Red Flags!

Tips for Protecting Yourself and Your Business with Real Issues, Real Fixes: A Purchase-to-Compliance Session

Aviation Suppliers Association Workshop
Jared Knights and Lisa Matos | June 2026

Disclaimer

- The material in this presentation is meant to give you tools to make your own decisions.
- This is not intended to classify activity as a violation or to dictate what you must or must not do.
- This material provides awareness, insight on possible best practices, tools, resources, and methods to evaluate possible risks related to your exports and customers.
- Where necessary, the material has been redacted to preserve the privacy of individuals and companies whose identities were used in suspected fraud attempts.
- Examples are for training purposes only.

COMPLIANCE WORKFLOW

Steps to Compliance

1. Check OFAC and BIS lists for party restrictions
2. Identify whether the article is controlled through DDTC or BIS
3. Determine if article has a specific ECCN or should be designated EAR99
4. Review the Commerce Country Chart and determine if there are any license requirements
5. Obtain licenses if necessary
6. Identify other regulatory issues
7. Document your analysis

Remember: as the exporter, you are ultimately responsible for obtaining any necessary licenses.

Red Flags

- Red Flags are warning signs that may indicate a potential violation or that an export may be destined for an inappropriate end-use, end-user, or destination
- A crucial part of Compliance is identifying and clearing red flags in transactions
- Bad actors mimic real companies and real transactions
- Not all red flags lead to violations
- Clear red flags as you find them

⚠ **If you can't clear a red flag – reassess the transaction**

- Your compliance tolerance may be different than someone else's

Supplement No. 3 to Part 732 — BIS's "Know Your Customer" Guidance and Red Flags. It directs exporters to watch for red flags, make reasonable inquiries to resolve them, and refrain from a transaction (or seek BIS guidance) when a red flag cannot be cleared — you may not self-blind to information that should raise concern.

Common Red Flags

- The customer or purchasing agent is reluctant to offer information about the end-use of a product.
- The customer requests unusual levels of confidentiality about the final destination or end-use of the product.
- The product's capabilities do not match or fit the buyer's line of business or technical ability; for example, a small bakery places an order for several sophisticated components.
- The customer has little or no business background, or in our case, aviation background.
- The customer is willing to pay cash for a very expensive item when the terms of the sale call for financing.
- The customer is unfamiliar with the product's performance characteristics or abilities but still wants the product.
- Routine installation, training or maintenance services are declined by the customer.
- The dates of the delivery vague, or an approximation, or deliveries are planned for out-of-the-way destinations.
- A freight forwarding firm is listed as the product's final destination.
- The shipping route is abnormal for the product and destination; similarly, if the route uses trade corridors known to serve as possible transshipment points for exports to countries of concern.
- Packaging is inconsistent with the stated method of shipment or destination.
- When questioned, the buyer is evasive or unclear about whether the purchased product is for domestic use or export.
- The customer or its address is similar to one of the parties found on the BIS or OFAC lists or is located in an embargoed country.
- An Internet search of a customer reveals lines of business that may require an export license (e.g., WMD, cruise missiles) or are entirely different than the claimed end-use.
- An internet search of a customer yields little to no footprint.
- Shipping instructions change at the last minute or frequently.
- Payment comes from a third country, or a business not listed on the End-User Statement.
- The customer is conducting a transaction via the Internet and does not provide adequate information on the physical location(s) or the operation of the business.
- You receive unsolicited requests from unknown individuals, especially those who seem to be affiliated with academia or research institutions, asking for information or assistance with items that could have military applications.

A company sends a PO for an export-controlled commodity. Its headquarters is overseas, the ship-to is a U.S. residential address, and the End-User Statement says the item is “for stock” and will not be exported. Which red flags are present?

A The shipping route is abnormal for the product and destination — a U.S. residential address may be a transshipment point for export to a country of concern

B A foreign-headquartered buyer routes a controlled item to a U.S. address while claiming it won't be exported

C An expensive controlled item bought “for stock” with a vague, unsupported end use

D All of the above

★ First correct answer from the room wins a prize!

15 CFR 736 - General Prohibitions

- Prohibitions against activities that are not allowed without authorization from the BIS
- Apply to all items subject to the EAR unless otherwise specified

Items subject to the EAR

  - Items of U.S. Origin or physically located in the United States
  - EAR99 – Consumer Goods
  - ECCN – Dual-Use
  - ITAR/USML

- Foreign manufactured goods are exempt from EAR export requirements if they contain less than a “de minimis” level of U.S. content by value

15 CFR 736 - General Prohibition Eight

In transit shipments and items to be unladen from vessels or aircraft (In Transit)

THE REGULATION

(i) Unlading and shipping in transit. You may not export or reexport an item through, or transit through a country listed in paragraph (b)(8)(ii) of this section, unless a license exception or license authorizes such an export or reexport directly to or transit through such a country of transit, or unless such an export or reexport is eligible to such a country of transit without a license.

KEY POINTS

- Restricts export or reexport of items through countries specified in General Prohibition Eight without a license or license exception or NLR
- License may be required for sale to broker/MRO
- License may not be required to End-User
- Specialized End-Use statements that cover 744.7 requirements are advisable
- ⚠ **Watch out for General Prohibition Eight brokers shipping material through a third country broker unless you have verified proof of End User.**

(ii) Country scope — this General Prohibition Eight applies to:

Armenia	Azerbaijan	Belarus	Cambodia	Cuba	Georgia
Kazakhstan	Kyrgyzstan	Laos	Mongolia	North Korea	Russia
Tajikistan	Turkmenistan	Ukraine	Uzbekistan	Vietnam	

General Prohibition Ten · 15 C.F.R. § 736.2(b)(10)

THE REGULATION

General Prohibition Ten — Proceeding with transactions with knowledge that a violation has occurred or is about to occur (Knowledge Violation to Occur). You may not sell, transfer, export, reexport, finance, order, buy, remove, conceal, store, use, loan, dispose of, transport, forward, or otherwise service, in whole or in part, any item subject to the EAR and exported, reexported, or transferred (in-country) or to be exported, reexported, or transferred (in-country) with knowledge that a violation of the Export Administration Regulations, the Export Control Reform Act of 2018, or any order, license, license exception, or other authorization issued thereunder has occurred, is about to occur, or is intended to occur in connection with the item.

Nor may you rely upon any license or license exception after notice to you of the suspension or revocation of that license or exception. There are no license exceptions to this General Prohibition Ten in part 740 of the EAR.

WHAT IT MEANS

- Proceeding with transactions with knowledge that a violation has occurred, is about to occur, or is intended to occur
- If you suspect a violation will occur in the future regarding a specific transaction, proceeding may violate General Prohibition Ten
- If you know a violation has occurred in the past, proceeding further with the transaction may violate General Prohibition Ten

⚠ **There are no license exceptions applicable**

Encourages asking deeper questions

- Who is involved in the transaction – customer, freight forwarder, end user, tail number, ship to location
- Are there red flags
- Can the red flags be cleared or are they indicators of a potential violation

General Prohibition Ten Example

- Company X wants to purchase an IRU from Company A for $450,000 (higher than average for this unit)
- Company X is a new customer and incorporated after Feb 2022
- Company X is purchasing for stock
- Company X prepaid quickly and in full
- Company X wants the article shipped to a freight forwarder in the United States

Red Flags

↗ *Per the BIS Red Flag Indicators*

↗ *https://www.bis.gov/articles/red-flag-indicators · https://www.bis.gov/identify-red-flags*

- The customer or purchasing agent is reluctant to offer information about the end-use of the item.
- A freight forwarding firm is listed as the product's final destination.
- The customer is willing to pay cash for a very expensive item when the terms of sale would normally call for financing.
- The customer is significantly overpaying for a commodity based on known market prices.
- A new customer whose line of business is in trade of products associated with the nine HS codes, is based in a non-GECC country, and was incorporated after February 24, 2022.

