



Facilitating Trade in a Secure Trading Environment

Internal Compliance Programme (ICP)

21 Jan 2014

Strategic Trade Secretariat, STS, MITI



What is ICP?

- It is a set of **procedures** that have to be implemented **within a company** before a bulk/multiple permit is granted (valid for 2 years).
- The procedures in place **ensure that the company complies** with the Strategic Trade Act 2010 and associated Regulations.
- The Controls can be done:
 - manually
 - electronically etc.
- **Other names** for ICP:
 - Internal Control Plan
 - Export Management System
 - Export Compliance Program
 - Trade Compliance Program



What do we want to achieve?

- **Centralise** export-related procedures
- **Standardise** control procedures
- Provide **early warning**
- Generate **record keeping** and **complete documentation** for sensitive exports
- Develop and maintain **good relationship** with **export control authorities**
- **Keep updated** on export control laws and regulations
- **Train all employees** on the need for export control (company-wide)



Why is it necessary?

- **Ensure compliance** with applicable laws and regulations
- **Detect** export control violations
- **Contribute** to **non-proliferation** of sensitive items, technology and information



Key Elements of ICP

- **Company-wide awareness** of export control
- **Highest level of support**, i.e. letter from CEO or equivalent
- Clearly assigned **accountability**
- **Written** compliance manuals, policies and procedures
- ICP to be **integrated with standard business procedures**
- **On-going training** on policies and procedures
- **Regular audits/self-assessments**
- **Corrective action plans**



MITI's Checklist

AN EFFECTIVE ICP REQUIRES THE FOLLOWING:

- 1) Management Commitment**
- 2) Screening Process**
- 3) Training**
- 4) Record-keeping**
- 5) Audit**



MITI's Checklist



AN EFFECTIVE ICP REQUIRES THE FOLLOWING:

1) Management Commitment

- Nominate a person responsible for ICP**
- Authorised personnel for permit application**
- Written policy on export control**
- Awareness of export control within company**
- Clause in contract with buyers that items purchased will not be used for WMD and other illegal purposes**

MITI's Checklist



AN EFFECTIVE ICP REQUIRES THE FOLLOWING:

2) Screening process

- A robust Screening Process
- Screening of products
- Screening of end user
- Screening of end use
- Screening of destination
- Red flag indicators



MITI's Checklist



AN EFFECTIVE ICP REQUIRES THE FOLLOWING:

2) Screening process – The Key to a good ICP

A. Customer

- Is **identity** of customer/end-user **transparent**?
- Are there any **middlemen** involved?
- Is the customer in a **denied list**?
- Is the customer **hesitant in providing information** on end-use, details on customer himself, etc.?
- Is the **product** purchased **in line with buyer's business**?
- Is the **financing mode** suspicious?
- Is the customer **new**?

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2) Screening process – The Key to a good ICP

B. End-User

- Is the buyer **evasive** of the end-use?
- Is the **recipient** country in the **sanction** list?

C. Final Destination

- Is the destination under the **UN sanction**?
- Is there a risk of **diversion**?
- Is the item to be used **to upgrade existing equipment**?
- Has the **recipient country an export control system**, especially for sensitive **goods**.

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D. Shipping Procedure

- Is a **freight forwarder** listed as the **final destination**?
- Is the **shipping route abnormal**?
- Is the **packaging** requirement **consistent** with **mode of shipping**?
- Are there **unusual** request concerning **labeling**?



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E. Sales Contracts

- Are there requests for **unusual addition without** a convincing **explanation**?
- Is there request for **performance guarantee, warranty** or **normal service**?
- Is routine installation, training or maintenance services **declined** by customer?



MITI's Checklist



AN EFFECTIVE ICP REQUIRES THE FOLLOWING:

3) Training

- **Training plan (training for personnel involved in export control at least once in 18 months)**
- **Incorporate export control into training programs for all staff**



MITI's Checklist

AN EFFECTIVE ICP REQUIRES THE FOLLOWING:

4) Record Keeping

- **Proper Record Keeping (6 years)**

5) Audit (annually)

- **System**
- **Process**
- **Documentation**





Audit Findings

Main highlights on audit conducted over 80 companies in 2012 and 2013 :

1. Unavailability of K2 Form – record keeping
2. Wrong declaration in K2 Form by freight forwarders assigned by company (recommendation for shipper's instruction)
3. No audit conducted specifically on export control
4. Training plans are not executed as per ICP submitted
5. Screening of product and end user does not include STA List
6. Nomination of Export Control Officer is not made known to other members within the organisation.
7. Delivery Verification Statement are not updated/kept – requested as and when deemed necessary for multiple or bulk permit

AUDIT

Thank you

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