

Strategic Goods Control and Self-Compliance

9 September 2016



**SINGAPORE
CUSTOMS**

We Make Trade Easy, Fair & Secure



AGENDA

1. Introduction
 - Strategic Goods Control
 - Key Concerns for SGC Transactions
2. Non-Compliance Areas
 - Common Mistakes
 - Best Practices
3. Enhancing Self-Compliance
4. Building Capacity for Compliance
 - TradeFIRST





Introduction

INTRODUCTION



We Make Trade Easy, Fair & Secure

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STRATEGIC GOODS CONTROL

- What are Strategic Goods / Strategic Goods Technology
 - ✓ Items that can be used for the production, development or use in nuclear, chemical or biological weapons or missiles capable of delivering these weapons
 - ✓ These include:
 - Military goods including conventional arms;
 - Dual-use items both civilian / industrial and military application; and
 - Related software and technology.
- Transfer & brokering of strategic goods and/ or strategic goods technology are controlled under the Strategic Goods (Control) Act (SGCA)



STRATEGIC GOODS CONTROL

THE NEED FOR STRATEGIC GOODS CONTROL

- ✓ Regulate the trade in or transfer of strategic goods and/or strategic goods technology
- ✓ Curb the proliferation and illicit transfer of weapons of mass destruction (WMD)
- ✓ Maintain confidence of our trading partners



STRATEGIC GOODS CONTROL

CONTROLLED TRANSACTIONS

Export/Re-export

- Bring goods out of Singapore by air/sea/land
- Local consignor

Transshipment

- Through B/L or AWB
- Goods unloaded & loaded onto same/ another conveyance
- No local consignee

Bring-in Transit

- Through B/L or AWB
- Goods remain onboard conveyance
- No local consignee

Intangible Transfer of Technology

- Electronic transmission in Singapore to foreign country
- Make-available technology to person in foreign country
- Via email, fax, internet etc.

Brokering

- Arrange/negotiate, or facilitate so, in Singapore for deal in transfer of goods/technology from one foreign country to another, regardless whether item passes through Singapore



