

【For participants only】

Internal Compliance Program and Support

Takuya SAITOH
Security Export Inspector

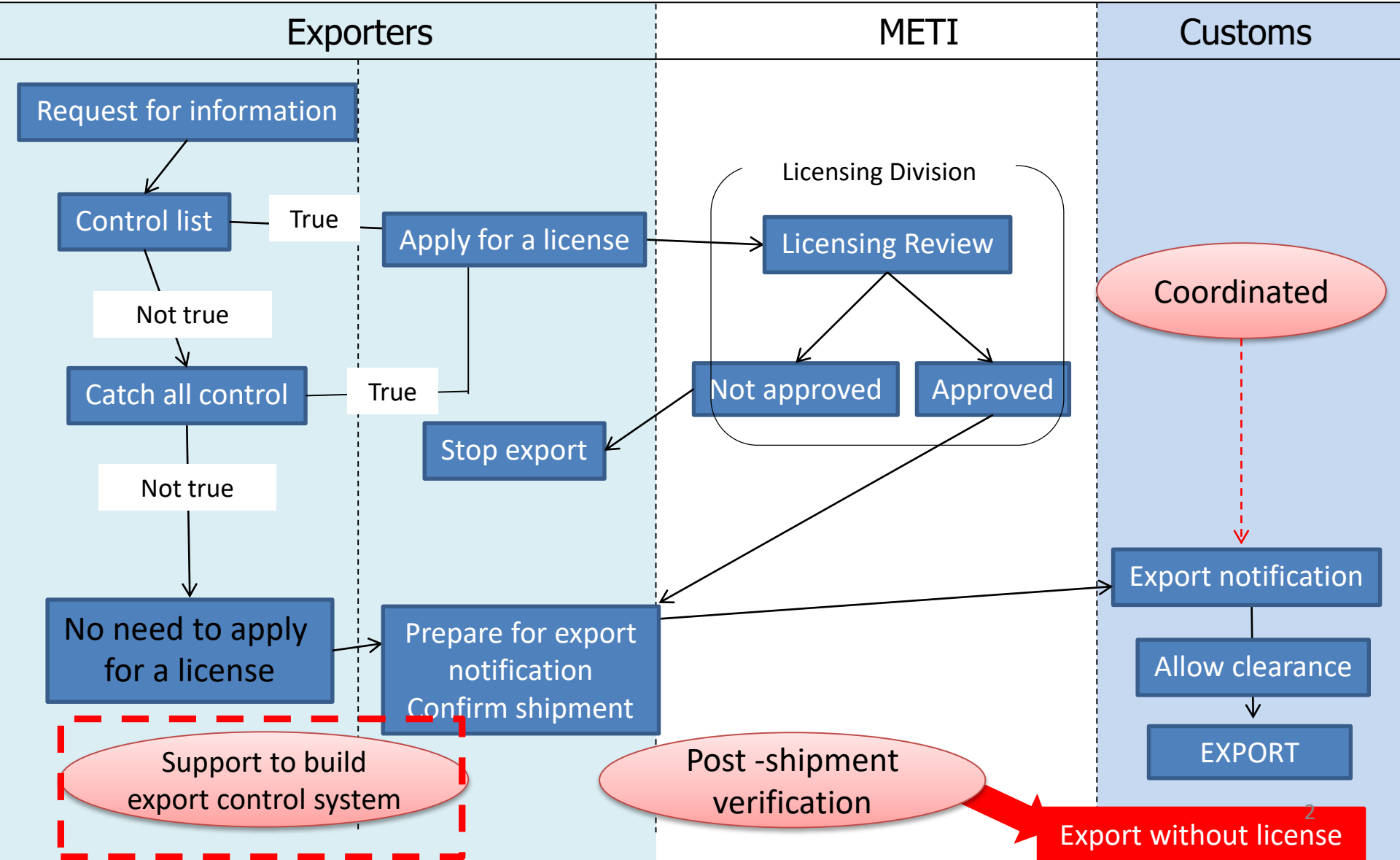
November 2019
Ministry of Economy, Trade and Industry (METI)
Security Export Control Division

- (1) Overview of Trade Security Control
- (2) Overview of professional skill of enterprise instruction (inspection)
 - ①-1 Regulations on internal export control
 - ①-2 Confirmation of execution of regulations on internal export control
- ② On-site inspection of compliance with laws
- ③ Holding instruction sessions
- ④ Using website and information portal

