to offer information about the item's end-use.
- **The product's capabilities do not fit the buyer's line of business (sophisticated computers for a small bakery).**
- The item ordered is incompatible with the technical level of the country to which it is being shipped (semiconductor manufacturing equipment being shipped to a country that has no electronics industry).
- Pays cash for a very expensive item.
- The customer has little or no business background.
- The customer is unfamiliar with the product's performance characteristics, but still wants the product.
- Routine installation, training, or maintenance services are declined by the customer.
- **A freight forwarder (or trading company) is listed as the end-user.**
- The shipping route is abnormal.
- When questioned, the buyer is evasive and unclear about whether the purchased product is for domestic use, for export, or for re-export.



# Mitigating versus Aggravating Factors

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- Mitigating Factors: first time offense, unintentional, reported action once detected, voluntary self-disclosure
- Aggravating Factors: Occurred in connection with a criminal offense, repeat offender, deliberate, attempt to cover up actions.



# Joint Responsibility & Benefits

- Protecting international security is in the interest of the business community and government.
- 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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