⚠ ***** the nine HS codes have grown since this red flag was released, and you should also consider the Commodities of Concern list *****

Commodities of Concern

Based upon historical information and current developments, BIS has identified the following commodities as presenting special concern because of their potential diversion to and end use by Russia and Belarus to further their military and defense capabilities:

Item	Export Control Classification Number[12]	Item	Export Control Classification Number
Aircraft Parts/ Equipment	9A991	Sonar Systems	6A991
Antennas	7A994	Spectrophotometers	3A999
Breathing Systems	8A992	Test Equipment	3B992
Cameras	6A993	Thrusters	8A992
GPS System	7A994	Underwater Communications	5A991
Inertial Measurement Units	7A994	Vacuum Pumps	2B999
Integrated Circuits	3A001, 3A991, 5A991	Wafer Fabrication Equipment	3B001, 3B991
Oil Field Equipment	EAR99	Wafer Substrates	3C00x

BIS Commodities of Concern

General Prohibition Ten applies to this transaction

How many license exceptions are available under General Prohibition Ten?

A One — RPL only

B Two — AVS and RPL

C None — there are no applicable license exceptions

D It depends on the destination country

★ First correct answer from the room wins a prize!

License Exceptions - Civil Aircraft Parts Only

- Licenses take time, which is inconsistent with AOG’s
- License exceptions may be applicable to certain transactions, allowing you to sidestep the license
- Two most applicable to civil aviation industry are AVS and RPL
- Important to note TMP may be useful in repair scenarios
- Missile Technology (MT) controlled parts restrict exception-use
  - Except that parts under ECCNs 6A008, 7A001, 7A002, 7A004, 7A101, 7A102, 7A103, 7A104, 7A105, or 9A515, may be exported as part of a manned aircraft, or a replacement part for such an aircraft, under license exceptions RPL, AVS, and TMP
- Civil aircraft ADIRUs may be under 7A103
- No license exceptions to sanctioned nations: Cuba, Iran, North Korea, Syria, Crimea/Donetsk/Luhansk, or Russia (if the limited sanctions apply) unless a license exception is specifically listed in the country provisions in 15 CFR part 746

⚠ **Remember all license exceptions have limitations. Know the limitations prior to using the exception!**

Department of Commerce Licenses

Reminder!

- BIS licenses are issued to specific addresses and Companies.
- If the company and address are not referenced on the licenses, you need another license or license exception to ship the article to the next destination.

⚠ **Many licenses are being issued with Conditions and Riders. Make sure you and your customer are aware and will abide by them. Best to get a signed letter of understanding from your customer.**

15 CFR 740.10 Replacement of Parts (RPL)

(a)(2) One-for-one replacement of parts, components, accessories, or attachments

(i) The terms replacement parts, components, accessories, or attachments as used in this section mean parts, components, accessories, or attachments needed for the immediate repair of equipment or other end items, including replacement of defective or worn parts or components. Items that improve or change the basic design characteristics, e.g., as to accuracy, capability, performance or productivity, of the equipment or other end item upon which they are installed, are not deemed to be replacement parts, components, accessories, or attachments.

⚠ **SAME Part number – no improvements or upgrades**

⚠ **Watch those SB’s!**

15 CFR 740.10 Replacement of Parts (RPL)

(a)(2) One-for-one replacement of parts, components, accessories, or attachments

(ii) Parts, components, accessories, and attachments may be exported only to replace, on a one-for-one basis, parts, components, accessories, or attachments, respectively, contained in commodities that were: Lawfully exported from the United States; lawfully reexported; or made in a foreign country incorporating authorized parts, components, accessories, or attachments “subject to the EAR”

- Aircraft/part must have been legally exported in the first place – you must confirm the appropriate authority for the original transaction if you were not the exporter

⚠ **Check original license to make sure there were no restrictions on replacement part exports.**

15 CFR 740.10 Replacement of Parts (RPL)

(b)(1) Servicing and replacement

- If an item is returned to the US for inspection, testing, calibration or repair (including overhaul and reconditioning)

- No improvements of changes to basic characteristics
- Only applies to group D:1 nations if you were the original licensed exporter and end-use has not changed

⚠ **Does not apply to group E:1 nations**

↗ *See country group listings at:*

↗ *https://www.bis.gov/ear/title-15/subtitle-b/chapter-vii/subchapter-c/part-740/supplement-no-1-part-740-country-groups*

↗ *RPL: https://www.ecfr.gov/current/title-15/subtitle-B/chapter-VII/subchapter-C/part-740/section-740.10*

15 CFR 740.15 Aircraft, Vessels, and Spacecraft (AVS)

(b)(2) Aircraft

(i) Equipment and spare parts, for permanent use on an aircraft, when necessary for the proper operation of such aircraft, may be exported or reexported for use on board an aircraft of any registry, except an aircraft registered in, owned or controlled by, or under charter or lease to a country included in Country Group D:1, Cuba, or a national of any of these countries.

- The specific aircraft must be identified so you can verify its eligibility
- Forbidden countries are Cuba and those in group D:1

⚠ **Yes you need to know who owns the aircraft!**

15 CFR 740.15 Aircraft, Vessels, and Spacecraft (AVS)

(b)(2) Aircraft

This paragraph (b)(2)(ii) authorizes exports, reexports, and transfers (in-country) to any country that is identified in Country Group A:2 and supplement no. 3 to part 746 of ECCNs 7A101 through 7A103 when the commodities are for use in or for the “production” of civil manned aircraft.

- Allows for shipments of 7A103 (some civil aircraft IRUs) for stock to companies in countries that are both Country Group A:2 and supplement no. 3 to part 746

↗ *Country Groups: https://www.bis.gov/ear/title-15/subtitle-b/chapter-vii/subchapter-c/part-740/supplement-no-1-part-740-country-groups*

↗ *Supplement 3 to part 746: https://www.ecfr.gov/current/title-15/subtitle-B/chapter-VII/subchapter-C/part-746/appendix-Supplement%20No.%203%20to%20Part%20746*

⚠ **Do not skip your due diligence!**

AVS Example - The Scenario

SCENARIO **Company X wants to purchase IRU HG2030BE04** STEP 1 OF 2

Part Details

- HG2030BE04
- ECCN 7A103.a
- ⚠ **7A103 is MT and AT controlled**

Company & Aircraft Details

- Aircraft Tail Number: XX-XXX
- Company X is a United Arab Emirates Airline
- Aircraft is leased by Company X
- Aircraft is registered in United Arab Emirates
- Aircraft is located in United Arab Emirates
- ⚠ **Aircraft is owned by Company Y in Mongolia**

7A103 Instrumentation, navigation equipment and systems, other than those controlled by 7A003, and "specially designed" "parts" and "components" therefor, as follows (see List of Items Controlled). License Requirements *Reason for Control:* MT, AT

