



INTERNAL COMPLIANCE PROGRAM



Outline of Presentation

- I. **Definition of ICP**
- II. Reasons for having an ICP
- III. ICP Elements

Internal Compliance Program

An ICP refers to an effective, appropriate, and proportionate means and procedures, including the development, implementation, and adherence to standardized operational compliance policies, procedures, standards or conduct, and safeguards, to ensure compliance with the provisions and with the terms and conditions of authorizations set out in the STMA.



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Reasons for ICP

- **Establishment of an ICP is a precondition for the issuance of a global authorization.**
- **ICP helps companies comply with the requirements of the STMA.**
- **Global license is a privilege which can be acquired only by those companies that are responsible.**
- **Compliance helps companies avoid negative and damaging publicity, costly fines and prison for employees and/or senior management.**

Internal Compliance Program

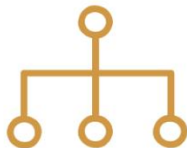
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ELEMENTS OF AN EFFECTIVE ICP



MANAGEMENT COMMITMENT

The commitment and support given by the company's management to comply with the STMA and its IRR



ICP STRUCTURE AND RESPONSIBILITY

The composition and arrangement of different personnel tasked in implementing in the ICP



TECHNOLOGY CONTROL PLAN, IF APPLICABLE

A system designed to prevent unauthorized access, transmission, transfer or sharing of sensitive and controlled items, software, and technology.



REPORTING AND CORRECTIVE ACTION

A system for reporting incidents or acts that violate the STMA, its IRR or terms and conditions of the authorization, including remedial and preventive measures intended to avoid violations.



SHIPMENT CONTROL

A system that prevents diversion of strategic goods as they are transferred from one country to another.

SCREENING PROCEDURES

Include company's procedures for product classification, end-user screening, end-use screening and risk assessment.



ICP TRAINING

Skill and/or knowledge development in preparation for tasks concerning strategic trade management or ICP.



INTERNAL AUDIT

The process whereby a company assesses its ICP.



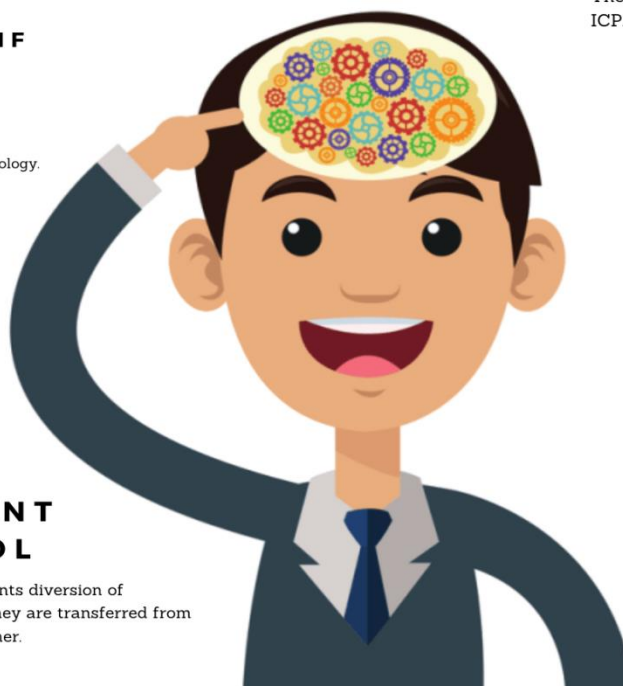
ICP STANDARD OPERATING PROCEDURE

Contains the detailed procedure that must be followed to ensure compliance with the ICP's rules and policies.