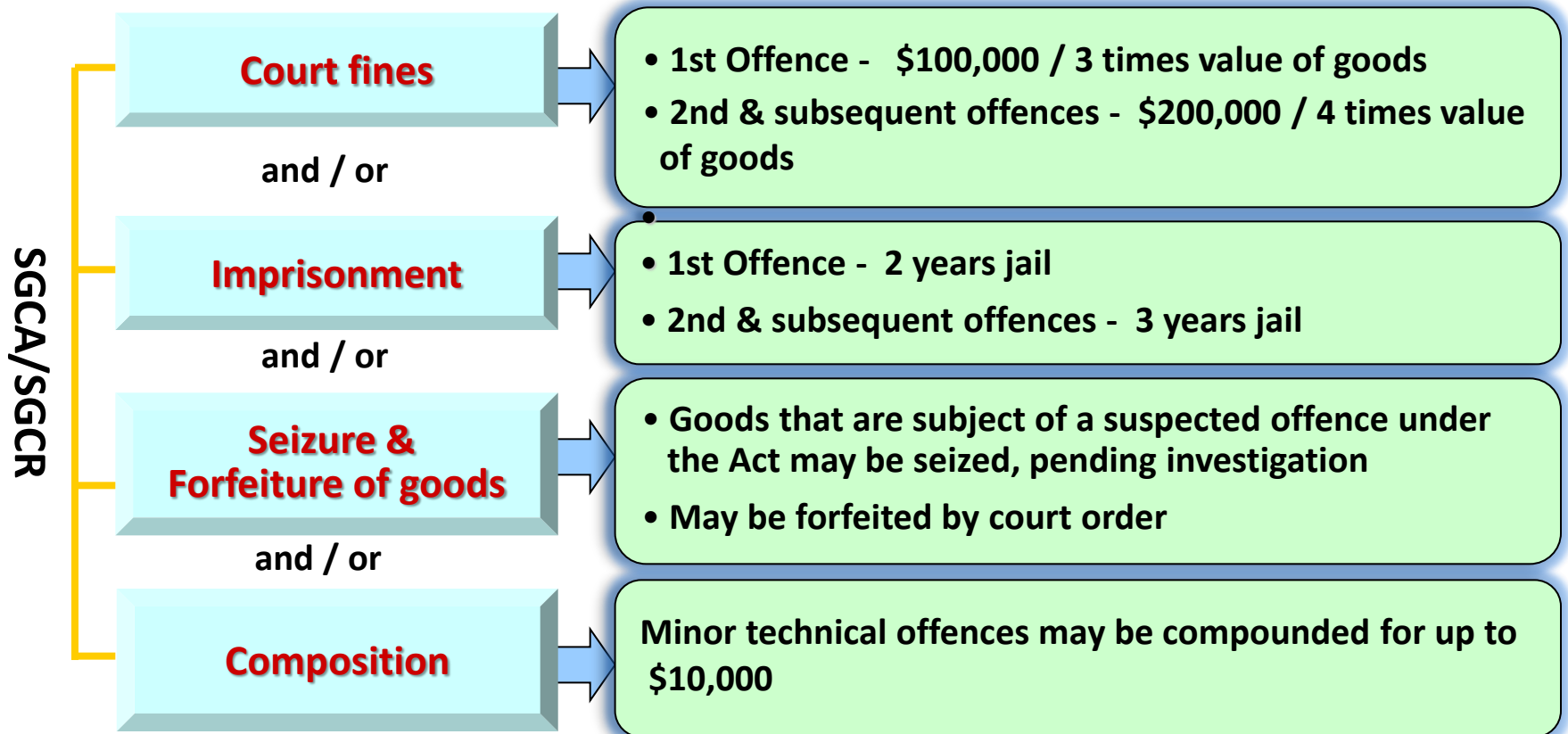
STRATEGIC GOODS CONTROL

REQUIREMENTS:

- Products shall only be transferred to legitimate and approved customers and end-users
- Permit Requirements
 - ✓ Apply for a Strategic Goods Export (Prefix: XO) permit for exports of strategic goods
 - ✓ Apply for a Strategic Goods Transshipment (Prefix: XP) permit for transshipment of strategic goods
- License Requirements
 - ✓ Movements of controlled items should have prior approval from the Competent Authority (e.g. SPF for arms, Customs for chemicals)
- Compliance with permit & licensing conditions



SGCA Penalties



Key Concerns for SGC Transactions

- All companies play an important role in counter-proliferation and ensuring supply chain security.
- Key concerns arise during:
 - a) The submission of permit declarations
 - b) Customer screening procedures
 - c) Product screening procedures
 - d) End-user screening procedures
 - e) Compliance to originating/supplying countries' export controls





NON COMPLIANCE



COMMON MISTAKES

- Application of Incorrect Permit / Failure to take up Permit
 - Applying for an ordinary permit instead of a Strategic Goods Export permit
 - Reasons for offence:
 - ✓ Lack of awareness on SGCA and its controls
 - ✓ Incorrect classification of products
 - ✓ Misassumption that having a license from a Competent Authority is sufficient approval for the transfer of products
 - ✓ Misassumption that US's export license exemption extend to Singapore's controls where a permit / license is not required
 - ✓ Lack of coordination / diligent checks conducted during permit declaration
 - *Offence: Section 5(1)(a) of the Strategic Goods (Control)Act (SGCA)*



COMMON MISTAKES

- Failure to Register as a Broker
 - Involved in arranging / negotiating the acquisition, transmission or disposal of goods from one foreign country to another without registering with Singapore Customs
 - Reason for offence: Lack of knowledge on brokering controls
 - *Offence: Section 6 (1) of the Strategic Goods (Control) Act*
- Failure to Apply for a License
 - Export of SGC chemicals also controlled under the National Authority Chemical Weapons Convention without NA(CWC) license
 - Reasons for offence: lack of knowledge or incorrect product classification
 - *Offence: Section 9(4) of the Chemical Weapons (Prohibition) Act*



COMMON MISTAKES

- Incorrect Declaration of SGC (“XO”) Permit Fields

- End-user
- Consignee
- Incorrect Entity Name / Address
- Country of Destination vs. Port of Discharge
- Place of receipt / release

- *Offence: Section 28(1)(a) of the Regulation of Imports and Exports Act & Section 30(1) of the Strategic Goods (Control) Act*

- Failure to Retain Documents

- Failure to retain shipping / brokering documents for a period of at least 5 years

- *Offence: Regulation 20 of the Strategic Goods (Control) Regulations*

- Failure to Comply with Permit / Licensing Conditions

- Companies are required to produce goods and permit for endorsement at Checkpoints, for individual permits and/or hand-carried goods.