Control(s)	Country Chart (See Supp. No. 1 to part 738)
MT applies to entire entry	MT Column 1
AT applies to entire entry	AT Column 1

List Based License Exceptions (See Part 740 for a description of all license exceptions) *LVS:* N/A *GBS:* N/A List of Items Controlled *Related Controls:* (1) See ECCN 7A003 and 7A994. (2) Inertial navigation systems and inertial equipment, and "specially designed" "parts" and "components" therefor specifically designed, modified or configured for military use are "subject to the ITAR" (see 22 CFR parts 120 through 130). *Related Definitions:* 'Inertial measurement equipment or systems' specified in 7A103.a. incorporate accelerometers or gyros to measure changes in velocity and orientation in order to determine or maintain heading or position without requiring an external reference once aligned. *Items:* a. 'Inertial measurement equipment or systems' using accelerometers or gyros controlled by 7A001, 7A002, 7A101 or 7A102, and "specially designed" "parts" and "components" therefor; *Note 1:*

7A103.a does not control equipment containing accelerometers "specially designed" and developed as MWD (Measurement While Drilling) sensors for use in down-hole well services operations.

Note 2:

7A103.a does not control inertial or other equipment using accelerometers or gyros controlled by 7A001 or 7A002 that are only NS controlled.

Note 3:

7A103.a. includes Attitude and Heading Reference Systems (AHRSs), gyrocompasses, Inertial Measurement Units (IMUs), Inertial Navigations Systems (INSs), Inertial Reference Systems (IRSs), and Inertial Reference Units (IRUs).

ECCN 7A103 entry · Commerce Country Chart (UAE / Mongolia)

[Reason for control]

Countries	Chemical and biological weapons			Nuclear nonproliferation		National security		Missile tech	Regional stability		Firearms convention	Crime control			Anti-terrorism	
	CB 1	CB 2	CB 3	NP 1	NP 2	NS 1	NS 2	MT 1	RS 1	RS 2	FC 1	CC 1	CC 2	CC 3	AT 1	AT 2
United Arab Emirates	X	X	X	X		X	X	X	X	X		X	X	X		
Mongolia	X	X	X	X		X	X	X	X	X		X	X			

LICENSE EXCEPTION · AVS — WORKED EXAMPLE

AVS Example - Analysis

SCENARIO **Company X wants to purchase IRU HG2030BE04** STEP 2 OF 2

- Company X is not on any BIS or OFAC lists
- Company X is a United Arab Emirates Company. United Arab Emirates is not a D:1 Country.
- Aircraft XX-XXX is not a sanctioned aircraft per OFAC
- Aircraft XX-XXX is not located in a D:1 Country
- Aircraft XX-XXX is not registered in a D:1 Country
- ⚠ **Aircraft XX-XXX is owned by Company Y. Company Y based in Mongolia. Mongolia is a D:1 Country**
- Company Y is not on any BIS or OFAC lists
- ⚠ **Company Y based in Mongolia. Mongolia is a D:1 Country**

Country Group D (D:1)

Country Group D

Country	[D: 1] National Security
Mongolia	X
United Arab Emirates	

So — can Company X use the AVS exception to fill its AOG requirement? *(See the next slide.)*

An aircraft is located in, controlled and operated by, a company in the UAE (not D:1) but is OWNED by a company in Mongolia (a D:1 country). Can you use the AVS license exception?

A Yes — the aircraft's physical location controls

B Yes — the UAE airline is the buyer

C No — ownership by a D:1-country company disqualifies it

D Only with a signed End-User Statement

★ First correct answer from the room wins a prize!

ENTITY LIST UPDATE

Eighteen New Addresses (1-8)

BIS now has eighteen Hong Kong addresses in the Entity List. Reminder that any company that uses the addresses identified in this new rule as a Purchaser, Intermediate Consignee, Ultimate Consignee, or End-User will be faced with restrictions on their ability to engage in transactions subject to the Export Administration Regulations (EAR).

01 Unit D, 16/F One Capital Place, 18 Luard Rd, Wan Chai, Hong Kong.

02 Unit 04, 7/F Bright Way Tower, No. 33 Mong Kok Road, Kowloon, Hong Kong.

03 Room 19C Lockhart Centre 301-307, Lockhart Rd. Wan Chai, Hong Kong.

04 Room 803, Chevalier House 45-51, Chatham Road South, Tsim Sha Tsui, Hong Kong.

05 Flat/RM 2309, 23/F, Ho King Commercial Centre, 2-16 Fa Yuen Street, Mong Kok, Kowloon, Hong Kong.

06 Office 4, 16/F Ho King Commercial Centre, 2-16 Fayuen Street, Hong Kong.

07 Room 1318-19, 13F, Hollywood Plaza, 610 Nathan Road, Mong Kok, Kowloon, Hong Kong.

08 Room 1318-20, 13F, Hollywood Plaza, 610 Nathan Road, Mong Kok Kowloon, Hong Kong.

This is due to the large number of companies at these addresses who are on a BIS or OFAC (or both) list.

ENTITY LIST UPDATE

Eighteen New Addresses (9-18)

Each address below is listed on the Consolidated Screening List under both the Hong Kong (HK) and China (CN) country codes.

09
Room 1003, 10/F, Lippo Centre Tower 1, 89 Queensway, Admiralty, Hong Kong
Country codes: HK · CN

10
7/F MW Tower, 111 Bonham Strand, Sheung Wan, Hong Kong
Country codes: HK · CN

11
Office 704, 135 Bonham Strand, Sheung Wan, Hong Kong
Country codes: HK · CN

12
Room 1502, Easey Commercial Building, 253-261 Hennessy Road, Wan Chai, Hong Kong
Country codes: HK · CN

13
Room 1005, 10/F, Ho King Commercial Center, 2-16 Fayuen St, Mong Kok, Kowloon, Hong Kong
Country codes: HK · CN

14
Room B, 5/F Gaylord Commercial Building, 114-118 Lockhart Road, Wan Chai, Hong Kong
Country codes: HK · CN

15
Flat 1512, 15/F, Lucky Centre, No. 165-171 Wan Chai Road, Wan Chai, Hong Kong
Country codes: HK · CN

16
14C, Hung Shui Kiu Main Street, Yuen Long, N.T.
Country codes: HK · CN

17
Rm. 1605A, Ho King Commercial Center, 2-16 Fa Yuen Street, Mong Kok, Kowloon
Country codes: HK · CN

18
Room 1605, Ho King Commercial Center, 2-16 Fa Yuen Street, Mong Kok, Kowloon
Country codes: HK · CN

ENTITY LIST UPDATE

How to Search the CSL

To catch these addresses on the Consolidated Screening List (CSL), search by the address text — not the company name. Use this exact configuration:

CONSOLIDATED SCREENING LIST — SEARCH

Name	**ADDRESS**
Fuzzy Name	**On**
Address	*— leave blank —*
Sources	*— leave blank (all lists) —*
Countries	*— leave blank —*

SEARCH STEPS

1. Type the street address into the Name field — not the Address field.
2. Switch Fuzzy Name ON to catch spelling and formatting variants of the same location.
3. Leave Address, Sources, and Countries blank — this searches all screening lists.
4. Review every result — a single address can surface multiple listed parties.