(Reference) OVERVIEW OF ACTIVITIES OF SECURITY TRADE INSPECTION DIVISION



Post shipment verification,
Enterprise Guidance



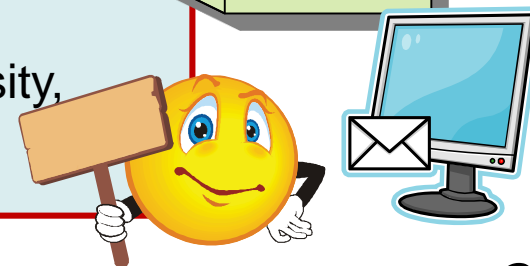
REGULATIONS ON INTERNAL EXPORT CONTROL (CP)

- Internal regulations are aimed at regulating series of procedures for export, technology transfer, and at the same time comply with related laws such as Foreign Exchange Law, and prevent likely violations from taking place.
- Internal regulations are self-created by the exporters in their organizations, and are an “option” to provide implementation of self control of management.
- There is a mechanism to apply to METI (optional) and in case a proper regulation shall receive a notice of self compliant program.

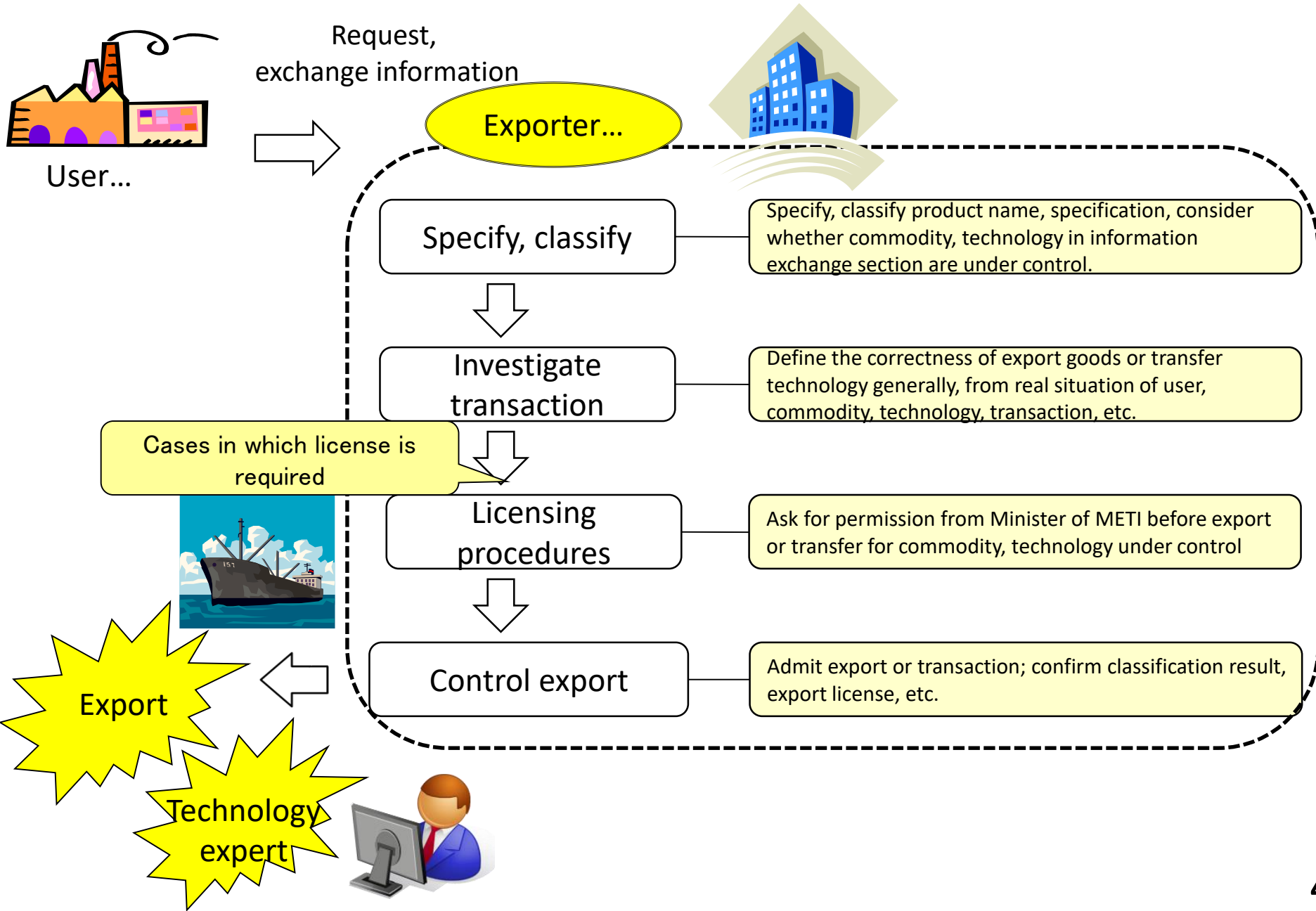
Benefits for applications for CP

- **Can be eligible for receiving bulk export license (except the case of regular bulk exports (also called as white bulk))**
- Update of the website on security export control shall be regularly provided to the registered email address.
- Can be advertised to the public as an enterprise, university, that have an excellent self control mechanism.

