

Internal Compliance Programs (ICPs)

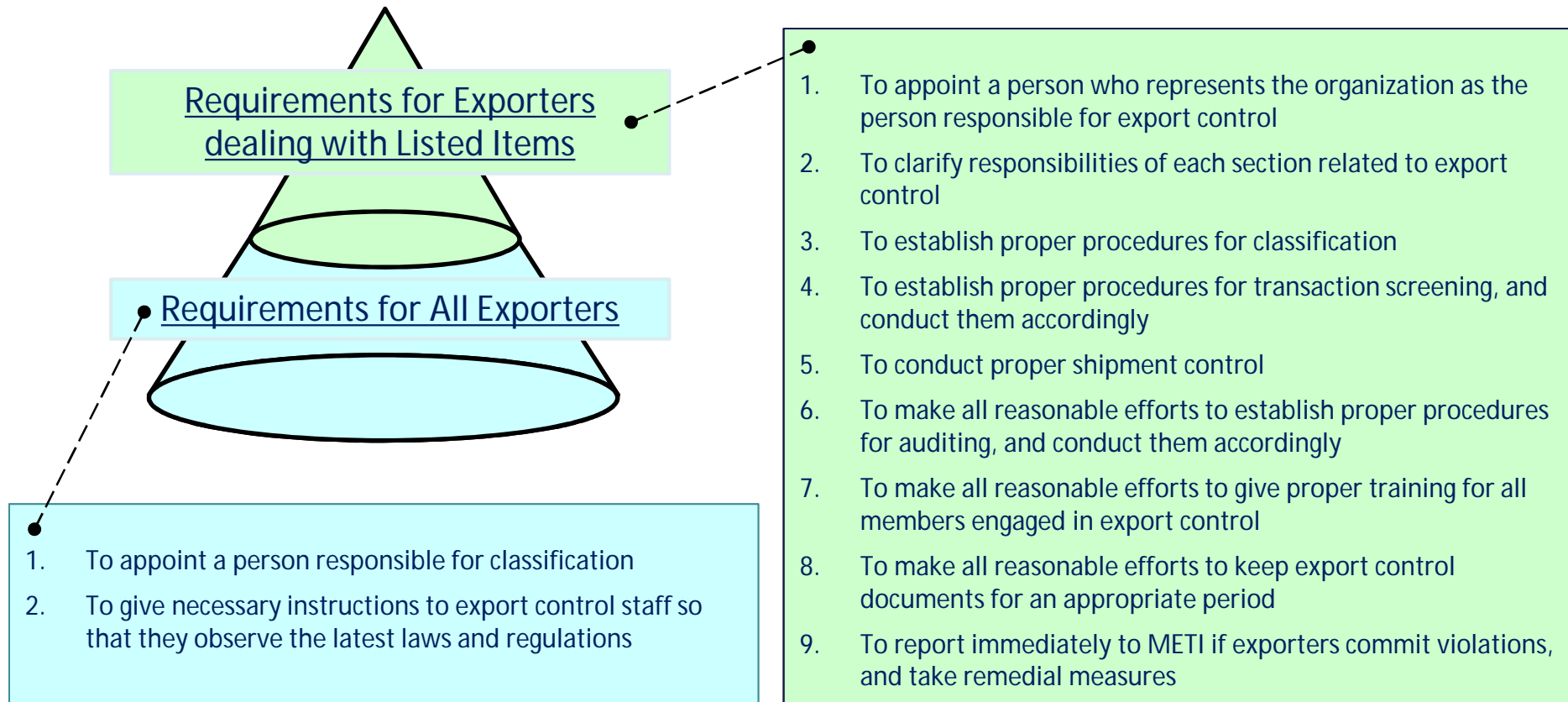
- In April 2010, METI amended the Act, and introduced the “standards for exporters,” which require every single individual, company or academic institution that is engaged in exports of goods or transaction of technology to have a system guaranteeing a minimum level of self-management.
- To observe the “standards for exporters” is a legal obligation. A violator of the standards can receive a criminal penalty.



