



Oklahoma International Trade Bulletin

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Red Flag Indicators: Things to Look for in Export Transactions

Use this as a check list to discover possible violations of the Export Administration Regulations.

⇒ The customer or its address is similar to one of the parties found on the Commerce Department's [BIS's] list of denied persons.

⇒ The customer or purchasing agent is reluctant to offer information about the end-use of the item.

⇒ The product's capabilities do not fit the buyer's line of business, such as an order for sophisticated computers for a small bakery.

⇒ The item ordered is incompatible with the technical level of the country to which it is being shipped, such as semiconductor manufacturing equipment being

shipped to a country that has no electronics industry.

⇒ The customer is willing to pay cash for a very expensive item when the terms of sale would normally call for financing.

⇒ 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.

⇒ Delivery dates are vague, or deliveries are planned for out of the way destinations.

⇒ A freight forwarding firm is listed as the product's final destina-

tion.

⇒ The shipping route is abnormal for the product and destination.

⇒ Packaging is inconsistent with the stated method of shipment or destination.

⇒ When questioned, the buyer is evasive and especially unclear about whether the purchased product is for domestic use, for export, or for reexport.

If you have reason to believe a violation is taking place or has occurred, you may report it to the Department of Commerce by calling its 24 hour hot line number: 1(800) 424-2980. Or if you prefer you can go to <https://www.bis.doc.gov/forms/eeleadsntips.html> to use a form to submit a confidential tip.

Know Your Customer Guidance

Certain provisions in the Export Administration Regulations

(EAR) require an exporter to submit an individual validated

license application if the exporter "knows" that an export that is

otherwise exempt from the validated licensing requirements is for end-uses involving nuclear, chemical, and biological weapons (CBW), or related missile delivery systems, in named destinations listed in the regulations.

BIS has issued the following guidance on how individuals and firms should act under this knowledge standard. This guidance does not change or revise the EAR.

1. Decide whether there are “red flags.”

Take into account any abnormal circumstances in a transaction that indicate that the export may be destined for an inappropriate end-use, end-user, or destination. Such circumstances are referred to as “red flags.” Included among examples of red flags are orders for items which are inconsistent with the needs of the purchaser, a customer’s declining installation and testing when included in the sales price or when normally requested, or requests for equipment configurations which are incompatible with the stated destination (e.g.—120 volts in a country with a standard of 220 volts). Commerce has developed lists of such “red flags” which are not all-inclusive but are intended to illustrate the types of circumstances that should cause reasonable suspicion that a transaction will violate the EAR.

2. If there are “red flags.”

If there are no “red flags” in the information that comes to your firm, you should be able to proceed with a transaction in reliance on information you have received. That is, absent “red flags” (or an express requirement in the EAR), there is no affirmative duty upon exporters to inquire, verify, or

otherwise “go behind” the customer’s representations. However, when “red flags” are raised in the information that comes to your firm, you have a duty to check out the suspicious circumstances and inquire about the end-use, end-user, or ultimate country of destination.

The duty to check out “red flags” is not confined to the use of general licenses affected by the “know” or “reason to know” language in the EAR. Applicants for validated licenses are required by the EAR to obtain documentary evidence concerning the transaction, and misrepresentation or concealment of material facts is prohibited, both in the licensing process and in all export control documents. You can rely upon representations from your customer and repeat them in the documents you file unless “red flags” oblige you to take verification steps.

3. Do not self-blind.

Do not cut off the flow of information that comes to your firm in the normal course of business. For example, do not instruct the sales force to tell potential customers to refrain from discussing the actual end-use, end-user and ultimate country of destination for the product your firm is seeking to sell. Do not put on blinders that prevent the learning of relevant information. An affirmative policy of steps to avoid “bad” information would not insulate a company from liability, and it would usually be considered an aggravating factor in an enforcement proceeding.

Employees need to know how to handle “red flags.” Knowledge possessed by an employee of a company can be imputed to a firm so as to make it liable for a violation. This makes it important for

firms to establish clear policies and effective compliance procedures to ensure that such knowledge about transactions can be evaluated by responsible senior officials. Failure to do so could be regarded as a form of self-blinding.

4. Reevaluate all the information after the inquiry

The purpose of this inquiry and reevaluation is to determine whether the “red flags” can be explained or justified. If they can, you may proceed with the transaction. If the “red flags” cannot be explained or justified and you proceed, you run the risk of having had “knowledge” that would make your action a violation of the EAR.

5. Refrain from the transaction, disclose the information to BIS and wait.

If you continue to have reason for concern after your inquiry, then you should either refrain from the transaction or submit all the relevant information to BIS in the form of an application for a validated license or in such other form as BIS may specify.