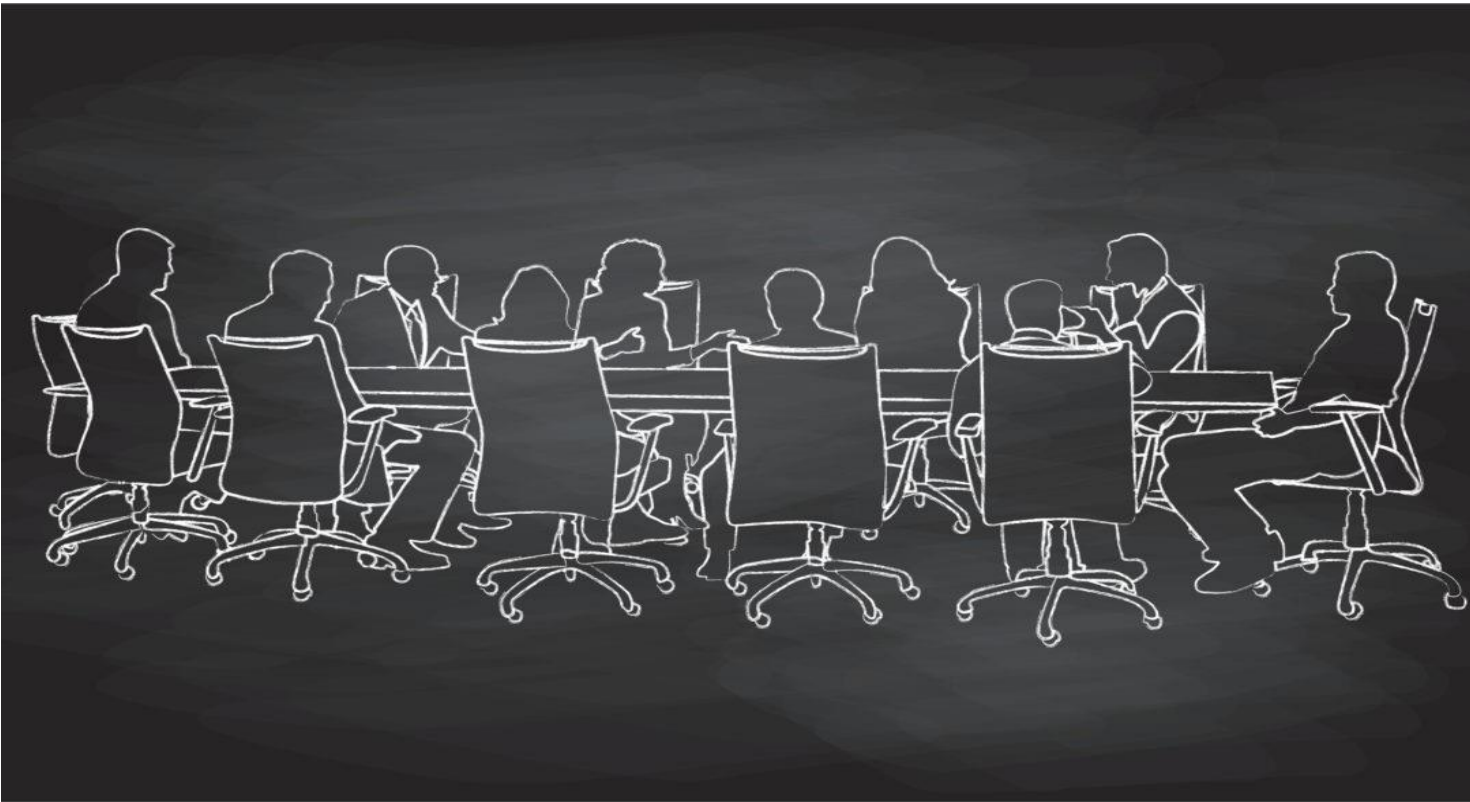


RECORDKEEPING

A system by which a company maintains records of its transactions.



Management Commitment



Management Commitment

Management Commitment



Management should...

- **COMMUNICATE** the commitment
- Be actively **INVOLVED**
- **PROVIDE RESOURCES** to develop and implement the ICP
- **EVALUATE and ENSURE EFFECTIVENESS** of the ICP

Management Commitment



Industry Best Practice



Posting of
Compliance
Statement

Code of Conduct Acknowledgment

I have carefully read the Handbook, including the [redacted] Code of Business Ethics. I understand and agree to comply with its purposes and provisions.

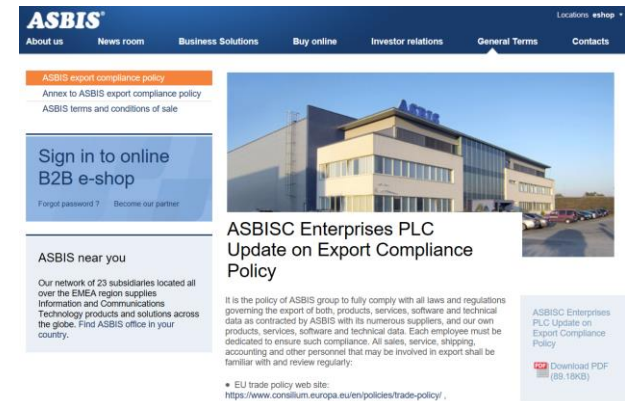
Signature of Employee _____ Employee Number _____

Typed or printed name of employee _____ Date _____

Name and address of unit _____

Please complete and return this acknowledgment form to the operating unit's Ethics Official with a copy to the Human Resource Unit to be included in employee's personnel file.