Requirements for Exporters

■ “Standards for exporters” have a **double-layered** structure.

- The standards require that **all exporters** observe the two points.
- The standards also require that **exporters who are engaged in export or transaction of listed items** observe the nine additional points.



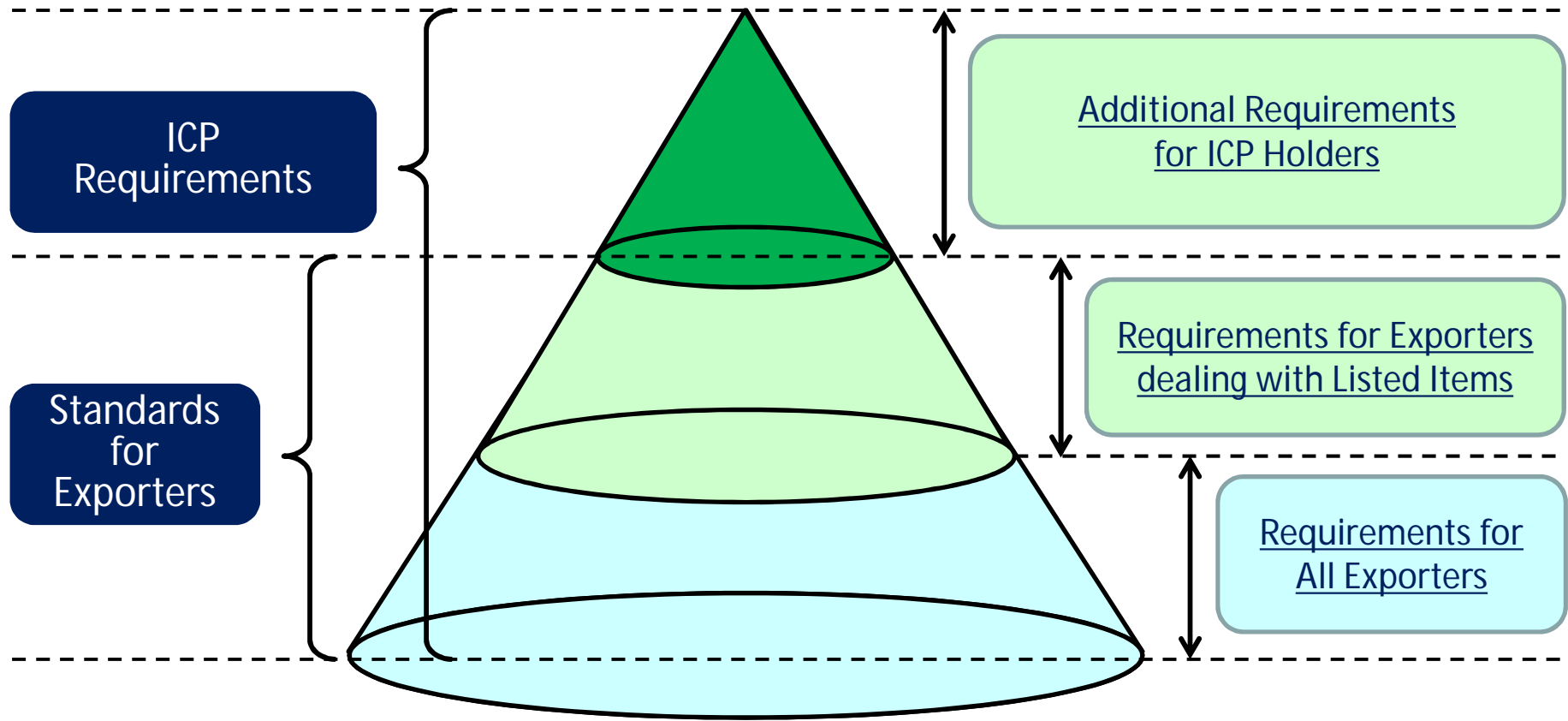
Internal Compliance Programs (ICPs)

- An ICP is an **exporter's internal policy** to comply with the export control laws and regulations.
- Having an ICP is **not mandatory**, but METI has been encouraging exporters in Japan to establish an ICP.
- METI has been encouraging exporters to develop their ICPs voluntarily, and has **registered them since 1987**.
- METI has also been encouraging overseas subsidiaries to develop ICPs since 2005.