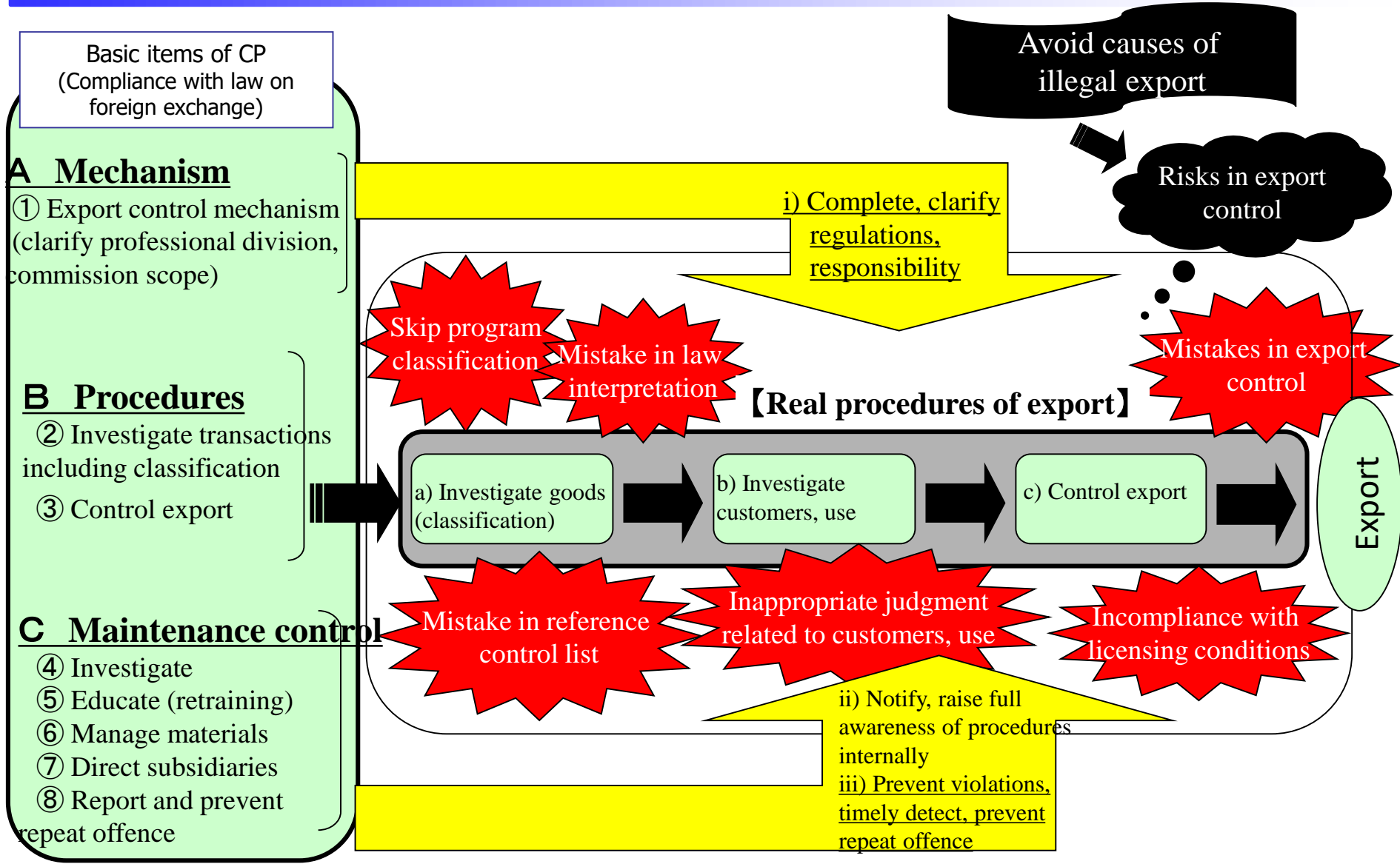
**Bulk
Export**



(Reference) PROCEDURES OF NORMAL INVESTIGATION OF INTERNAL LICENSE



(Reference) COMPLETION EFFICIENCY OF REGULATIONS ON INTERNAL EXPORT CONTROL (CP)



※ CP is an **effective tool for avoiding lots of risks** that may arise in export control.

(Reference) CONTROL OR NON-CONTROL CLASSIFICATION?

Determine whether goods to be exported, technology to be transferred (including program) are under control list or not

Specify, classify based on product name and specifications

Goods under control in Appendix 1 Export control ordinance

項番	輸出許可品目名
2 原子力	
(1)	核燃料物質・核原料物質
(2)	原子炉・原子炉用発電装置等
(12)	1 数値制御工作機械 2 測定装置

① Confirm product name by export control ordinance

② Confirm specifications by directions on goods at ministry level

If both sections ① and ② match, they are determined to be under control list

Matrix of export control ordinance and directions on goods at ministry level

輸出令第2項		貨物等省令第1条	
項番	項目	項番	項目
			輸出令別表第一の二の項の経済産業省令で定める仕様のものは、次のいずれかに該当するものとする。