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Export Compliance Policy
posted in the Company
Website

Provisions in the Ethics and
Compliance Handbook

ICP Elements

1. Management Compliance Commitment
- 2. ICP Structure and Responsibility**
3. Screening Procedures
4. Shipment Control
5. Technology Control Plan
6. ICP Training
7. Internal Audit
8. ICP SOP Manual
9. Record Keeping
10. Reporting and Corrective Action

ICP Structure and Responsibility





Industry Best Practice

Smart practice

Establishing an effective export compliance organisation



Where should the export control compliance team sit within the

Where should export control compliance sit in a business? Part 2

Many companies have different organisational scope and management control functions. Accountability geographies, an business serve determining where should sit within is no 'one-size-fits-all' compliance organisation vary depending

Following on from the article 'Establishing an effective export compliance organisation' in the September issue, *WorldECR* asks export control compliance leaders their views on where and how best to site and structure the department.

In the last issue of *WorldECR*, we featured an excellent article by Julia Bell of Deloitte which asked the question: 'Where should an export control compliance team "sit" within a company?'

Julia's answer, as of all the world's best questions, was, 'It depends' – Julia considered some of the possible and more popular permutations, their pros and their cons. While 'legal' is possibly the closest to a 'right answer', different companies have different approaches. In some, for example, export compliance reports to supply chain... but not all. A related question is the extent to which a company imposes a (de-)centralised structure upon the compliance function. Again, there is no right or wrong answer.

defence, security conglomerate, Textron; Ellen Smith, Executive Counsel of International Trade Compliance at BHGE, the new fullstream company created through the combination of Baker Hughes, Inc.

'What factors would you recommend a business should take into account when considering where to place its export control compliance team within the organisation?'

be evaluated on a case-by-case basis. Legal, quality and finance would be the preferred areas for trade compliance. However, in certain scenarios, supply chain has also turned out to be a good solution – but the question arises whether trade compliance can operate within supply chain with the independence it requires.'

And, he points out: 'Apart from the right place, it is important to appoint trade compliance personnel responsible at senior management level and that they set the tone. Additionally, the responsible functions must have escalation lines to corporate compliance.'

Bryce Bittner believes that trade compliance programmes are strongest when they report into a company's

The STC/STM Team "needs to be close to operations but have the authority to stop transactions if necessary to keep the company safe, and needs to be involved early enough in the process to help solve issues, rather than stop transactions"

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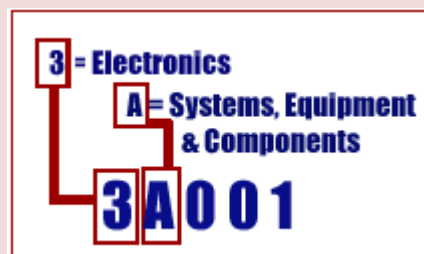
Screening Procedures

Screening Procedures

End-Use Screening



Product Classification



Risk Assessment

		Potential Severity Rating			
		Minor	Moderate	Significant	Catastrophic
Likelihood severity occurs	Very Likely	Moderate	High	Extreme	Extreme
	Likely	Low	Moderate	High	Extreme
	Unlikely	Very Low	Low	Moderate	High
	Rare	Very Low	Very Low	Low	Moderate

End-User Screening



Screening Procedures



Industry Best Practice



Know Your
Customer.
Screen all parties.
Customer profiles.
End-user
Statements



Ensure that
procedures to stop
shipments/orders
are in place.