↗ *Consolidated Screening List · https://www.trade.gov/csl-search*

15 CFR 740.9 Temporary Imports, Exports, Reexports & Transfers (TMP)

Temporary exports, reexports, and transfers (in-country).

License Exception TMP authorizes exports, reexports, and transfers (in-country) of items for temporary use abroad (including use in or above international waters) subject to the conditions specified in this paragraph (a). No item may be exported, reexported, or transferred (in-country) under this paragraph (a) if an order to acquire the item, such as a purchase order, has been received before shipment; with prior knowledge that the item will stay abroad beyond the terms of this License Exception; or when the item is for subsequent lease or rental abroad.

(a)(6) Inspection, test, calibration, and repair.

Commodities to be inspected, tested, calibrated, or repaired abroad may be exported, reexported, and transferred (in-country) under this paragraph (a)(6) to all destinations except Country Group E:1.

⚠ **TMP Does not have the same restrictions as RPL! You can have a IRU modified to a different part number under the TMP. You cannot under RPL.**

EEI - Filing Requirements and Values

When is an EEI Required?

- When the value of the commodity classified under each individual Schedule B number is over $2,500, or if the export requires a mandatory EEI filing requirement.
- If you have a shipment that contains 10 items valued at $251 (10 x $251 = $2510), and they all fall under the same Schedule B, the total value of the commodities under that Schedule B code exceeds $2500 and an EEI is now required

⚠ **Export Controlled Commodities require an EEI regardless of value and license or license exception must be noted**

What value should you use?

- Commercial Value – The price at which the goods are sold
- Fair Market Value – When the article is not sold, the Fair Market Value of the asset in it’s current condition

EEI Filings - Value of Complex Transactions

Value of the commodity - Warranties/Complex Transactions

- 19 USC 1401.a Value – Alternative bases of appraisement in order of precedence

- (a) Generally
- (b) Transaction value of imported merchandise
- (c) Transaction Value of identical merchandise and similar merchandise
- (d) Deductive Value
- (e) Computed Value
- (f) Value if other values cannot be determined or used

↗ *Link https://www.govinfo.gov/content/pkg/USCODE-2023-title19/pdf/USCODE-2023-title19-chap4-subtitleIII-partI-subparta-sec1401a.pdf*

⚠ **Strongly recommend contacting an export attorney to assist with complex valuations.**

15 CFR 30 - Foreign Trade Regulations

28 Mandatory Elements

1. USPPI
2. Date of export
3. Ultimate consignee
4. U.S. state of Origin
5. Country of ultimate destination
6. Method of transportation
7. Conveyance name/carrier name
8. Carrier identification
9. Port of export
10. Related party indicator
11. Domestic or foreign indicator
12. Commodity classification Number
13. Commodity description
14. Primary unit of measure
15. Primary quantity
16. Shipping weight
17. Value
18. Export information code
19. Shipment Reference Number
20. Line Number
21. Hazardous material indicator
22. Inbond code
23. License code/license exemption code
24. Routed export transaction indicator
25. Shipment filing action request indicator
26. Line item filing action request indicator
27. Filing option indicator
28. Ultimate consignee type

↗ *Subpart A 30.1 – 30.10* · *https://www.ecfr.gov/current/title-15/subtitle-B/chapter-I/part-30/subpart-A?toc=1*

EEI Filings - Penalties

15 CFR 30.71 - False or fraudulent reporting on or misuse of the Automated Export System

Criminal Penalties

- Failure to File; submission of false or misleading information
  - ⚠ **$10,000 and/or 5 years in prison for EACH violation**
- Furtherance of illegal activities
  - ⚠ **$10,000 and/or 5 years in prison for EACH violation**

Forfeiture penalties

- (i) Any of that person's interest in, security of, claim against, or property or contractual rights of any kind in the goods or tangible items that were the subject of the violation.
- (ii) Any of that person's interest in, security of, claim against, or property or contractual rights of any kind in tangible property that was used in the export or attempt to export that was the subject of the violation.
- (iii) Any of that person's property constituting, or derived from, any proceeds obtained directly or indirectly as a result of this violation.

↗ *https://www.ecfr.gov/current/title-15/subtitle-B/chapter-I/part-30/subpart-H/section-30.71*

EEI Filings - Penalties

15 CFR 30.71 - False or fraudulent reporting on or misuse of the Automated Export System

Civil Penalties

- Failure to File Violations
  - ⚠ **$10,000 penalty per violation**
- Late filing violations
  - ⚠ **$1,100 for each day of delinquency, but not more than $10,000 per violation**
- Filing false/misleading information, furtherance of illegal activities and penalties for other violations
  - ⚠ **$10,000 penalty per violation**
  - Stackable

Forfeiture penalties

- In addition to any other civil penalties specified in this section, any property involved in a violation may be subject to forfeiture under applicable law.

↗ *https://www.ecfr.gov/current/title-15/subtitle-B/chapter-I/part-30/subpart-H/section-30.71*

EEI Filings - Takeaway

- ⚠ **A customer asks you to lower the price of a commodity on an EEI. What is the right call? (See the next slide.)**
- ⚠ **If your customer sends you a shipping label and the article is leaving the country, but no ITN number is noted on the label, or one cannot be provided by your customer - STOP! As the USPPI, you are responsible, and a violation is likely to occur.**
- Failure to use the CORRECT Schedule b code can result in penalties
  - 8807 and 8411 are not always the correct answer
  - You must use the MOST accurate HTS code
- Failure to declare the ECCN for a commodity is a penalty
- Failure to record licenses and license exceptions is a penalty
- Freight Forwarders are not your friend – make sure you send them an SLI that meets all the requirements of 30.1 – 30.10 and back it up with commercial invoices. Do not let your customer control the export.
- Strongly recommend requiring the freight forwarder to provide a copy of the AES filing

A customer asks you to lower the declared price of a commodity on an EEI filing. As the USPPI, what is the right call?

- **A** Adjust it to keep the customer happy
- **B** STOP — it's a violation subject to criminal and civil penalties
- **C** Lower it only if the value is under $2,500
- **D** Let the freight forwarder handle the filing

★ First correct answer from the room wins a prize!

Willful Blindness and Culpability

Jason Dickstein – General Counsel

Topics to Be Covered

- Vendor Vetting
- Purchasing
- Receiving Inspections
- Customer Vetting
- End User Verification
- Transaction Risk Analysis
- Tips, Tricks, and Tools
- Recent News

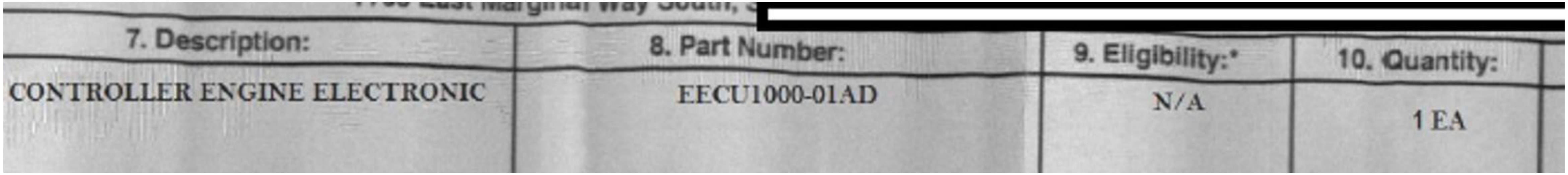
Vendor Vetting – Who Are You Buying From?