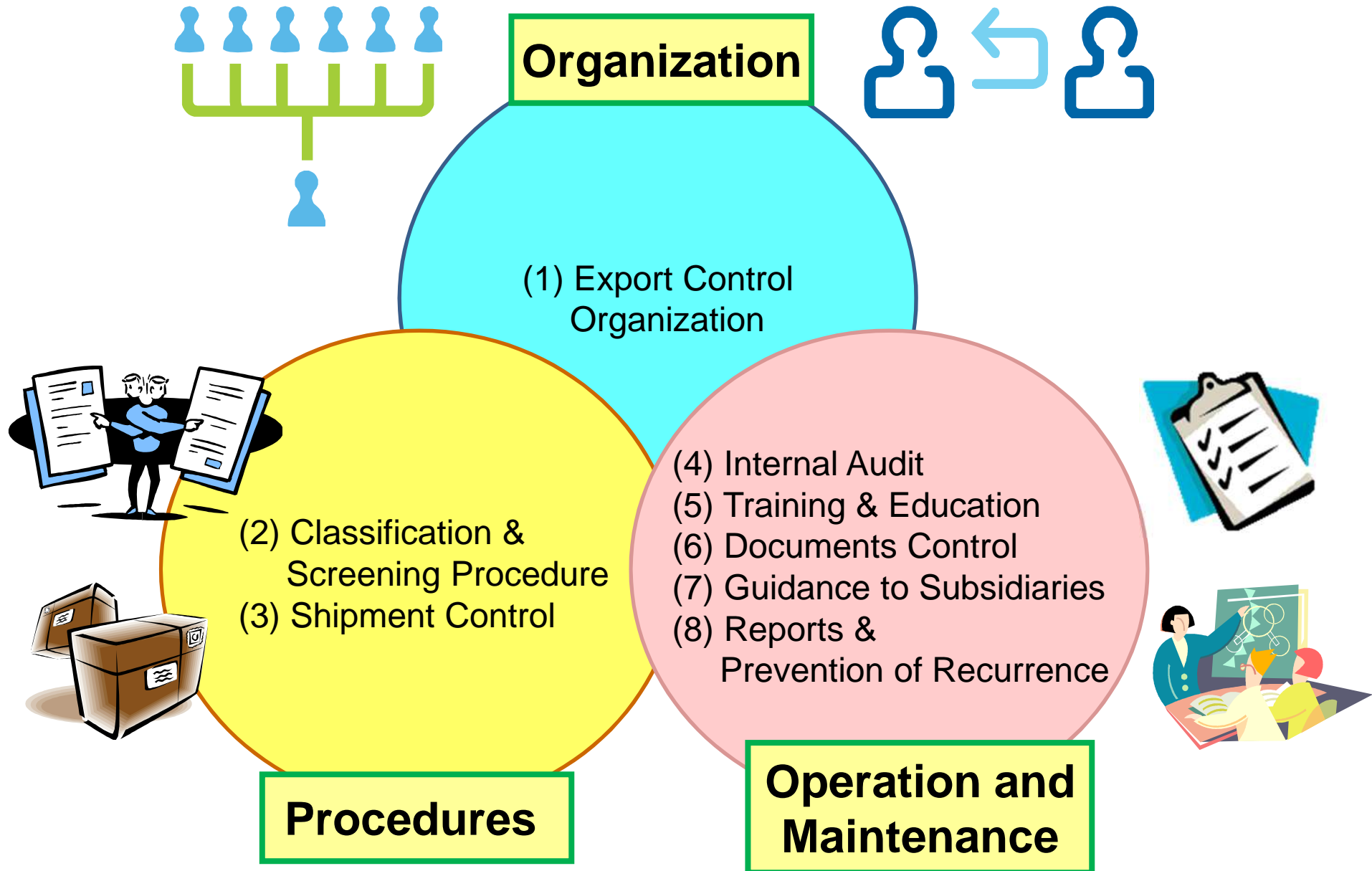
Year	2010	2011	2012	2013	2014
Exporters submits ICPs to METI	1 , 4 3 0	1 , 4 4 5	1 , 4 6 3	1 , 4 5 0	1 , 4 5 1