- *Offence: Regulation 8 of the Strategic Goods (Control) Regulations*



CASE EXAMPLE

- Freight Forwarding Company

- Freight coordination for its main office in India
- Deals mainly with satellite and aviation equipment for research purposes
- Did not have any warehouse in Singapore
- All goods are temporarily stored in the FTZ, awaiting export
- Item in question was exported under an OD permit
- Categorized as controlled – under product code 6A002
- An XO permit should have been taken
- *Offence: Section 5(1)(a) of the Strategic Goods (Control)Act (SGCA) for the failure to take up a permit*





BEST PRACTICES



DO:

- ✓ Read through documents carefully to identify possible controlled items
 - E.g. Invoice indicate a SGC0 product code or ECCN
 - E.g. Item description indicates that it may be controlled such as integrated circuits
 - Guide on determination of strategic goods:
<http://www.customs.gov.sg/~media/cus/files/business/strategic%20goods%20control/guidebookonthedeterminationofstrategicgoods.pdf?la=en>
 - If you are unsure of the product classification, you may approach Customs for assistance: **customs_classification@customs.gov.sg**





BEST PRACTICES



DO:

- ✓ Conduct due-diligence checks on your customers & end-users
 - E.g. check if they are sanctioned by the United Nations Security Council or if they raise any red flags to suggest an illegal transaction

- ✓ Ensure that you have all documents for permit declaration
 - E.g. invoice, packing list, air way bill/ bill of lading draft, End-User Statement and export license (if applicable)

- ✓ Check with the relevant parties if you are unsure of the permit details or have detected discrepancies





BEST PRACTICES



DO:

- ✓ Know the contents you are exporting/bring in transit/transshipping/brokering/engaging in ITT for each consignment by clarifying with the relevant parties
- ✓ Exporters and freight forwarders to work jointly to ensure compliance with Customs legislation when engaging in ex-works shipments
- ✓ Comply with permit / licensing / registration conditions
 - E.g. submission of half-yearly report on brokering activities
 - E.g. present the permit and goods for endorsement at the checkpoint if required





BEST PRACTICES



DO:

- ✓ Implement clear working procedures for notifying Customs upon discovery of a possible error in declaration
 - For changes in non-amendable permit fields, to self-disclose to Customs
- ✓ Retain documents for a period of at least 5 years
- ✓ Promptly inform Singapore Customs if there is any change in your company's particulars, to ensure timely updates on any changes in regulatory procedures





BEST PRACTICES

DON'T:

- × Make a declaration without verifying the authenticity of all the supporting documents

- × Provide vague description – E.g.s.:
 - Items: SBTX, IC and VBE VS. Firewall Service Module, Integrated Circuit and Pressure Inducer
 - End-use: Telecommunication / internal office use VS. Manufactured into SIM cards / higher assembly into motherboard for computer





BEST PRACTICES



DON'T:

- × Make a last minute submission of SGC permit applications
 - DAs are required to apply for an individual permit at least 5 working days before the transfer of strategic goods
- × Accede to requests from customers to make incorrect declarations
- × Proceed with transactions if there are any red-flags detected during correspondence with the customers
 - E.g. Customer is insisting on cash payment for the transaction.





ENHANCING SELF-COMPLIANCE



1. INFORMATION ON CUSTOMS WEBSITE

- Strategic Goods (Control) List:
<http://www.customs.gov.sg/businesses/strategic-goods-control/strategic-goods-control-list>
- Declaring Agent Governance Framework:
<http://www.customs.gov.sg/businesses/registering-to-trade/registration-procedures/register-as-declaring-agent-or-declarant>
- TradeFIRST (STS):
<http://www.customs.gov.sg/leftNav/trad/TradeFIRST.html>
- Licensing conditions for Customs Schemes & Licenses including STS:
<http://www.customs.gov.sg/businesses/strategic-goods-control/permit-and-registration-requirements/bulk-permit-export-transshipment-and-intangible-transfer-of-technology>



