

What to Expect at an End-Use Check



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Overview

- Types of End-Use Verifications
- Arranging the meeting
- Who should attend?
- Preparing necessary documentation
- Inspection of exported items
- Special situations

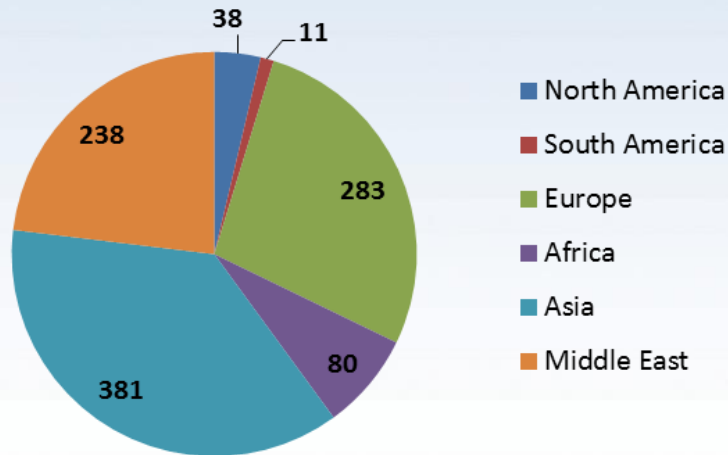




End-Use Check Program

- Objective: Facilitate secure exports and reliable sources of supply

FY15 - 1,031 EUCs in 55 Countries



- **Pre-License Check (PLC):**
Establishes *bona fides* and validates information on export license applications PRIOR to shipment
- **Licensed Post-Shipment Verification (PSV):** Strengthens assurances that all parties comply with an export license and licensing conditions to deter diversions AFTER shipment
- **No License Required PSV:** Measures compliance with U.S. export controls and monitors illicit diversion of U.S. exports



End-Use Checks

- 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 US-origin goods and that items are or will be used in accordance with the Export Administration Regulations (EAR)
- As part of its licensing process and preventive enforcement efforts, BIS selectively conducts end-use checks on certain exports subject to the EAR
 - Monitor license condition compliance
 - Monitor compliance of no license required (NLR) transactions
 - Confirm the end-use
 - Determine if the company is a reliable end-user
 - Discover more information about the parties



Why is End-Use Verification Important?

- Important for the protection of controlled goods and technologies
- Valuable tool in detecting or preventing illegal technology transfers
- Licensing and enforcement officials rely on PLCs and PSVs to develop information otherwise unavailable
- PLCs and PSVs facilitate access to controlled technologies by reliable foreign companies



Unfavorable Check Observations

- Inconsistent business models
- No awareness of technology ordered
- Cancellation upon scrutiny
- Failure or high reluctance to meet
- Confrontational attitude
- Vague customer information
- No ICP – Internal Compliance Program



Why have a Compliance Program from the Industry Prospective

- Reduce the chances of trade violations and/or penalties
- Reliable and predictable supply chain
- Mitigating factor in any enforcement actions if a violation does occur
- Competitive business advantage



Red Flag Indicators

- Willing to pay top dollar
- Will not provide an address for the ultimate end-user
- Changes delivery address at the last minute
- Utilizes a freight forwarder as the ultimate end-user address
- Payment by wire from a third country, often by a company not associated with the transaction

- **Red Flag Indicators**

www.bis.doc.gov/enforcement/redflags.htm





CONSEQUENCES OF UNFAVORABLE EUCs

Watch List: Scrutiny of license applications and export and reexport transactions, including strict conditions or rejection

Unverified List: Alerts exporters to exercise increased due diligence in transactions with foreign persons whose *bona fides* could not be verified; license exceptions (general licenses) are not available

Entity List: Imposes restrictions on exports and reexports, 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



Arranging the meeting

- The U.S. Commercial Service office will call or email to arrange the meeting
 - In countries where BIS has a regional Export Control Officer, the schedule may be much more flexible than in cases where travel is required
 - The meetings normally take 45 minutes to 1 hour, depending on the complexity of the check or site visit
 - Let us know if there are special procedures for access



Who Should Attend?

- Management
 - Corporate Officer or Managing Director
 - Export Compliance Manager
 - Logistics or Supply Chain Manager
 - Security Manager
- Operations
 - Engineer or Technician working with the commodity
 - Sales personnel responsible for items
- Third Parties
 - Distributor or Service Company representatives



Preparing Necessary Documentation

- Company Profile or Annual Report
- Email/Documents from U.S. Exporter
 - License Conditions
 - Terms of Sale or Contracts
 - Shipping Documentation
- Email/Documents from Ultimate End Users
 - Contracts, Tenders or Bids
 - Notification of License Conditions
 - Delivery notes/confirmation



Inspection of Exported Items

- Distance from the meeting site to the equipment?
- Safety issues – Personal Protective Equipment?
- Limitations of the inspection due to conditions or location?
- Can photographs be taken?



Special Situations

- We can work with you to ensure that the check is done with minimal interruption of your operations.
 - Timing a check to coincide with your maintenance windows
 - Scheduling a meeting on one day and the physical inspection on another if management and operations are at separate locations



End Use Check - Reliable

- Company A received shipment of ECCN 9A610 Military Aircraft Parts
 - Items shipped on valid U.S. export license
 - Documents provided show end-user and end-use, accompanied by End Use Certificate
- During the meeting:
 - Company A provided detailed explanation of ICP and how they monitor the movement of these kinds of goods.
 - This included a presentation by a compliance officer and supporting documentation
 - Had all of the requested documents ready to review.



End Use Check - Reliable

- Provided copies of the Singapore Customs export permits showing “XO” due to the military aircraft parts
- Made items on hand available for inspection
 - Inspection of serial numbers validated the shipment
- Given a ‘Favorable’



End Use Check Example – Unreliable

- Company B received U.S. export controlled microelectronics (ECCN 3A001) from U.S. supplier.
 - Received under license exception GBS, items controlled by U.S. for National Security
 - Documents show company A was supposed to be the end-user/ultimate consignee of items



End Use Check Example – Unreliable

- During meeting:
 - Admitted to re-exporting items to 3rd country without authorization of U.S. re-export license
 - No supporting documentation on hand during meeting
 - Received non-SGCA export permit
 - Items later found to be SGCA controlled
- Given ‘Unfavorable’



THANK YOU!

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www.bis.doc.gov
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