輸出令第2項 (12)	核兵器の開発又は製造に用いられる工作機械その他の装置であつて、次に掲げるもの 1 数値制御を行うことができる工作機械 2 測定装置(工作機械であつて、測定装置として使用することができるものを含む。)	貨物等省令第14号	工作機械(金属、セラミック又は複合材料を加工することができるものに限る。)であつて、輪郭制御をすることができる軸数が2以上の電子制御装置を取り付けることができるもののうち、次のイからニまでのいずれかに該当するもの(ホに該当するものを除く。) イ 旋削をすることができる工作機械であつて、次の(一)及び(二)に該当するもの((三)に該当するものを除く。) (一) 国際標準化機構が定めた規格(以下「国際規格」という。)ISO230/2(1988)で定める測定方法により直線軸の全長について測定したときの位置決め精度が0.006ミリメートル未満のもの (二) 直径が35ミリメートルを超えるものを加工することができるもの (三) 棒材作業用の旋盤のうち、スピンドル貫通穴から材料を差し込み加工するものであつて、次の1及び2に該当するもの 1 加工できる材料の最大直径が42ミリメートル以下のもの 2 チャックを取り付けることができないもの ロ プライス削りを行うことができる工作機械であつて、次の(一)から(三)までのいずれかに該当するもの((四)に該当するものを除く。) (一) 国際規格ISO230/2(1988)で定める測定方法により直線軸の全長について測定したときの位置決め精度が0.006ミリメートル未満のもの (二) 輪郭制御をすることができる回転軸の数が2以上のもの

* Confirm explanations about each product in explanation part of instruction on implementation circulars.
* It is possible to refer "Matrix of export control ordinance and directions at ministry level" on export security control website

(Reference) WHAT IS TRANSACTION VERIFICATION?