1. INFORMATION ON CUSTOMS WEBSITE

- UNSC Sanctions: <http://www.customs.gov.sg/about-us/national-single-window/tradenet/competent-authorities-requirements-for-controlled-items/united-nations-security-council-uns-c-sanctions>
- Red Flag Indicators: <http://www.customs.gov.sg/businesses/strategic-goods-control/sanctioned-lists-and-red-flags>
- Unilateral Sanction Lists or Embargoes: <http://www.customs.gov.sg/businesses/strategic-goods-control/sanctioned-lists-and-red-flags>
- Updates on Customs requirements: <http://www.customs.gov.sg/news-and-media/circulars>
- Subscribe to mailing list: <https://www.customs.gov.sg/subscribe>



2. SINGAPORE CUSTOMS ACADEMY COURSES

- SC101: Customs Procedures
- SC102: Classification & the Harmonised System
- SC111: Hands-on Tradenet Declaration
- SC201: Basics of Strategic Goods Control Seminar
- Course materials are available on website for self-learning:
www.customsacademy.gov.sg
<https://www.customsacademy.gov.sg/resource-centre.aspx>
Email: customs_academy@customs.gov.sg





3. VOLUNTARY DISCLOSURE PROGRAMME (VDP)

- Encourage companies to self-disclose on any errors committed under legislation enforced by Customs
- VDP Link:
<http://www.customs.gov.sg/businesses/compliance/voluntary-disclosure-programme>





BUILDING CAPACITY FOR COMPLIANCE



TRADEFIRST ASSESSMENT

- TradeFIRST – Trade E facilitation I ntegrated R isk-based S ysTem
- What is TradeFIRST
 - ✓ TradeFIRST – Trade E facilitation I ntegrated R isk-based S ysTem
 - ✓ Free assessment, and mandatory for companies applying for Customs schemes and licenses
 - ✓ Companies which meet certain standards are accorded facilitations for greater convenience
 - ✓ Covers elements of the supply chain security
- Strategic Trade Scheme (STS)
 - ✓ A facilitation for companies with good internal export control measures
 - ✓ Able to identify risks of transfers relating to strategic goods/technology



STRATEGIC TRADE SCHEME (STS)

Product

- What are the capabilities of the product?
- Is the product adequate for the intended end use?

Entities

(Exporter, Consignee, End User)

- Are the business profiles of the involved entities relevant for the intended transaction?
- Is any of the entities sanctioned or listed in watch list, or associated with one that is?

End Use

- Is the intended end use adequate for the product's capabilities and in-line with the end user's business profile?
- Is the intended end use of military/governmental nature?
- Is the product intended to be integrated into a higher assembly for further transfer?

Country of Origin & Destination

- Is the transfer of the product subject to the export control laws of the originating/supplying country?
- Is the product destined for a sanctioned country or one of proliferation concern?

Supporting Documents & Red Flags

- Are the information provided consistent with that detailed in the supporting documents?
- Any red flags? (e.g. high sum offered for low value goods, ordering of incomplete product package, economically illogical shipping route)



STRATEGIC TRADE SCHEME (STS)

Individual Permit



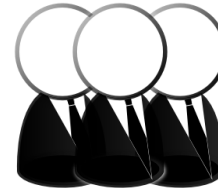
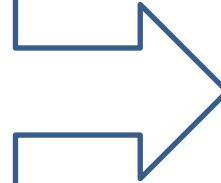
1 permit per
shipment



Bulk Permit



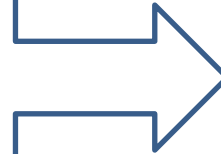
Pre-approval of
multiple products
to pre-approved
consignees/end-
users



Approval by Specific Entities



Pre-approval of
multiple products
to pre-approved
destinations



Approval by Countries of Destination



We Make Trade Easy, Fair & Secure

4. REPORTING SUSPICIOUS ACTIVITIES

- For reporting of suspicious or illegal activities, you may use one of the following methods:
 - Call our 24-hour toll-free hotline at **1800 2330000**
 - Email us at customs_intelligence@customs.gov.sg



THANK YOU

“The information shared is for general reference only. It does not constitute legal or other professional advice in relation to any particular matter. It may not represent all the information that is available in relation to any particular issue, and the Government of the Republic of Singapore may vary or modify the policies and/or practices that have been referred to.”