Industry has an important role to play in preventing exports and reexports contrary to the national security and foreign policy interests of the United States. BIS will continue to work in partnership with industry to make this front line of defense effective, while minimizing the regulatory burden on exporters. If you have any question about whether you have encountered a “red flag,” you may contact BIS’s Office of Export Enforcement (see list on page 5).



**The Bureau of Industry and Security
Outreach and Educational Services Division
Cosponsored by: Oklahoma District Export Council
Presents
“Complying with U. S. Export Controls”
and
“Intermediate Deemed Export”
July 18-20, 2006 - Tulsa, Oklahoma
Doubletree Hotel at Warren Place**

Complying with U.S. Export Controls (July 18-19)

The two-day program is led by BIS’s professional counseling staff and provides an in-depth examination of the Export Administration Regulations (EAR). The program will cover the information exporters need to know to comply with U.S. export control requirements on commercial goods. We will focus on what items and activities are subject to the EAR; steps to take to determine the export licensing requirements for your item; how to determine your export control classification number (ECCN); when you can export or reexport without applying for a license; export clearance procedures and record keeping requirements; Export Management System (EMS) concepts; and real life examples in applying this information. Presenters will conduct a number of “hands-on” exercises that will prepare you to apply the regulations to your own company’s export activities. This program is well suited for those who need a comprehensive understanding of

their obligations under the EAR. Technical, policy, and enforcement professionals from BIS, as well as specialists from other agencies such as the Office of Foreign Assets Control will participate in certain programs.

Intermediate Deemed Export (July 20)

This half-day program has been developed for exporters who have basic knowledge of the Export Administration Regulations and have a solid understanding of how to apply the regulations and to classify technology properly. This highly intensive program will integrate practical exercises and presentations about the appropriate sequence of analysis in assessing deemed export licensing requirements. In addition, time will be spent on discussing the current licensing policies and potential changes to them. Participants will learn how to find and use those sections of the EAR that apply to deemed export transactions. Topics covered will include how to determine when deemed export licenses are necessary and how to

prepare supporting documentation that accompanies a license application. This workshop is perfect for an export compliance specialist working in industry, in university administration or in a government research laboratory.

About the Instructors

The instructors are experienced export policy specialists, engineers and enforcement personnel from BIS’s Washington, D.C. headquarters and field offices, as well as representatives from other U.S. government agencies such as U.S. Department of Treasury’s Office of Foreign Assets Control (OFAC) and Census Bureau’s Office of Foreign Trade. The instructors will be available throughout the seminar to answer your questions on how the export regulations affect the export activities of your organization or client.

Location/Time/Transportation/Parking

The program will be held at the Doubletree Hotel at Warren Place, 6110 South Yale, Tulsa, Oklahoma. Registration and continental breakfast for the two-day program will

begin at 7:30am on July 18, 2006. The two-day program will begin at 8:00am and end at 4:30pm on both days. Registration and continental breakfast for the half-day program will begin at 7:30am on July 20, 2006. The half-day program will begin at 8:00am and end at noon.

The Doubletree Hotel at Warren Place is located approximately 20 minutes (15 miles) south of the Tulsa International Airport. The Hotel provides complimentary transportation to and from the Tulsa International Airport. In addition, the Hotel provides a telephone at the baggage terminal so that guests may contact the Hotel upon their arrival to Tulsa. The Doubletree Hotel also provides complimentary covered parking in the garage, which connects to the Hotel.

Accommodations

A special conference rate of \$66 (plus tax) for a single/double room has been arranged with the Doubletree Hotel at Warren Place, 6110 South Yale, Tulsa, Oklahoma. Please make your reservations directly with the hotel by calling

(918) 495-1000 or (800) 222-8733. Mention **“Oklahoma District Export Council”** to receive the special conference rate.

Registration

Advance registration is required for the seminar and space is limited. The registration fee for the two-day Complying with U.S. Export Controls is \$295.00 per person. The fee for the two-day Complying with U.S. Export Controls and the half-day Intermediate Deemed Export is \$395.00 per person. These fees include continental breakfasts, coffee breaks, lunches and materials for the two-day or the two and a half day program. The fee for the half-day Intermediate Deemed Export program only is \$125.00 per person. The fee includes continental breakfast, coffee break, and materials for the half-day program. The registration fee is not refundable after July 12, 2006. Substitutions may be made at any time. Registration will be accepted until Friday July 14, 2006, or until registration is filled. For information regarding registration, please contact Jim Williams at

(918) 581-7650; Ashley Wilson at (405) 608-5302 or (800) 879-6552, extension 223; or by E-mail: oklahomacity.office.box@mail.doc.gov.

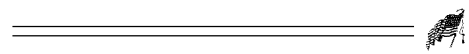
For secure on-line registration and credit card payment go to:

www.acteva.com/go/OkDECBISSeminar2006.