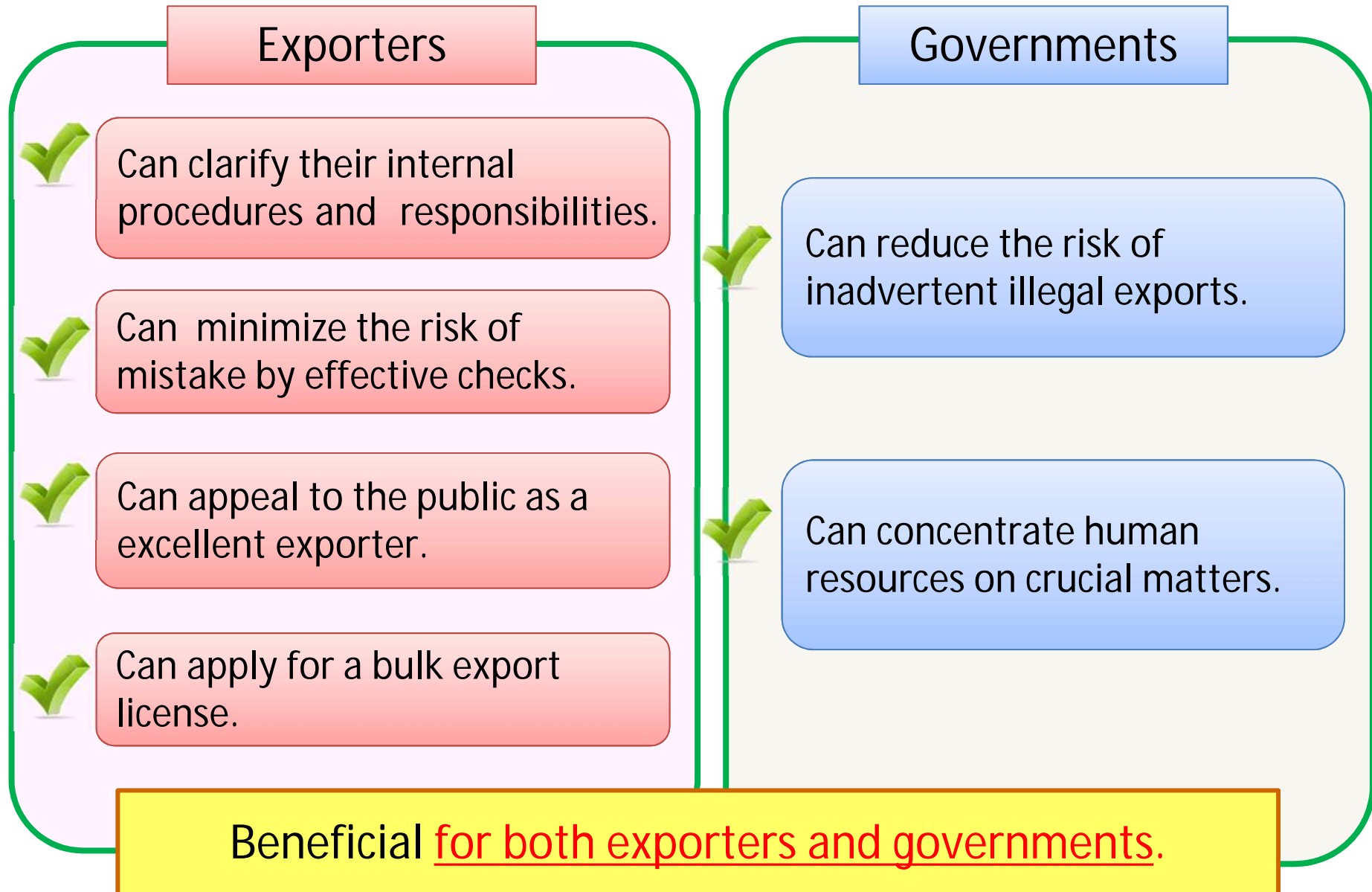
- METI has released guidelines for **ICP requirements**, and exporters establish their ICPs in accordance with the guidelines.
- ICP requirements are very similar to “standards for exporters,” but the bar for the ICP is set **a little higher** than for the standards.
- Differences between the two are as follows:
 - Auditing, training and record-keeping and proper instruction regarding export control to subsidiaries and affiliated companies are required to be included in an ICP.
- Exporters who have registered an ICP with METI **automatically satisfy** the requirements of “standards for exporters.”