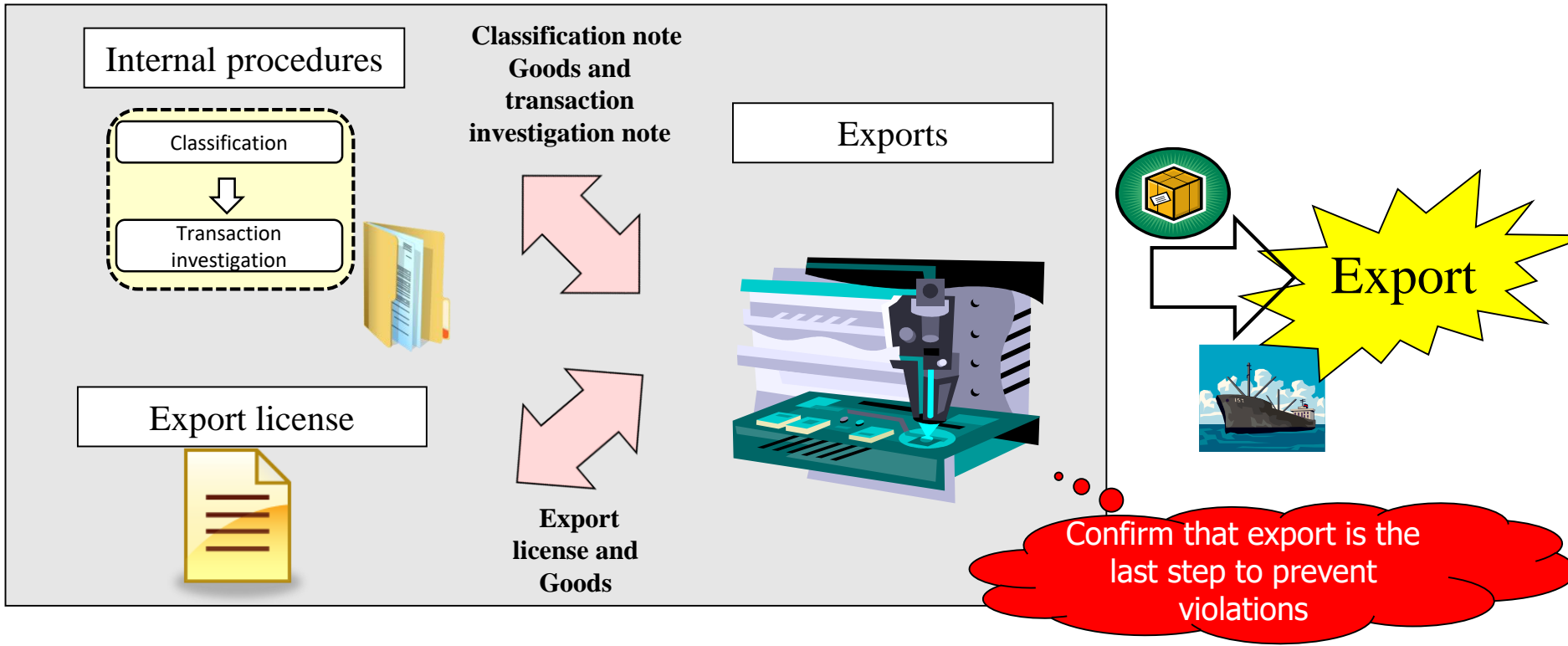
To inspect who partners are (confirm partners, users), what purposes of use are (confirm specific purposes of use) and judge whether it is advisable to continue transactions or not.