We accept Visa, MasterCard, Discover, and American Express. For off-line registration and to guarantee placement for this seminar make your check payable to the Oklahoma District Export Council and mail your check and registration to 301 N.W. 63rd Street, Suite 330, Oklahoma City, Oklahoma 73116. **For your convenience a registration form is included below.**

Other Questions?

For more information or questions on the topics to be covered, please call BIS’s Outreach and Educational Services Division at (202) 482-6031 or contact either of our offices (918) 581-7650; (405) 608-5302 or (800) 879-6552, extension 223; or by E-mail: oklahomacity.office.box@mail.doc.gov.



*****FOR SECURE ON-LINE REGISTRATION AND CREDIT CARD PAYMENT GO TO:
www.acteva.com/go/OkDECBISSeminar2006*****

Registration:

**Complying with
U. S. Export Controls
and
Intermediate Deemed
Export**

July 18-20, 2006

**Doubletree Hotel at Warren Place
6110 South Yale Avenue
Tulsa, Oklahoma**

❖ Make Checks Payable to Oklahoma District Export Council
Mail to: 301 N. W. 63rd St., Suite 330; Oklahoma City, OK; 73116
 Name(s): _____ Firm: _____
 Address(City/State/Zip): _____
 Telephone/Fax: _____ Website: _____
 E-mail: _____ Number of Attendees: _____
 Two-day Complying with U.S. Export Controls Seminar (\$295.00 per peson): _____
 Two-day Complying with U.S. Export Controls Seminar and
 Half-day Intermediate Deemed Export Seminar (\$395 per person): _____
 Half-day Intermediate Deemed Export Seminar (\$125 per person): _____
 Amount Enclosed: \$ _____

Recognizing and Reporting Possible Violation of the Export Administration Regulations

Things to look for in export transactions!

1. If one of the parties to your transaction has a name or address that is similar to an entity on the U.S. Department of Commerce's List of Denied Persons or if the transaction has circumstances similar to one of those listed in the Commerce Department's (BIS's) Red Flag Indicators you should contact the Bureau of Industry and Security's (BIS) Office of Export Enforcement.

2. If you are asked to participate in a transaction that you believe may be a violation of the Export Administration Regulations you are encouraged to contact one of our Export Enforcement offices immediately, or to go to <https://www.bis.doc.gov/formse/leadsntips.html> to use a form to submit a confidential tip.

3. If you are being asked to participate in the Arab boycott of Israel, or if you are being asked questions like:

⇒ "What are the nationalities of the members of your Board of Directors?"

⇒ "Is your firm related to the ABCXYZ company?"

⇒ "Will you send us a list of your proposed suppliers?"

Before you respond you are encouraged to call BIS's Antiboycott Compliance Office Advice Line immediately. You may contact them at (202) 482-2381.

Any response you make to these types of questions, regardless of whether the answer is a "yes" or a "no," may be a violation of the U.S. Department of Commerce's antiboycott regulations. You may be required to report the boycott requests you receive. The advice line duty officer will assist you in determining your reporting requirements. Callers to the BIS Advice Line may remain anonymous if they wish.

Export Enforcement Field Offices

Boston Field Office

Room 350

10 Causeway Street

Boston, MA 02222

617-565-6030

Fax: 617-565-6039

New York Field Office

Suite 104

1200 South Avenue

Staten Island, NY 10314

718-370-0070

Fax: 718-370-0826

Washington Field Office

Suite 1125

381 Elden Street

Herndon, VA 22151

703-487-9300

Fax: 703-487-4955

Miami Field Office

Suite 2060

*200 E. Las Olas Boulevard
Fort Lauderdale, FL 33301*

954-356-7540

Fax: 954-356-7549

Chicago Field Office

High Point Plaza

4415 West Harrison St., Suite 530

Hillside, IL 60018

312-353-6640

Fax: 312-353-8008

Dallas Field Office

Room 622

525 Griffin Street

Dallas, TX 75202

214-767-9294

Fax: 214-767-9299

San Jose Field Office

Suite 250

96 North Third Street

San Jose, CA 95112

408-291-4204

Fax: 408-291-4320

Los Angeles Field Office

Suite 310

2601 Main Street

Irvine, CA 92614

949-251-9001

Fax: 949-251-9103

Office of Antiboycott Compliance Advice Line

202-482-2381

Fax: 202-482-0931



July 2006 Calendar of Events

<i>Date</i>	<i>Event</i>	<i>Contact</i>
July 18-20, 2006	<i>Complying with U.S. Export Controls and Intermediate Deemed Export Seminar</i> Doubletree Hotel at Warren Place, Tulsa	918/581-7650 405/608-5302