Product
classification
procedures

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Shipment Controls

Shipment Control



Shipment Control is a system that prevents

DIVERSION



of strategic goods as they are transferred from one party to another

Shipment Controls



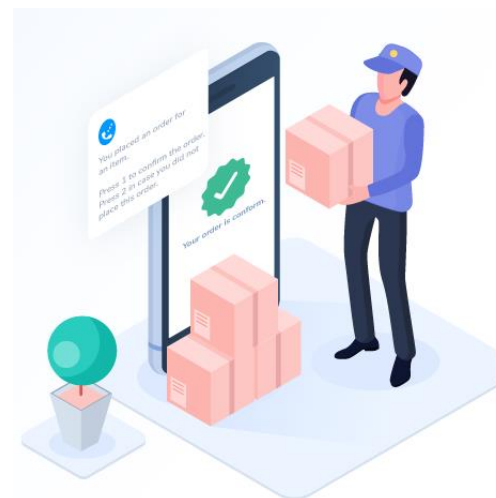
Industry Best Practice



Due Diligence
Questionnaire



Communicate
Licensing
Procedures to
Logistics Partners



Delivery
Verification
Certificate

ICP Elements

1. Management Compliance Commitment
2. ICP Structure and Responsibility
3. Screening Procedures
4. Shipment Control
- 5. Technology Control Plan (if needed - for intangible goods)**
6. ICP Training
7. Internal Audit
8. ICP SOP Manual
9. Record Keeping
10. Reporting and Corrective Action

Technology Controls



Technology Controls is a system designed to prevent unauthorized access, transmission or sharing of sensitive and controlled information, software, data or technology.

Technology Controls



Industry Best Practice



Screening of
Staff



Physical Security
Plan



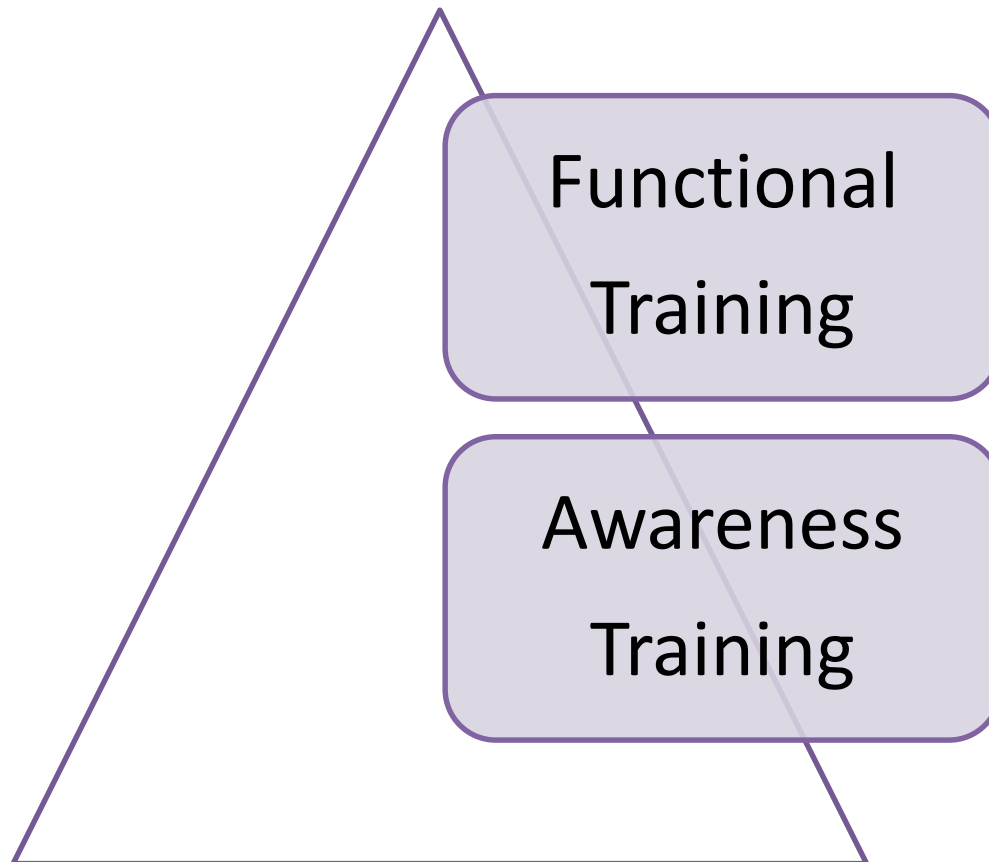
Information
Security Plan

ICP Elements

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ICP Training

Levels of Training Based on Need



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- 7. Internal Audit**
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Internal Audit

Internal Audit



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Standard Operating Procedures

ICP SOP Manual

The diagram shows a sample Standard Operating Procedure (SOP) form with several annotations explaining its structure:

- Title:** Points to the title of the procedure: **Standard Operating Procedure: New Vehicle Purchase Process**.
- Department Date & ID:** Points to the department and identification information: **Department: Admin Support**, **14/05/16 — SOP #AS-0013**.
- Department head signs off:** Points to the signature line: **Department Head Approval:** followed by a handwritten signature.
- Users can quickly refer to the purpose and not read the whole SOP:** Points to the **Purpose:** section, which states: "To establish guidelines for purchasing a new vehicle. All Admin Support staff are responsible for following this SOP."
- Clarify any upcoming jargon:** Points to the **Definitions:** section, which defines **RM: Resource Management** and **PO: Purchase Order**.
- Complete step-by-step instructions:** Points to the **Procedure:** section, which lists the steps:
 1. Director approves purchase of the new vehicle(s)
 2. Requestor identifies vehicle(s) to be surplus in exchange for the new vehicle(s). (*Process AS-0022*)
 3. And so on...