ICPs and “Standards for Exporters”



Main Requirements for ICPs





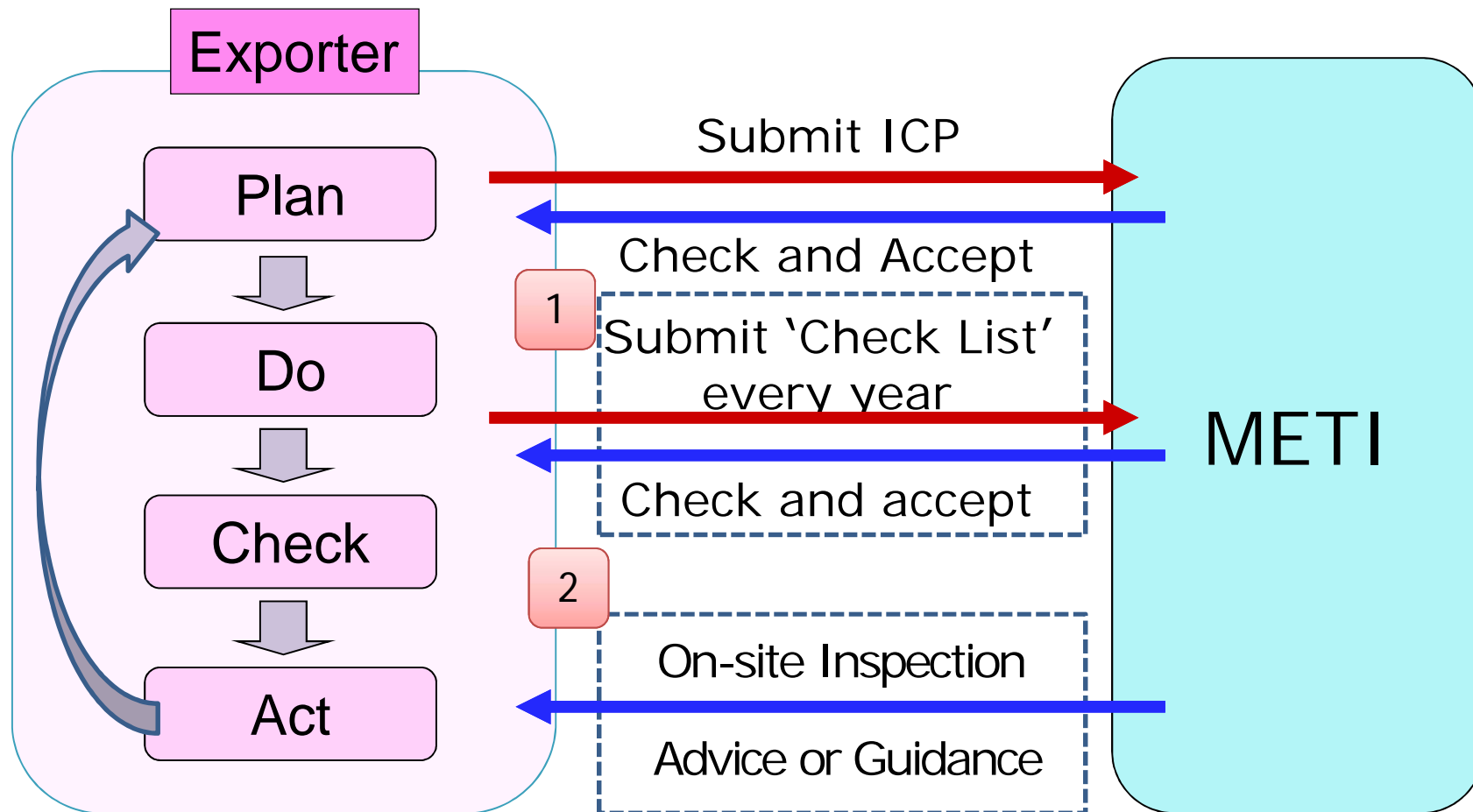
■ Benefits for exporters:

- They can **strengthen their self-management system** and **reduce the risk of committing unintentional illicit exports**.
- Those who have registered an ICP with METI can **apply for bulk licenses**.
- They can also **advertise to the public as an excellent exporter**.

■ Benefits for the government:

- It helps the government to **strengthen the overall export control system**.
- The government can also **focus its resources on malicious illicit export cases**.

There are two types of de facto audit:
Check List and On-site Inspection



- METI conducts **two types of audits**: one is a paper audit using a “**Check List (CL)**,” and the other is an **on-site inspection**.
- A CL is a document that shows whether an exporter carries out export control in accordance with its ICP.
- A CL consists of **41 check items**. By filling out a CL, exporters can **check whether they are implementing their ICP properly**.
- Exporters who have registered an ICP with METI are **annually required to submit a CL** to METI.
- METI checks each submitted CL, and **issues a proof of CL registration** if it finds a submitted CL appropriate.

Example of Check List

Check Items		Provisions in the ICP		Implementation Status		Notes
Internal Export Control System						
1.1	Is the chief export control officer a person who represents the organization?		<div style="border: 1px solid red; padding: 2px; display: inline-block; color: red;">Choose the appropriate option</div> (1) Stipulated in the ICP (2) Stipulated in internal rules other than the ICP (3) Not stipulated		(A) A representative of the organization is appointed in accordance with the ICP (B) A representative is appointed despite not being in accordance with the ICP (C) An individual other than representatives is appointed (D) Nobody is appointed	Provide the name of the ICP and relevant articles Name of ICP: Articles:
1.2	Is the scope of responsibilities regarding export control clearly defined?		(1) Stipulated in the ICP (2) Stipulated in internal rules other than the ICP (3) Not stipulated		<u>If (1) or (2) was selected</u> (A) Operating in accordance with the ICP (B) Not operating in accordance with the ICP <u>If (3) was selected</u> (C) The scope of responsibilities is clearly defined in practice (D) Not clearly defined	Provide the name of the ICP and relevant articles Name of ICP: Articles:
	⋮		⋮		⋮	⋮

- METI annually conducts **over 100 on-site inspections** of exporters.
- Inspectors go to exporters' offices to **examine how requirements of “Standard for Exporters” and ICPs are implemented.**
- The results of inspections are placed into three categories:
 - Guidance for cases where an exporter has violated the Act or has seriously failed to implement the “Standard for Exporters” requirements or the ICP.
 - Advice for cases where an exporter has partially failed to implement the “Standard for Exporters” requirements or the ICP.
 - No instruction for cases where an exporter has properly carried out export control in accordance with “Standard for Exporters” or its ICP.
- If a violation of the Act is found by on-site inspections, METI starts **post-shipment inspection.**

Thank you
for your attention

*Security Export Inspection Office
Trade and Economic Cooperation Bureau
Ministry of Economy, Trade and Industry (METI)
JAPAN*