

Trade and Industry Department

Advice for Internal Compliance Programmes



Why do companies have a need for ICP?

- ◆ Rapid development of high-technology and growth in demand
- ◆ Compliance with Hong Kong laws
- ◆ Meeting international control requirements
- ◆ Assurance on management and ethical standards



What does an effective ICP provide?

- ◆ Systematic screening for transactions so as to ensure that only legitimate business transactions would proceed



Model Internal Control Programme



(1) Policy Commitment to Compliance

- ◆ State a firm commitment in writing that:
 - Not having its products used for WMD and other problematic purposes
 - Fully comply with the Laws of Hong Kong
- ◆ Seek endorsement from senior management and bring attention to all employees and customers



(2) Nomination of Responsible Personnel

- ◆ To avoid conflict of interest, officers with primary responsibility for trade control matters should be **independent** from the sales/ marketing department
- ◆ Decision should NOT be managed by a single individual

(3) Procedures Related to Trade Controls

- A. Product Screening
- B. Customer and end user Screening
- C. End-use Screening
- D. Transaction Screening
- E. Application for Licences

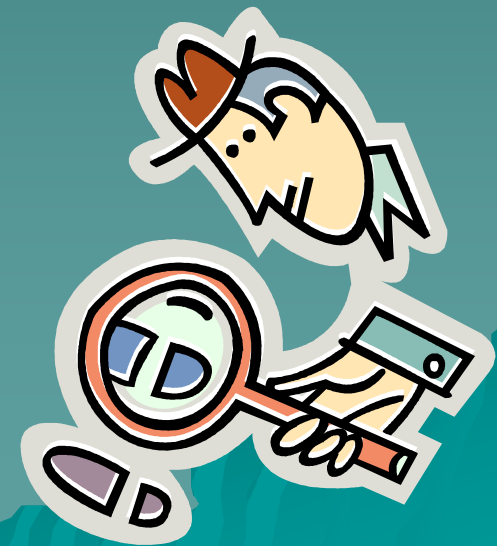
Note:

All screening processes must be conducted before the order is accepted.



A. Product Screening (I)

- ✓ To conduct a general screening in advance instead of screening each transaction
- ✓ To evaluate and clarify all goods by the trade control team together with the engineering/technical department; or
- ✓ To request a determination from the supplier of the goods; or
- ✓ To use the pre-classification service by forwarding the technical details to the Classification Section of TID



A. Product Screening (II)

- ✓ To keep records or lists of the details of the products, including the name, brand, model, product no. and the part of the Import and Export (Strategic Commodities) Regulations control list it falls under
- ✓ Sales/Marketing department to use the lists to check against the order received, to request determination from the trade control team if in doubt



B. Customer and End User Screening (I)

◆ Parties

- ✓ To visit websites of Governments of some high-tech supplier countries
- ✓ To maintain the lists of problematic/concerned entities
- ✓ To check against the lists upon receipt of an enquiry or order from customers, if in doubt, can seek advice from TID



B. Customer and End User Screening (II)

- ✓ To confirm the customers and end users are *bona fide* companies/entities by checking their
 - ◆ address (post office box address should not be accepted!)
 - ◆ contact no.
 - ◆ business registration details
 - ◆ other relevant information



B. Customer and End User Screening (III)

- ◆ Destination Screening for Re-exports
 - ✓ To ensure the original exporting country/place has no objection to the goods being re-exported to the destination
 - ✓ To get copies of valid export licences or other requisite documents issued by the original exporting country/place, if necessary
 - ✓ To compile and maintain lists of allowable re-export destinations for each different product in advance
 - ✓ To check each re-export against the lists



C. End Use Screening



✓ To ascertain the end use of the product from the customer

e.g. For what purpose the product is required?
How will it be used at the final destination?

✓ To stop further transaction with the customer/ end user if the intended end use is suspicious

e.g. related to the development, production or use of WMD programme or any illegal weaponry activities

D. Transaction Screening

- ✓ To review the proposed transaction as a whole and all relevant information received from customers and end users
e.g. Any likelihood of false information to conceal a WMD-purpose?
- ✓ To request contractual assurance from customers



E. Applications for Licences

- ✓ To apply licence from TID for shipping controlled strategic commodities to/from Hong Kong
- ✓ To obtain relevant documents to support the application



(4) Shipment Control

- ◆ Companies must ensure that the goods actually imported or exported match with the relevant shipping documents.
- ◆ To halt the shipment and inform the trade control team immediately if discrepancy between the documents and the shipment is found



(5) Internal Audits

- ◆ The trade control team should conduct compliance audit or review the related functions on a periodic basis.
 - ✓ To establish regular programme of internal audits
 - ✓ To appoint impartial auditors
 - ✓ To keep the audit result and relevant documents
 - ✓ To report the audit result to the company management



(6) Training

- ◆ To conduct regular training for employees engaging in import and export of strategic commodities
- ◆ To keep the training records on the dates, the names of attendees, the subjects, etc.



(7) Record Keeping

- ◆ To maintain records of all paperwork in relation to a particular transaction or enquiries relevant to the Import and Export (Strategic Commodities) Regulations.

e.g. business transaction documents (order forms, contracts, invoices, bills of lading, air waybills, etc), screening/ trade control documents (verification on the end user, copies of import/ export licences, etc)



(8) Guidance to Subsidiaries and Affiliates

- ◆ Parent company should provide guidance on trade control practices to its subsidiary or affiliate on implementing ICP.



(9) Report of Violations

- ◆ Involvement of all employees of the company
- ◆ A clear procedure for reporting any violation of Regulations or perceived risk of violation to the trade control team
- ◆ The trade control team is responsible for investigating the report
- ◆ Corrective actions or reminders should be issued to all relevant staff
- ◆ For cases involving violation of the **Import and Export (Strategic Commodities) Regulations**, it must be reported to TID



(10) Integration with Quality Management Practices

- ◆ To adopt ICP as part of the company's code of practice, with equal emphasis to quality management practices



End of Presentation

Thank you!

