



Office of Export Enforcement
U.S. Department of Commerce

TRENDS IN EXPORT ENFORCEMENT

24TH ANNUAL ECCO TRAINING APRIL 27, 2012

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ENFORCEMENT PRIORITIES

End-Use/User Controls

Entities List, Specially Designated Nationals
and unauthorized military use

Regime Controlled Items

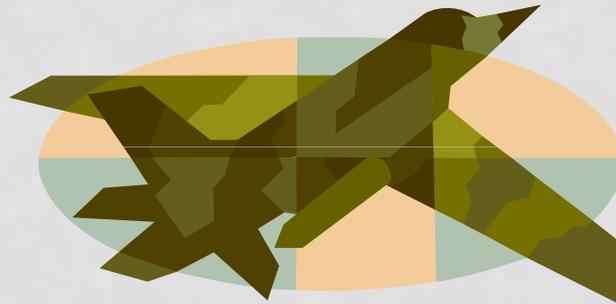
NS, NP, MT, CB, CW

Embargoes and Sanctioned Countries

Combating Illegal Transshipment

In 2011, OEE detained 139 suspect shipments and made 69 seizures of unauthorized exports.

BEST PRACTICES TO AVOID DIVERSION



August 31, 2011, BIS Published New “Best Practices” for Industry to Guard Against Unlawful Diversion through Transshipment Trade.



EXPORT CONTROLS

Based on item, destination, end-user and end-use.

- What is it?
- Where is it going?
- Who is getting it?
- What are they going to do with it?

REAL EXAMPLES FROM RECENT CASES

- Red Flags seen in recent investigations
 - Use of Virtual Offices – U.S. and foreign
 - Source of Funds – payment received from unusual or unrelated source
 - Trade show inquiries from prohibited end-users or destinations, followed by similar order from reseller in known transshipment country





SERVCORP VIRTUAL OFFICES



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Technology

- > design support service
- > Electronic product development
- > FPGA ASIC CPLD
- > Hardware design
- > High speed design
- > PCB Design
- > Project management
- > RF Wireless
- > Signal Integrity
- > System Architecture
- > Software firmware
- > Turnkey product design

Markets

- > Communications
- > Defence & Aerospace
- > Medical

THE ENTITY LIST – PART 744 SUPP. 4

- BIS UPDATES LIST ON ONGOING BASIS
- CHECK FOR MOST RECENT VERSION

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- The Entity List informs exporters of known entities engaged in activities that could result in an increased risk of the diversion of exported, reexported or transferred (in-country) items to weapons of mass destruction (WMD) programs



KNOW YOUR MARKETS



- In a reseller/distributor sales model it is sometimes hard to “Know your customer”
- With few exceptions, BIS expects exporters to know and understand their markets.
- Example: Large volume sales of 3A001 NS controlled circuits to Hong Kong, while legal have a limited legitimate market in Hong Kong. Ask questions and have good answers about such sales.

Domestic Purchase Trend

- U.S. company makes a domestic sale of export controlled product to new or unknown customer.
- The purchaser then hand carries or repackages and ships item for delivery to a controlled destination without export license.
- The “domestic purchase” ruse was an intentional circumvention of U.S. export laws.



Case Study – Evertop Services

Majid Kakavand arrested in Paris in March 2009 for providing thousands of U.S. commercial and military items to Iranian nuclear and ballistic missile programs.

Concealed true destination from U.S. companies, but there were *red flags*.

Several persons and companies added to Entities List in January 2010.

MORE SELF BLINDING – TELOGY

Telogy Int'l of Belgium paid \$437,000 to resolve charges alleging unlicensed re-exports of one U.S. origin spectrum analyzer and 22 oscilloscopes from the EU to South Africa and Israel.

Telogy LLC of Union City, CA paid a \$76,000 civil penalty because it participated in re-export transactions with intention to evade the EAR. The investigation was initiated based on a disclosure from Telogy.

How the Government Determines Appropriate Enforcement Action

VSD Investigations generally consider these key factors to decide investigative strategy and case resolution:

- What was the item?
- How serious is the potential damage to National Security?
- Where did the item end up?
- Would a license have been approved for that end-user or end-use?
- How did the violation happen?
- Isolated mistake? Intentional bad act? Systemic problem? Negligence?
- How was the violation discovered?
- What steps did the company take to investigate and rectify?
- Was the company cooperative and concerned about compliance?
- How will the company prevent future violations?

BIS/OEE 2011 VSD Statistics

In FY2011 BIS/OEE completed 265 VSD investigations.

Case Resolutions included:

176 Closed by issuance of Warning Letter (66%)

20 Closed by issuance of a No action letters (<1%)

61 Other - possibly due to existing case or referred to another agency (23%)

8 closed by issuance of Administrative Sanctions

(one VSD, Flowserve investigation resulted in 11 separate charging letters filed and a 2.5 million settlement)

In 2011, 221 new disclosures were submitted to OEE.



STATISTICS

FY2010

- 20 criminal convictions
- \$12 million in criminal fines
- 40 administrative cases
- ◆ \$25,188,000 million in administrative penalties

FY2011

- 39 criminal convictions
- \$20.2 million in criminal fines, 572 months imprisonment
- 39 administrative cases
- \$8,379 million in administrative penalties

INVESTIGATION TRENDS 2012

A significant % of OEE active cases involve:

- Proliferation networks supplying Iranian government military and telecommunications programs
- Proliferation networks supplying Syrian government
- Proliferation networks supplying Chinese military projects
- Exports to BIS Listed Entities denied access to U.S. product because of support to WMD program development or terrorist organizations worldwide



Security through Prevention & Enforcement



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