- Supplier approval process – not just a simple survey anymore
- Trust but verify where possible
- Verify certificates, addresses, and names match
- Check LinkedIn, website, and other sources to cross-reference

- **Risk Factors to Consider:**
- Known established company vs. unknown or unrecognized entity
- Commercial warehouse vs. virtual office space
- Requests for pre-payment

Aviation Spare Parts AV – April 2024

- What Was Seen – Red Flags:
- Address was not real – Google search could not locate address in UK
- Misspelling of city and invalid postal code
- Terrible document quality – obvious edits to AvAir documents and 8130-3



7. Description:	8. Part Number:	9. Eligibility:*	10. Quantity:
CONTROLLER ENGINE ELECTRONIC	EECU1000-01AD	N/A	1 EA

Document Example – AvAir Invoice

AVAIR

6877 W. FRYE ROAD
CHANDLER, AZ 85226
USA

AVAIR.AERO PHONE: 480.763.8200 FAX: 480.763.8212

ASA AVIATION SUPPLIERS ASSOCIATION

Packing Slip

Invoice #: 134195
Invoice Date: 2/11/2020
Time: 10:42:26 AM
Page: 1 of 1

Ship To:

Cust. PO#: P20582	Terms: NET 30	Ship Via: PICK UP	Ship Via Acc:
Order Date: 1/7/2020	# of Items: 1	# of Boxes:	Weight:
	Sales Order: 128468	Ship Log #: 0	Ship Order: 42719
	T #:	Cust VAT #:	Ship Date: 0
	ms: ExW	AWB:	Shipment:

⚠ Redacted Original Document

Item	Part Number/Description	Shipped	BackOrd	CD			Unit Price	UOM	Total Amt

Document Example – Comparison View

CHANDLER, AZ 85226
USA

Invoice Date: 11/11/2022
Time: 10:42:26 AM
Page: 1 of 1

AVAIR AERO

To:
Aviation Spare parts AV,
Uint 14 Westlink Romsey
Hampshie SO81 4EE
England

Ship To:
Aviation Spare parts AV,
Uint 14 Westlink Romsey
Hampshie SO81 4EE
England

Cust. PO#: P20582	Terms:	Ship Via: DHL	Ship Via Acc:
Order Date: 1/01/2022	# of Items: 1	# of Boxes:	Weight:
Prepared By: Ismael Salazar	Sales Order: 128468	Ship Log #: 0	Ship Order: 42719
Customer #: OCAI1	VAT #:	Cust VAT #:	Ship Date: 11/11/2022
Buyer: Aviation Spare parts AV,	IncoTerms: ExW	AWB: 4271999846	Shipment:

Item	Part Number/Description	Shipped	BackOrd	CD			Unit Price	UOM	Total Amt
1	EECU1000-01AD / EECU	DHL	N/A	NEW			$299,000		$299,000

Lessons Learned & Penalties – Aman Khan, California Aircraft and Avionics Corp

- Convicted of fraud involving aircraft parts in interstate and foreign commerce (18 U.S.C. § 38(a)(1)(C))
- Court docs show parts sold to NATO, NASA, private traders, and airlines
- Khan manufactured various parts, including wheel assemblies
- Submitted documents that falsely certified the provenance of equipment and conformity to approved design data
- Ordered to pay $1.5 million in restitution
- Original complaint cited approximately $3.5 million in incoming checks and wires
- Sentenced to 46 months in federal prison (September 26, 2022)
- No longer incarcerated

Aman Khan – Red Flag Example

Red Flag!
Tag provided to Customer by Aman Khan
2003 tag on 02-2014 rev

FAA Form 8130-3, AIRWORTHINESS APPROVAL TAG

4. Organization Name and Address:
Redacted

5. Work Order/Contract/Invoice Number:
J-386921/122

Item	Description:	8. Part Number:	9. Quantity:	10. Serial Number:	11. Status/Work:
1	NOZZLE TURBINE	804351CL22	742	N/A	NEW/TESTED

12. Remarks:
Manufacturing Date: 06/08
Acceptance test date: 07/05 TSN 00.00 / TSO-
Shelf Life: NA
Modification: NA
UTC CORPORATION - PRATT WHITNEY - SPARE PARTS DIVISION

13a. Certifies the items identified above were manufactured in conformity to:
☑ Approved design data and are in a condition for safe operation.
☐ Non-approved design data specified in Block 12.

14a. ☐ 14 CFR 43.9 Return to Service ☐ Other regulation specified in Block 12
Certifies that unless otherwise specified in Block 12, the work identified in Block 11 and described in Block 12 was accomplished in accordance with Title 14, Code of Federal Regulations, part 43 and in respect to that work, the items are approved for return to service.

13b. Authorized Signature:
Redacted

13c. Approval/Authorization No.:
Redacted

14b. Authorized Signature:

14c. Approval/Certificate No.:

13d. Name (Typed or Printed):
Redacted

13e. Date (dd/mmm/yyyy):
23-OCT-2003

14d. Name (Typed or Printed):

14e. Date (dd/mmm/yyyy):

User/Installer Responsibilities

It is important to understand that the existence of this document ...

Where the user/installer performs work in accordance with ... Block 1, it is essential that the user/installer ensures that his/... specified in Block 1.

Statements in Blocks 13a and 14a do not constitute installation ... national regulations by the user/installer before the aircraft may ... in accordance with the

FAA Form 8130-3 (02-14)

NSN: 0052-00-012-9005

⚠ 2003 tag on 02-2014 revision

Supporting Document Evidence

13a. Certifies the items identified above were manufactured in conformity to:

- [x] Approved design data and are in a condition for safe operation.
- [ ] Non-approved design data specified in Block 12.

14a. ☐ 14 CFR

Certifies that
and describe
Federal Regu
return to serv

13b. Authorized Signature:

13c. Approval/Authorization No.:

14b. Authorized S

13d. Name (Typed or Printed):

13e. Date (dd/mmm/yyyy):
23-OCT-2003

14d. Name (Typed

User/Installer Responsibilities

It is important to understand that the existence of this document alone does not automatically constitute authority to

Where the user/installer performs work in accordance with the national regulations of an airworthiness authority di Block 1, it is essential that the user/installer ensures that his/her airworthiness authority accepts aircraft engine(s)/pe specified in Block 1.

Statements in Blocks 13a and 14a do not constitute installation certification. In all cases, aircraft maintenance recor national regulations by the user/installer before the aircraft may be flown.

FAA Form 8130-3 (02-14)

Riverside Man Ordered to Spend 46 Months in Federal Prison in His Second Federal Case Stemming from Sale of Bogus Aircraft Parts

Monday, September 26, 2022

Share

For Immediate Release

U.S. Attorney's Office, Central District of California

LOS ANGELES – A Riverside man who previously served a lengthy prison sentence in two aircraft-related cases was sentenced today to nearly four years in federal prison for selling bogus aircraft parts and for falsifying related documents.

Aman Khan, who is also known as Amanullah Khan, 73, of Riverside, was ordered to serve 46 months in prison by United States District Judge R. Gary Klausner. In addition to the prison term, Judge Klausner ordered Khan to pay $1,538,054 in restitution and further ordered the forfeiture of all aircraft components seized from Khan's former business.