Remarks about transaction investigation

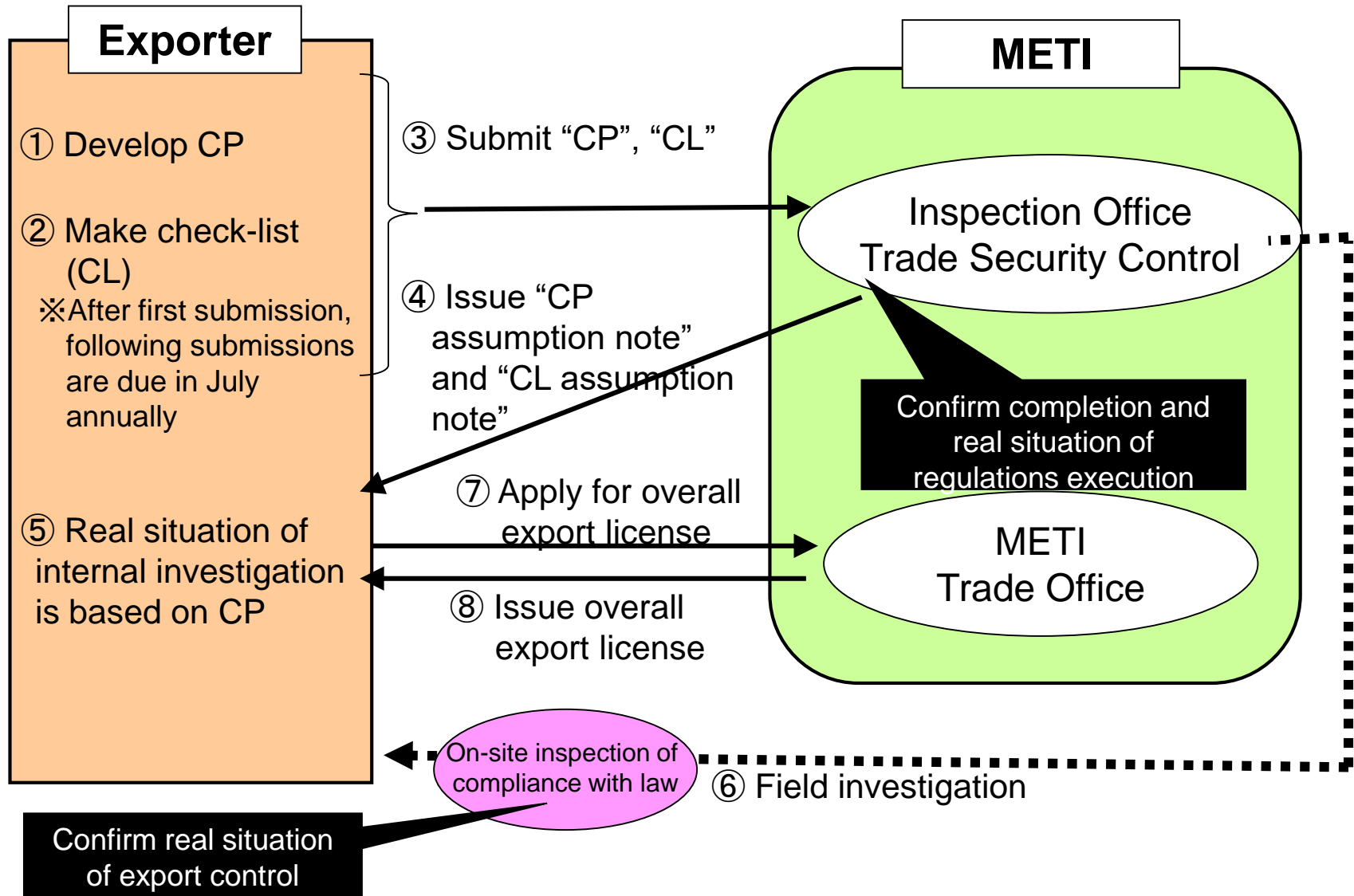
- **Define documents (records) for confirmation internally.**
- **Clarify responsibilities of persons in charge, decision-makers.**
- **Determine whether person responsible for making decisions should continue transactions or not (person entitled to make final decision on transactions)**
- **Even though they are domestic transactions, if it is clearly defined that they are permitted to be exported, carry out investigation similar to direct export.**

(Reference) WHAT IS EXPORT CONTROL?

- Before export, consider whether necessary procedures have been finished; for example, “Confirm the identity of goods”, “Confirm whether export license is issued or not”.
- Inspection result upon export must be reported to person/division in charge of export control.



CONFIRMATION OF REAL SITUATION OF REGULATIONS ON INTERNAL EXPORT CONTROL (RELATIONSHIP BETWEEN CP ENTERPRISES AND MINISTRY)



Note: Direct improvement if necessary

Note: Updated cases are ②~④、
⑦~⑧

STANDARDS ON COMPLIANCE FOR EXPORTERS (Effective on 1/4/2010)

- People who export goods or transfer technology as an occupation (exporters, etc.) must comply with standards on compliance for exporters (section 4, clause 10, article 55 of Law on Foreign Exchange)
- If exporting especially important and sensitive goods in security (goods under checklist control), standard I and II must be complied with. If not exporting especially important goods (goods under checklist control), only standard I must be complied with.



II Standards on compliance when exporting goods under checklist control (refer to next slide)

- I Standards on compliance when exporting goods...**
- ① Stipulate person responsible for confirming whether exports are under checklist control or not
 - ② Notify latest laws, give necessary directions or instructions for people who do export to comply with regulations of other relevant ordinances

※ Minister of METI may give directions or instructions in accordance with standards, and in case of violations, may give orders or warnings, etc. (people subject to penalties are those who violate orders only)

