



# Complying with the International Traffic in Arms Regulations

3 September 2008

Tom Chapin  
Director, Global Trade Controls



# The Essentials of Complying with the ITAR

- ❑ Senior Level Buy-In and Oversight at Your Company
- ❑ Treat Relationship with DDTC as a Corporate Asset
- ❑ An Effective Export and Import Compliance Program
- ❑ Licensing Application Approach
- ❑ Licensing Implementation Approach
- ❑ Licensing Management Strategy
- ❑ Compliance Approach
- ❑ Record Keeping
- ❑ Internal Monitoring
- ❑ Training
- ❑ Violations and Penalties
- ❑ Always Do the Right Thing Right



# Senior Level Buy-In and Oversight

**Board of Directors**  
**Compliance Committee**  
Quarterly

**Membership:** Two ULA Board of Director members  
**Charter:** Oversee compliance with legal and regulatory requirements and Code of Conduct; make recommendations to Board of Directors.  
**Report delivered by:** Vice President of Office of Internal Governance, Director Ethics and Compliance and General Counsel  
**Topics:** Corporate compliance program (itself), performance to obligations, ethics data and statistics, specific material compliance issues  
**Data:** Compliance performance (Consent Orders and GTC), compliance assessment scorecard, enterprise compliance risks, ethics trend data, investigations, GTC trend data, compliance process improvements, internal audit plan development and performance to plan

**CRB**  
Quarterly

**Membership:** CEO, COO & Direct Reports  
**Charter:** Monitor process effectiveness; provide direction to CAT to foster ethical culture; identify issues to communicate to Board of Directors – Compliance Committee  
**Report delivered by:** Vice President of Office of Internal Governance; Director Ethics and Compliance  
**Topics:** *Ethics and legal investigations of compliance issues, process effectiveness, compliance risks, program/process improvements, lessons learned and root cause of ethics and compliance misconduct*  
**Data:** Compliance assessment scorecard, enterprise compliance risks, ethics trend data, investigations, compliance process improvements/enhancements

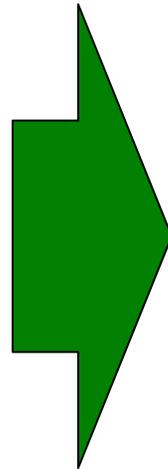
**CAT**  
Monthly

**Membership:** VP OIG, Director of Ethics & Compliance, Contracts & Pricing, Business Development, Human Resources, Law Department, SM&P, CFO/ Controller, **Global Trade Controls**, Information Technology  
**Charter:** Review compliance data, mitigate enterprise risks, execute process improvements, recommend strategies to CRB.  
**Report delivered by:** ULA process owners & Director Ethics and Compliance  
**Topics:** compliance data, enterprise compliance risks, process improvements  
**Data:** Compliance assessment scorecard, enterprise compliance risks and mitigation plans, compliance process improvements/enhancements, internal audit results

# Treat Relationship with DDTC as a Corporate Asset

## Approach

- Acknowledge DDTC expertise and respect their authority.
- Be honest and transparent
- Compliance Plan should have a reasoned approach, effective processes, and seamless integration and implementation.
- Align licensing strategy, processes and templates, with DDTC guidance.
- Submit license applications that are concise, consistent, accurate and disclosing.
- Ensure robustness of operational implementation of authorizations and recordkeeping.



## Benefits

- Relationship built on trust and cooperation.
- Above industry turn-around times on approval.
- Less RWAs and restrictive provisos - (get more of what you ask for).
- DDTC assistance on finding a solution with difficult cases.

**DDTC Relationship Based on Openness and Trust  
is Good Business**



# Licensing Application Approach

- ❑ Cradle to Grave
- ❑ Use DDTC Guidelines and Templates
- ❑ Reference Both in Company Implementing Instructions
- ❑ Effective, Easy to Understand and Use License Request Forms
- ❑ Say what you WILL AND WON'T be providing
  - PUT THE BOX AROUND YOUR SCOPE/SOW
- ❑ Ensure Applications are Consistent in Format
- ❑ Help Program use language in scope that is not confusing, misleading or misrepresentative of intentions, e.g. “co-development” vs. “real-time exchange”.
- ❑ Ensure Program ‘buys off’ in writing on application prior to submittal to ensure scope adequately addresses business needs and commodity and party descriptions are accurate.
- ❑ If you have a unique situation coordinate with DDTC prior to submittal.



# License Implementation Approach

- ❑ Have Internal Control Plan (ICP) for each authorization
  - Assign Program Focal to be ICP owner
    - Signs ICP and commits to ensuring compliance to authority and ICP and to communicate changes in Program scope to GTC.
  - Highlights key provisos and restrictions
  - Reviews internal processes, POC's, resources to utilize the authorization
- ❑ All users must be trained to ICP prior to their ability to export and all training records are captured and tracked.
- ❑ Authorizations are not made available for training until they are fully executed (as applicable), all pre-implementation provisos and other conditions have been met and the ICP owner has signed the ICP, taking ownership to ensure compliance.
- ❑ Authorizations are not 'activated' for Program use until all immediate users have been trained to the ICP.
- ❑ Amendment with significant scope change require a re-baselined ICP. Small changes are handled through letter modification.
- ❑ TTCPs which require DTSA approval, is in itself an ICP
- ❑ All ICPs/TTCPs are maintained in the authorization folder (both hard and electronic copies) as a record.