Kyle Wine – Penalties & Red Flags

- Convicted of wire fraud (18 U.S.C. § 1343) and two counts of money laundering (18 U.S.C. § 1957)
- Purchased an aircraft with investors' money and sold parts while hiding sales from the investor
- Used funds for additional purchases of aircraft parts
- Defrauded multiple victims with undelivered aircraft parts

Penalties

- Ordered to pay $7.15 million in restitution
- 11 years in federal prison

Red Flags

- Existing vendor began requesting pre-payment where they had previously provided parts on credit
- Record of aircraft sale found by investor

Operator of Aircraft Supply Businesses Sentenced to 11 Years in Federal Prison for $7 Million Fraud Scheme

Wednesday, February 8, 2023

Share

For Immediate Release

U.S. Attorney's Office, District of Connecticut

Vanessa Roberts Avery, United States Attorney for the District of Connecticut, announced that KYLE J. WINE, 42, of Lee's Summit, Missouri, was sentenced today by U.S. District Judge Omar A. Williams in Hartford to 132 months of imprisonment, followed by three years of supervised release, for fraud and money laundering offenses stemming from a $7 million scheme related to his commercial aircraft supply businesses.

According to court documents and statements made in court, Wine owned and operated various companies engaged in the business of commercial aircraft supply, including JetPro International, LLC ("JetPro"), Nexus Aviation, and Turbotech Partners.

Lessons Learned – AOG Technics / Jose Alejandro Zamora Yrala

- Convicted of fraudulent trading (UK Serious Fraud Office) – guilty plea December 1, 2025; sentenced February 23, 2026
- Sold 60,000+ parts for CFM56 engines (B737/A320) using forged EASA Form 1 and FAA 8130-3 certificates
- Fraudulent parts represented ~90% of AOG Technics revenue ($9.3M); caused $53M in industry losses
- Triggered global groundings – 126+ engines affected; FAA, EASA, and UK CAA issued safety alerts to all operators
- Sentence: 4 years 8 months in prison

AOG Technics – Red Flags

- Forged EASA Form 1 and FAA 8130-3 certificates
- Seller operated from a virtual address (Surrey, UK) –verify physical address legitimacy for any supplier
- Faked Linkedin Profiles with stolen pictures from real people
- Documents did not match condition – inspected parts shown as overhauled
- Discrepancy was caught when ONE airline verified a certificate with Safran – this is how systemic fraud ends.
- Verify!

What Do They Have in Common?

- Aman Khan – Multiple Prior Convictions
- 1996: Sentenced to 4.5 years in prison for selling bogus aircraft parts (LA Times)
- 2005: Sentenced to 16 years in prison for selling subpar flight-critical aircraft parts (DOJ)

- Kyle Wine – Prior Criminal History
- 2010: Convicted of conspiracy to commit interstate transportation of money obtained by fraud and money laundering
- 3 years probation and ordered to pay $566K restitution

Why Does That Matter?

recidivism noun

re·cid·i·vism ri-ˈsi-də-ˌvi-zəm

: a tendency to relapse into a previous condition or mode of behavior

especially **:** relapse into criminal behavior

The Wendell H. Ford Act

Criminal penalties for knowingly falsifying aviation manufacturing/quality documents

Outcome	Individual Fine	Individual's Imprisonment	Company's Fine
Part Installed	$500,000	15 Years	$10,000,000
Cause of Injury	$1,000,000	20 Years	$20,000,000
Cause of Death	$1,000,000	LIFE	$20,000,000
Other than the above	Individual's Fine	10 Years	$10,000,000

The Wendell H. Ford Act became law on April 5, 2000.

- ✓ It was the result of a aircraft disaster that killed 14 people due to missing bolts in the horizontal stabilizer that were not detected during inspection by the FAA prior to the flight.
- ✓ The NTSB later cited the company management with having a corporate culture that allowed lax quality procedures, even after a fatal accident.

21

Receiving Inspections

Receiving Inspections – Document Examples

FAA Form 8130-3, AIRWORTHINESS APPROVAL TAG

4. Organization Name and Address:	5. Work Order/Contract/Invoice Number:
[redacted]	RO. NO-094

6. Item:	7. Description:	8. Part Number:	9. Quantity:	10. Serial Number:	11. Status/Work:
01	MAIN WHEEL ASSY	3-1674	ONE	D2082/D2082	OVERHAULED

12. Remarks:
MAIN WHEEL ASSEMBLY OVERHAULED AND INSPECTED WITH FLOUROSCENT PENETRANT FOR ANY CRACK AS PER ASTM DATED: SEPT 1,2021, NO INDICATION OF CRACK OBSERVED AT THE TIME OF INSPECTION.
REPAIR ORDER NO. 094 DATED: 28/05/2025.

13a. Certifies the items identified above were manufactured in conformity to:

- ☐ Approved design data and are in a condition for safe operation.
- ☐ Non-approved design data specified in Block 12.

14a. ☐ 14 CFR 43.9 Return to Service ☐ Other regulation specified in Block 12

Certifies that unless otherwise specified in Block 12, the work identified in Block 11 and described in Block 12 was accomplished in accordance with Title 14, Code of Federal Regulations, part 43 and in respect to that work, the items are approved for return to service.

13b. Authorized Signature:	13c. Approval/Authorization No.:	14b. Authorized Signature:	14c. Approval/Certificate No.:
			[redacted]
13d. Name (Typed or Printed):	13e. Date (dd/mmm/yyyy):	14d. Name (Typed or Printed): [redacted]	14e. Date (dd/mmm/yyyy): 28/MAY/2025

User/Installer Responsibilities

It is important to understand that the existence of this document alone does not automatically constitute authority to install the aircraft engine/propeller/article.

Where the user/installer performs work in accordance with the national regulations of an airworthiness authority different than the airworthiness authority of the country specified in Block 1, it is essential that the user/installer ensures that his/her airworthiness authority accepts aircraft engine(s)/propeller(s)/article(s) from the airworthiness authority of the country specified in Block 1.

Statements in Blocks 13a and 14a do not constitute installation certification. In all cases, aircraft maintenance records must contain an installation certification issued in accordance with the national regulations by the user/installer before the aircraft may be flown.

FAA Form 8130-3 (02-14) NSN: 0052-00-012-9005

Receiving Inspections – SUP Example

1. Approving Competent Authority/Country	2.	3. Form Tracking Number
EASA	**AUTHORISED RELEASE CERTIFICATE** EASA FORM 1	Redacted Page 1 of

4. Organisation Name and Address:	5. Work Order/Contract/Invoice
Redacted	RO-8309

6. Item	7. Description	8. Part No.	9. Qty.	10. Serial No.	11. Status/Wo
01	BR710 SEE GX	EECU1000-01AD	1 EA	E0064288	NEW

12. Remarks
REF: CMM 73-25-16 ISSUE 1 JUN 14/13 AND APPROVED DESIGN DATA.
SOFTWARE STD: X2.0.
TSN/CSN: NOT KNOWN.
NMSB: EECU1000-73-102 INITIAL ISSUE SEP 26/08 SATISFIED.