STANDARDS ON COMPLIANCE FOR EXPORT OF GOODS UNDER CHECKLIST CONTROL

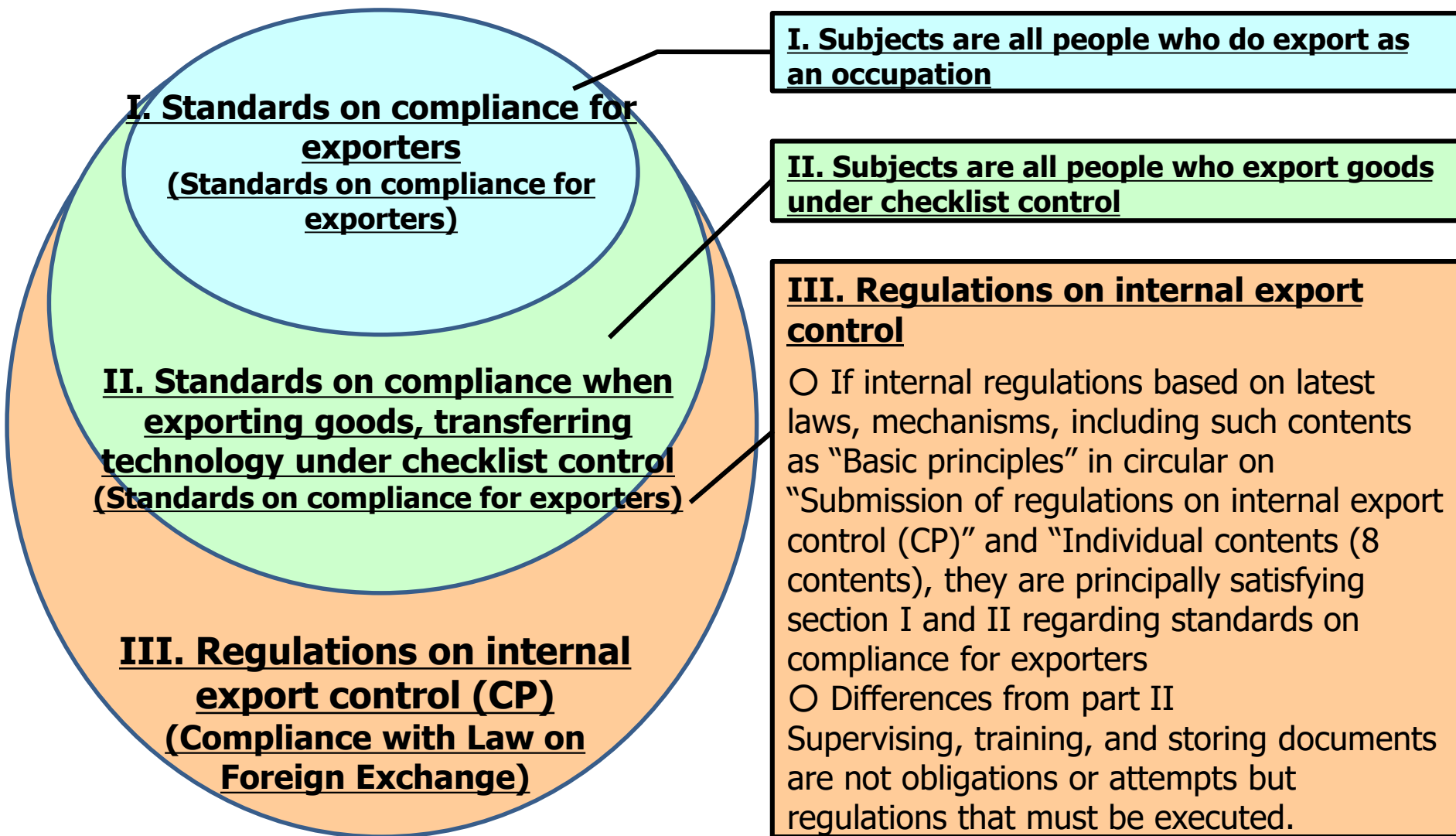


II Standards on compliance when exporting goods under checklist control

- ① Stipulate the organization representative that is responsible for export control
 - ② Stipulate export control mechanism within the organization (task assignment, responsibility relationship)
 - ③ Stipulate procedures of classifying and determining whether goods are under control or not
 - ④ Stipulate procedures of confirming users, determining purposes of use when exporting goods under checklist control and confirming correct procedures
 - ⑤ Confirm whether goods, when exported, are identical to classified and defined goods or not
 - ⑥ Stipulate procedures of export supervision control and efforts to carry out such procedures
 - ⑦ Make effort to hold training for officers and persons responsible for export control
 - ⑧ Make effort to store documents and records related to export within reasonable period
 - ⑨ In case of violations of laws or risks of violations of laws, promptly report to Minister of METI and take necessary measures to prevent repeat offense.
- ※ For people who only export exceptionally licensed goods, apply section ⑨ only.