Structure and Responsibility

ICP SOP Manual

Some Examples

SOP for Warehouse
Inventory
Screening

SOP for Classifying
New Products

SOP for Providing
Instruction to
Freight Forwarders

SOP for Disclosures

SOP for Internal
Audit

SOP for Screening
Visitors

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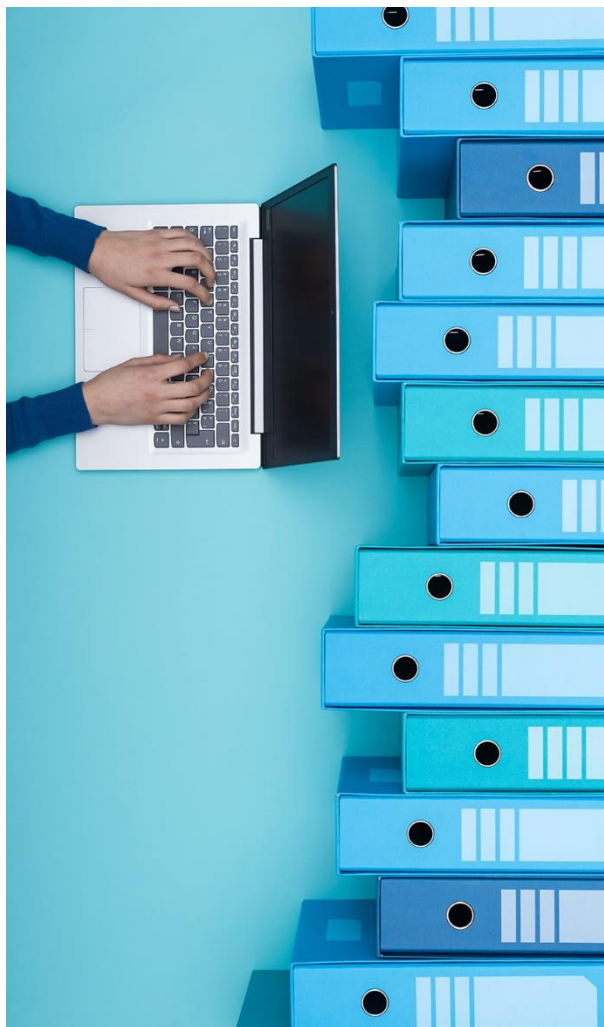
Recordkeeping

Record Keeping

Section 3. *Recordkeeping Requirements for the Authorization Holder.* – All persons engaged in the business involving strategic goods are required to keep at their principal place of business in a secure manner, the details of which will be provided in a guideline to be formulated by the STMO, for a period of ten (10) years from the date of completion of the transaction, all records, in both hard copy and electronic copy, of the transaction and/or books of accounts, business and computer systems and all commercial and technical data related to the transaction including:

- a. The description of the strategic goods or related services;
- b. The quantity and the value of the strategic goods or value of the related service provided;
- c. The name and address of the parties in the transaction or activity;
- d. The end-use and end-user of the strategic goods or related services; and,
- e. The date of the transaction or activity.

Record Keeping



- Invoices, purchase orders, and other sales/purchase records
- Bills of lading, export declaration, and other transport records
- STMO registration and authorization records
- End-use certificates
- Business communication logs e.g, email with suppliers, customers, freight forwarders, agents
- Contracts with STMA compliance clauses
- Training records
- Screening records
- Commodity identification records
- Accounting records
- Etc.

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Reporting and Corrective Action

VOLUNTARY SELF-DISCLOSURES

- ✓ Encouraged
- ✓ Excellent indicator of a company's commitment to comply to the STMA
- ✓ Can be a mitigating factor
- ✓ Corrective Action to be implemented



Thank you!

Connect with us at:

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 **dti.gov.ph/business/strategictrade**