⚠ CMM Information but Block 11 Status is: NEW

13a. Certifies that the items identified above were manufactured in conformity to:

- [X] approved design data and are in a condition for safe operation
- [ ] non-approved design data specified in block 1

14a [ ] Part-145.A.50 Release to Service [ ] Other regulation specified in block 12

Certifies that unless otherwise specified in block 12, the work identified in block 11 and described in block 12, was accomplished in accordance with Part 145 and in respect to that work the items are considered ready for release to service.

13b. Authorised Signature	13c. Approval / Authorisation Number	14b. Authorised Signature	14c. Certificate / Approval Ref. N
Redacted	Redacted		
13d. Name	**13e. Date (dd mmm yyyy)**	**14d. Name**	**14e. Date (dd mmm yyyy)**
Redacted	22 JAN 2024	NEW	

USER / INSTALLER RESPONSIBILITIES

This certificate does not automatically constitute authority to install the item(s).

Where the user/installer performs work in accordance with regulations of an airworthiness authority different than the airworthiness authority specified in block 1, it is essential that the user/installer ensures that his/her airworthiness authority accepts items from the airworthiness authority specified in block 1.

Statements in blocks 13a and 14a do not constitute installation certification. In all cases aircraft maintenance records must contain an installation certification issued in accordance with the national

EASA Form 1-MF/CAO/145 Issue 3

Sales and Shipping – Customer Vetting

- KYC (Know Your Customer) forms are a MUST
- Do your research
- Customer screening does not end at sanctions lists

- **Risk Factors to Consider:**
- Where is my customer? Domestic (USA) or am I exporting?
- Is the shipping destination country subject to current sanctions?
- Is the customer in a high-risk region?
- Is there any derogatory information at all?

Lessons Learned – Oleg Patsulya & Vasilii Besedin, MIC P&I LLC

- Oleg Patsulya – convicted of 50 U.S.C. § 4819 (multiple counts) and 18 U.S.C. § 1956 – conspiracy to export without license and international money laundering (2 counts)
- Vasilii Besedin – convicted of 50 U.S.C. § 4819 (1 count)
- Patsulya sentenced April 2025 to 70 months (5.8 years) in federal prison; Besedin previously sentenced to 2 years
- Intermodal Maldives (freight forwarder) also received a Temporary Denial Order (TDO) as a result

Patsulya & Besedin – Method of Operation

- Established shell companies in Turkey and Florida
- Purchased parts as a domestic business
- Provided no end user and then false end users – including to federal agents
- Attempted shipping through Turkey and Maldives via third party

- This example is a textbook group of red flags

What Were They Buying?

- Everything! The confiscated bill of goods contained a total of 73 line items
- Batteries, brakes, power units, consumables, hardware, seals, smoke hoods, squibs, pitot tubes, and generators
- Multiple aircraft types – Boeing, Airbus, and Embraer, plus universal TSO material
- This is another reason to review ALL orders thoroughly

Patsulya & Besedin – Red Flags

- MIC P&I LLC was not a known aviation company – they also owned a pool coating service
- No end users were named in transactions
- Freight forwarders located in countries not subject to current sanctions
- High risk destinations!

Leader of Export Control Evasion Scheme Sentenced to 70 Months in Prison

Wednesday, April 2, 2025

Share

For Immediate Release

Office of Public Affairs

Defendant and Co-Conspirator Both Sentenced to Prison for Conspiring to Send Controlled Aircraft Components to Russia

CASE STUDY

Apollo Aviation Group

Red Flags, Mistakes & Lessons Learned

12
OFAC Violations

$210K
Settlement Fine

2013–15
Violation Period

Red Flags

Warning signs that should have triggered deeper scrutiny

Multi-Hop Lease Chain

Engines leased to a UAE entity, subleased to a Ukrainian airline, then wet-leased to Sudan Airways — 3 layers of counterparty distance with zero ongoing visibility.

Absence of Monitoring Controls

Sanctions contract clauses existed, but no tracking system, periodic audits, or end-use verification was in place to confirm physical engine location.

Sanctioned-Region Adjacency

The sub-lessee was a Ukrainian airline known to operate in or near high-risk regions. Sub-lessees of sub-lessees in emerging markets demand heightened scrutiny.

Delayed Discovery on Engine #1 & #2

Apollo didn't discover Sudan Air's use of the first two engines until after they were returned — a signal that information flow was broken at sub-lessee level.

⚠️ Key Mistakes

01

Paper Compliance ≠ Real Compliance
Apollo included sanctions clauses in leases but treated the written contract as the end of its obligation. OFAC ruled that contractual language alone is insufficient for a sophisticated entity.

02

No Post-Execution Monitoring
Apollo never set up periodic checks, site verifications, or lessee reporting requirements after signing. Engines vanished into a 3-party chain for over a year without scrutiny.

03

Failure to Screen Sub-Lessees
The Know-Your-Customer obligation extended to sub-lessees. Apollo's KYC process stopped at the direct counterparty (Company 1, UAE), not the entity that physically used the engines.

04

No Corrective Loop After First Return
When the first two engines came back in March 2015, Apollo missed the opportunity to investigate and discovered the Sudan Airways link only when researching the third engine.

✅ Lessons Learned

What every aircraft lessor — and any asset-based business — should take away

Contracts Are Not Controls
A sanctions clause shifts moral liability, not legal liability. OFAC requires active verification, not passive paperwork.

Monitor Throughout the Lease Life
Implement periodic asset-location checks, lessee reporting obligations, and right-to-audit clauses with teeth.

KYC Must Extend to Sub-Lessees
Screen every party in the chain — including entities your counterparty may onward-lease to — against SDN and sanctions lists.

Build Compliance Infrastructure
OFAC penalised Apollo as a 'large, sophisticated entity.' Size and sophistication increase expected standards — invest accordingly.

Treat Every Return as a Trigger
When an asset is returned, conduct a retroactive usage audit. Returned assets = intelligence opportunity.

Disclose & Cooperate Early
Proactive disclosure and cooperation are powerful mitigants.

Recent News – Russian Airlines Sanction Evasion

Russian Airlines Skirt Sanctions to Keep Their Jets Flying

By Jinshan Hong, Sam Dodge, Kate Duffy, Mihir Mishra and Julia Janicki
May 26, 2026

In late 2024, an aircraft-parts trader in Luxembourg organized what appeared to be a pair of routine transactions, selling two secondhand jet engines stored in Canada to a buyer in India.

Changing Landscape and Moving Targets

- Training and arrests guide criminals to learn new tactics
- We see different strategies now than we did a year ago — and the year before that
- End user verification seems harder to obtain — but it remains the same requirement

MORE RECENT NEWS

- CHABOK FZCO (a.k.a. "CHABOK AVIATION") in UAE sanctioned 21-Apr-2026 for supplying MAHAN AIR (IRAN)

Evolving Evasion Tactics

- Naming random aircraft to obscure true destination
- Some listed as damaged

> std at GML 3 Dec 2021
> Incident Feb 2022 at GML after being damaged by Russian armed forces during invasion of Ukraine

- Fake tail numbers that cannot be verified or offer conflicting results
- Airline names being used — news articles show the airline was shut down years ago
- Aircraft being named as one end user one month, a different end user the next

Who's on Our Side? – Disruptive Technology Strike Force (DTSF)

DISRUPTIVE TECHNOLOGY STRIKE FORCE (DTSF)

Comprised of:

- FBI
- Department of Justice (DOJ)
- Bureau of Industry and Security (BIS)
- Defense Criminal Investigative Service (DCIS)
- Homeland Security Investigations (HSI)

These agencies are actively investigating multiple cases around the world

Develop Training and Awareness Programs

- Awareness of current global situation and sanctions
  - DON'T ASSUME people know anything — share information proactively
  - Document all trainings
  - Teach the history behind sanctions (e.g., Iran, GP-8 countries)

- Awareness of consequences for violations

- Case studies and real-world examples

- "Don't Let This Happen to You" publications are useful — read older editions too

- These have been published for years, read the old ones. Just because it happened a long time ago, we should still learn from it.