# License Management Strategy

- ❑ Cradle to Grave
- ❑ Filing System that facilitates compliance and awareness
  - Pending (approval, execution, and/or implementation)
  - Active Authorization List – list authorized parties, scope, expiration date and other pertinent information
- ❑ Monthly Look Ahead
  - Review all active authorizations for those expiring within next 6 months
  - Review current and predicted expenditure rates on hardware licenses
  - Coordinate with Program on expiring or potentially expended authorizations
  - Coordinate with Program on new, upcoming requirements and strategy
- ❑ Tickler Calendar for U.S. Gov't Reporting Requirements, including Exemption use, MLA sales reports, Brokering, etc.
- ❑ Implement GTC-Program arrangement to ensure prompt and accurate event reports, including Javits, Proposals for Sale of SME, Part 130 submittals, etc.
- ❑ Develop Record Keeping table which describes all required GTC records, with reference to applicable authority
  - Annually review closeout files to determine which records can be destroyed



# Compliance Approach

- ❑ Cradle to Grave
- ❑ Corporate Commitment
- ❑ High Level of Awareness
- ❑ Compliance Hotline
- ❑ Compliance Program must include:
  - Identification, Receipt, and Tracking of ITAR Controlled Items/Technical Data
  - Restricted/Prohibited Exports and Transfers
  - Recordkeeping
  - Internal Monitoring
  - Training
  - Violations and Penalties



# Identification, Receipt, and Tracking of ITAR Controlled Items/Technical Data

- ❑ Hardware
  - Inventoried and Controlled via Inventory Control System (includes receipt, verification, and consumption tracking).
- ❑ Technical Data
  - Marked as “Export Controlled”
  - Cover Page includes authorization specific markings
  - Review and Approval by GTC/TCP prior to export (two person rule)
- ❑ Electronic Declaration of Type of Data
  - Conscious declaration of the type of data being sent via email
- ❑ Denied Party Screening

# Recordkeeping

- ❑ Licensing Management & Compliance
  - Authorization Request
  - Organization Buyoff
  - GTC Submittal to USG
  - USG Approval (Limitations and Provisos)
  - Internal Control Plan
- ❑ Operations (Trade Controls Partners)
  - Record of Training
  - International Travel Request and Approval
  - Non-US Meeting and/or Visitor Request and Approval
  - Technical Data Review Approvals
  - Export and Import Determinations
  - Technical Data and Defense Services Export Documentation
- ❑ Hardware
  - International Travel with Hardware (Laptop, Blackberry, etc)
  - Hardware Export and/or Import Documentation

# Internal Monitoring & Violations and Penalties

- ❑ Self Assessments
  - Internal GTC Continuous Loop Review of
    - Policy and Directive
    - Processes
    - Implementing Instructions
    - Compliance & Recordkeeping Practices
- ❑ Internal Audits
  - Implementation of Authorizations
  - Processes & Implementing Instructions
  - Compliance & Recordkeeping
- ❑ Written Plans, Findings, & Corrective Actions
- ❑ Robust Matter Under Review & Voluntary Disclosure Process.
- ❑ All must be effective and include documented corrective action follow through and closeout.

# Training

- ❑ Recommend a tiered approach to training,
  - Awareness
  - Use
  - Practitioner
  - Advanced
- ❑ Process Specific
  - International Travel
  - Non-US Person Visitors/Meetings
  - Non-US Person Escort
- ❑ Use Training Variations
  - Primary: ICP Owners and Trade Control Partners
  - Secondary: Direct Support to Primary Authorization Users
  - Tertiary: Overhead Tasks that Support Primary & Secondary
  - 4<sup>th</sup> Group: Typically do not interface with Non-US entities
- ❑ Train Specific to the Organization/Function

# In Summary

- ❑ Know your Business
- ❑ Know the Laws and Regulations
- ❑ Overlay your Compliance Program onto the Business in a Manner that is Transparent, Integrated and Effective.
- ❑ Respect DDTC Knowledge and Authority
- ❑ Treat Relationship with DDTC as an Asset
- ❑ Always be Transparent, Honest and Consistent
- ❑ Submit Quality Applications that Conform to DDTC Guidelines
- ❑ Ensure Robust Implementation of Authorizations
- ❑ Maintain Quality Records
- ❑ Train, Train, Train and Keep on Training
- ❑ Investigate and Report Non-Compliances as Appropriate
- ❑ **Always Do the Right Thing Right**