※ Minister of METI may give directions or instructions in accordance with standards, and in case of violations, may give orders or warnings, etc. (people subject to 11 penalties are those who violate orders only)

RELATIONSHIP BETWEEN CP AND STANDARDS ON COMPLIANCE FOR EXPORTERS



I. Standards on compliance for exporters
(Standards on compliance for exporters)

I. Subjects are all people who do export as an occupation

II. Standards on compliance when exporting goods, transferring technology under checklist control
(Standards on compliance for exporters)

II. Subjects are all people who export goods under checklist control

III. Regulations on internal export control (CP)
(Compliance with Law on Foreign Exchange)

III. Regulations on internal export control

- If internal regulations based on latest laws, mechanisms, including such contents as "Basic principles" in circular on "Submission of regulations on internal export control (CP)" and "Individual contents (8 contents), they are principally satisfying section I and II regarding standards on compliance for exporters
- Differences from part II Supervising, training, and storing documents are not obligations or attempts but regulations that must be executed.

METI's audit (Check List)

- METI conducts two types of audits: one is a paper audit using a “Check List (CL),” and the other is an on-site inspection.

1. Check List

- 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.

(Ref) 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; font-weight: bold;">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's audit (on-site inspection)

2. On-site inspection

- METI annually conducts on-site inspections of exporters – mostly bulk export license holders.
- 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.

On Trade Security Control website of METI, there is an introduction of Trade Security Control system, steps of application for export license, procedures of classification and determination related to checklist control, etc.

The screenshot shows the METI Trade Security Control website interface. Several callouts in blue ovals point to specific features:

- Generally introduce Trade Security Control System**: Points to the main navigation area.
- Publish latest revised information On the system**: Points to the '最新の制度改正' (Latest System Revisions) section.
- Publish latest information on public comment**: Points to the '意見募集' (Public Comment Collection) section.
- Publish information on introduction sessions**: Points to the '意見募集中の案件' (Cases under public comment) section.
- Publish lots of basic Information on procedures of application for export license**: Points to the '申請手続き' (Application Procedures) section.
- Matrix of checklist control**: Points to the '外為法改正 貨物・技術のマトリクス表' (Matrix Table of Goods and Technology under Foreign Exchange Law Revisions).
- Confirmation of catch-all control**: Points to the '事後審査(外為法違反について)' (Post-shipment Review) section.
- Publish information on Regulation on internal export control**: Points to the '企業等の自主管理の促進' (Promotion of Self-management of Enterprises) section.
- Frequent questions and answers**: Points to the 'Q&A' section.

The website content includes sections for '安全保障貿易管理の概要' (Overview of Trade Security Control), '申請手続き' (Application Procedures), '企業等の自主管理の促進' (Promotion of Self-management of Enterprises), '関係法令' (Related Laws), and '審子申請' (Application for Review). A '新着情報' (New Information) section lists recent updates, such as '平成25年 4月9日 意見募集 外為法及び外貨貿易法第25条第1項及び外為法第17条第2項の規定に基づき許可を要する技術を提供する取引又は行為についての一部改正に対する意見募集について'.

CONTACTS FOR APPLICATION FOR LICENSE

- 1. Regarding contacts for application for license, see “Application for particular export license” or “Method of application for overall export license” on website. Fully prepare relevant documents and records and then contact appointed admission gate!**

Note

Since admission requirements are different depending on type of goods, destination, technology and place of transfer, the following should be confirmed in advance

- 2. For all queries, please contact correct numbers for concerned contents!**

(1) Questions about list of foreign users, 3 principles of technology transfer or opinions about Trade Security Control policies and opinions about HP

Security Export Control Policy Division TEL : 03-3501-2863

(2) Questions about Trade Security Control system or explanation about laws

Security Export Control Administration Division TEL : 03-3501-2800

(3) Questions about explanation of law on checklist control, catch-all control, issuance of license for overall export (procedures of classification, application for license, etc.)

Security Export Licensing Division TEL : 03-3501-2801

Note Regarding “Checklist control” prepare documents to explain respective goods, technology before contact
✓ Regarding “Catch-all control” prepare checklist about export destination, purpose of use, customer checklist before contact

(4) Questions related to CP / Contacts for illegal exports

Security Export Inspection Office TEL : 03-3501-2841

(5) General questions about Trade Security Control

General Information on Security Export (phone advice) TEL : 03-3501-3679