Checklist or Decision Tree

- Create separate processes for customer vetting AND individual order vetting
- Establish your own criteria for reviewing a customer — document it!
- Document WHY you made decisions against individuals or companies
- Record refusal or acceptance of individual orders
- Follow it every time — consistency is key
- Record your actions and decisions, including your reason for denying or accepting an order

If you do business with Company A in China, be able to show how you arrived at that decision

BASIC Customer Vetting Checklist

	A	B	C
1	Company Name:		
2	Date Reviewed:		
3	Reviewed by:		
4		OK	NOT OK
5	EUC Compliance form on file?		
6	KYC form on file?		
7	Owners ID on file?		
8	Other required Docs?		
9	Consolidated Screening list/OFAC/SDN list?		
10	Shipment Records search / Import Genius or Panjiva?		
11	Is this a drop shipment to another customer/ Shipping to a third party?		
12	Check third party against all of the above?		
13	Item related restrictions ECCN vs All of the above!		
14	**FINAL DECISION**		

Export End Use Compliance Form Options

- A basic Export Compliance / End Use Compliance form
- A signed (possibly stamped) pledge from the customer or end user acknowledging and agreeing to comply with all applicable export laws
- Consult EXPORT COMPLIANCE counsel if you are unsure what it should contain — showing legal guidance adds credibility
- Can be created as a blanket statement for all orders rather than per order, if deemed appropriate

Know Your Customers – KYC Form

- The purpose is to identify red flags (or the absence thereof) in your transaction
- Recommend a simple form to collect information for review
- Examples are available
- Picture ID for owners – it is OK to ask, but be mindful of GDPR
- Is one company owned by another? This can shield true identities – dig in!
  - Copy of business licenses, tax-exempt certificates
  - Search sites like Florida Sunbiz to confirm information where possible
- For BIS KYC guidance, see Supplement No. 3 to 15 C.F.R. Part 732

Keep a Compiled List or Report

- List of denied or blocked companies
- Include owner names where possible
- At minimum, record the following for each entry:
  - Reasons for denial
  - Contacts
  - Email addresses
  - Web domain
  - Location
  - Notes

Keep a Compiled List (continued)

- You are creating a database to continually use and review against similar fact patterns where you have already made a decision
- Use a simple "highlight duplicates" function to show that someone you dealt with previously is trying again under a new company
- Don't be afraid to ask questions to clarify information — the answers provided can be very telling, or alarming

Compare and Look for Consistency

- Check emails vs. websites vs. information provided on forms
  - Email domains different from website domains (e.g., samename.com vs. .aero)
  - Website listed on KYC different from email domain or website in signature
  - Websites or domains hosted in multiple countries

- Owner names vs. business filings
  - Check recent filing changes

- Tail numbers given vs. tail numbers as listed in the registry - CONFIRM

- Fact patterns similar to previously denied orders

- Communication to/from other domains or companies — same as a SUP red flag

Use Your ERP System Controls

- Remove unnecessary permissions
  - Block companies in the system
  - Don't allow every employee to create new accounts
  - If they can create accounts, prevent sales orders until vetting is complete

- Quantum, AvSight, and others have functionality that will not allow staff to enter orders for blocked companies

- Some systems allow you to add a review step in the workflow

- Create alerts from your ERP if possible! Many can do it easily!

Resources – Free

- Whois Database (whois.com/whois) – shows website hosting info including host city/country, when site was registered; ask: is this consistent with what I've been told?

- Wayback Machine – Internet Archive (archive.org/web) – years of saved website images; check pre-2014 versions before Russia sanctions

- BIS Online Training Room (bis.doc.gov) – multiple training videos

Resources – Free (continued)

- APIs for linking to lists like the CSL, OFAC SDN, and SSI lists
- Import Genius (limited access) – named in NYT article 3/15
- Google and Facebook – use carefully, but freely available
- Government notifications – U.S. Government, DOT, FAA, EASA, TCCA, and the ASA Blog
- BIS Counselors – they will call you back

Resources – Paid

- Maxmind.com ($) – cost is pennies per search; identifies source IP address of emails (note: can be fooled by VPNs)
- Panjiva
- Sigma360 ($$$)
- Import Genius – Paid version ($-$$$) – more detailed information
- Visual Compliance – Professional Consolidator ($$$) – searches multiple lists at once, can compare destination and ECCN, keeps auditable records

Example – Import Genius Scenario

- You receive a purchase order from a co
- You check them on Import Genius
- You find they have 100+ imports into Russia
- Their top two Russian clients are:
- Северный Ветер (Nordwind Airlines)
- АО Авиакомпания Россия (Rossiya Airlines)
- Most recent import into Russia was October 2022

Nordwind Airlines
TDO issued June 24, 2022

Rossiya Airlines
TDO issued May 20, 2022

Example – Conclusion

- Their top two Russian clients are
  - Северный Ветер and
  - АО Авиакомпания Россия

- Most recent import into Russia was October 2022

- This apparent violation is enough to create a red flag that must be investigated and cleared before transacting business, to ensure your own export to this entity is not diverted to Russia

Observations

- Companies will try to convince you in every way possible that what you see on Import Genius or Visual Compliance is incorrect, or that they are not the person listed on the Screening List
- If you have seen information from one of these systems that matches your transaction, you are already blocked by GP-10 — don't proceed
- If you are leery of someone or don't trust them, you reserve the right to refuse
- Foreign actors don't care about you or your company, and they don't care about U.S. laws — you will be the one paying the price for their manipulation
- Their current tactic of flooding the market with requests and new companies has put us in a position of limited resources — make unilateral decisions where necessary to protect yourselves

Promoting Compliance to Management and Colleagues

- Provide case studies that show what went wrong and the fines and/or imprisonment handed down to others
- Provide training for better understanding of why compliance is important
- Ensure your team knows that the U.S. can bring enforcement actions against non-U.S. citizens, even if they are not located in the U.S. — if you work for a U.S. company, you must comply with U.S. export laws

Promoting Compliance – Motivating Your Team

- Find what motivates your staff – some may be motivated by the need to comply for compliance's sake
- Others may be more motivated by understanding the consequences of non-compliance: civil and criminal penalties, incarceration, loss of export rights, etc.
- You are protecting the best in

Key Laws and Penalty References

- Max Civil Penalties: bis.doc.gov (administrative enforcement guidelines)
- 13 U.S.C. 305 – Penalties for unlawful export information (false or misleading info through AES or SED)
- 50 U.S.C. 4801 – Export Control Reform Act of 2018 (ECRA)
- 18 U.S.C. 554 – Smuggling goods from the United States

Thank You

Lisa Matos | Jared Knights
With guidance from Jason Dickstein