



Internal Compliance Program – Series (20) – Transaction Screening

Today, in the twentieth article in the hands-on practical advice series on Internal Compliance Programs for Export Control:

Part 20: Transaction Screening

In this section of Chapter 6, you should first explain and demonstrate the screening procedures you have implemented and are following with regard to export control requirements during the order and shipping process.

The workflow should be displayed in a chart and explained furthermore in the text. A compliance focused workflow will include the following:

Customer screening. Your ICP Manual should explain how you are (1) screening if your customer is not a sanctioned entity, (2) checking if the client's KYC Profile is up to date, and verifying (3) that the necessary due diligence has been conducted and that there is a recent (less than 3 years old) due diligence report available in the system.

Product screening. Your ICP should demonstrate how you are ensuring that export control classification of your products is taken into consideration in your order and shipping process. Tell the reader how and when you are reviewing if the product intended to be shipped has already been classified.

If an item classification sheet exists for the concerned product, you must review the accuracy of the classification and if it is still up-to-date. In case of doubt, an information request has to be made with the supplier. Product engineers and export control team will be asked for any assistance if needed.

You should also indicate your internal process for the case an item classification sheet does not exist for the concerned product, meaning how (and who) will manage and document the product classification.

Explain also how you ensure, if any of the product screenings reveals a listing in the dual-use, military or torture goods lists, the license requirement check will be followed.

End-use screening. The Internal Compliance Program shall describe how you ensure that, for any transaction, an end-use screening has been made and is still valid.

Indicate also how you guarantee that, if any of the end-use checks reveals a nuclear, chemical/biological or military use, a notification or license requests will be made to licensing

authorities..

Transaction screening. Your ICP should show how you ensure that a transaction screening has been made and is still valid.

Transaction screening comprises a “red-flag” verification. If a red flag is revealed, the operation shall be stopped. If no such red-flag appears in the verification process, then a sanctions screening is operated, in order to reveal if the operation is prohibited or subject to any restrictions, or to confirm that the operation is not restricted.

In the workflow, your ICP should also to identify who is responsible for each stage of the flow and at what points an export violation could potentially happen. The workflow must integrate various checks into the process at those points of vulnerability.

Say a word on the frequency of export checks. For example, a sanctioned persons and entities check conducted by sales personnel at the initial stages of a transaction could minimize the time and expense a company might incur to win business that it cannot fulfil. The same check at the end of the process, immediately prior to shipping, can identify any last-minute changes that could be relevant to the transaction.

Tell your reader about preventative controls you are implementing to minimize vulnerabilities prior to order entry, in-process controls that will place a “hold” on a transaction necessitating a secondary review, and after- process controls that would alert you to system failures.



