Best Practices of Compliance to Strategic Trade Control in Hong Kong

HK-Japan Joint Industry Outreach Seminar
on Strategic Trade Control
17 November 2017

Presentation Outline

(1) Compliance Responsibility of Companies

(2) Hong Kong's Situation

(3) Best Practices of Compliance

(4) Sources of Information for Internal Compliance

Compliance Responsibility of Companies

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

ICP - *the Hong Kong Model*

- ICP is not a mandatory requirement in Hong Kong
- Implementation of internal compliance of Hong Kong companies depends on nature, size and resources available.
- Over 98% are SMEs

Best Practices of Compliance

First steps towards compliance

- A firm and clear commitment to compliance
- To nominate suitable officer(s) responsible for compliance procedures
- To formulate working procedures and routines for screening transactions
- Know your customers

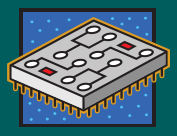
Know your customers

Know Your Customers
The Four W's

- **What** is being imported/exported?
- **Where** are the goods being exported/re-exported?
- **Who** will be receiving the goods?
- **Why** is the customer purchasing the goods?

What is being imported/exported?

- It is your responsibility to know the commodity classification and disposition of the item being sold.
- If the goods are controlled strategic commodities, licences for import and/or export are required.



- www.stc.tid.gov.hk
  Control List
  Pre-classification Service

Where are the goods being exported/re-exported?

- Ensure that the goods are not destined for places of concern
- Countries subject to United Nations Sanctions
  http://www.tid.gov.hk/english/import_export/uns/uns_countrylist.html
  Official website of authorities of individual country (Example: METI of Japan, BIS of the U.S. etc.)

Who will be receiving the goods?

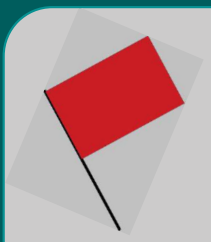
- Know your customer: Ensure that the goods are to be exported to a legitimate end-user
- Check whether the end user is a proscribed entity

Japan – End User List:
http://www.meti.go.jp/english/press/2017/0809_001.html

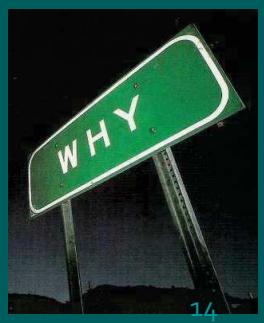
U.S. - Consolidated Screening List:
http://www.export.gov/ecr/eg_main_023148.asp

Why is the customer purchasing the goods?

- Ensure that the technical capabilities of the goods are suitable for the end-use declared.



The quantity and performance capabilities of the goods ordered significantly exceed, without satisfactory explanation, the amount or performance normally required for the stated end-use.



What to do when red flag is found

Reevaluate information after inquiry

Refrain from transaction if you still have concerns

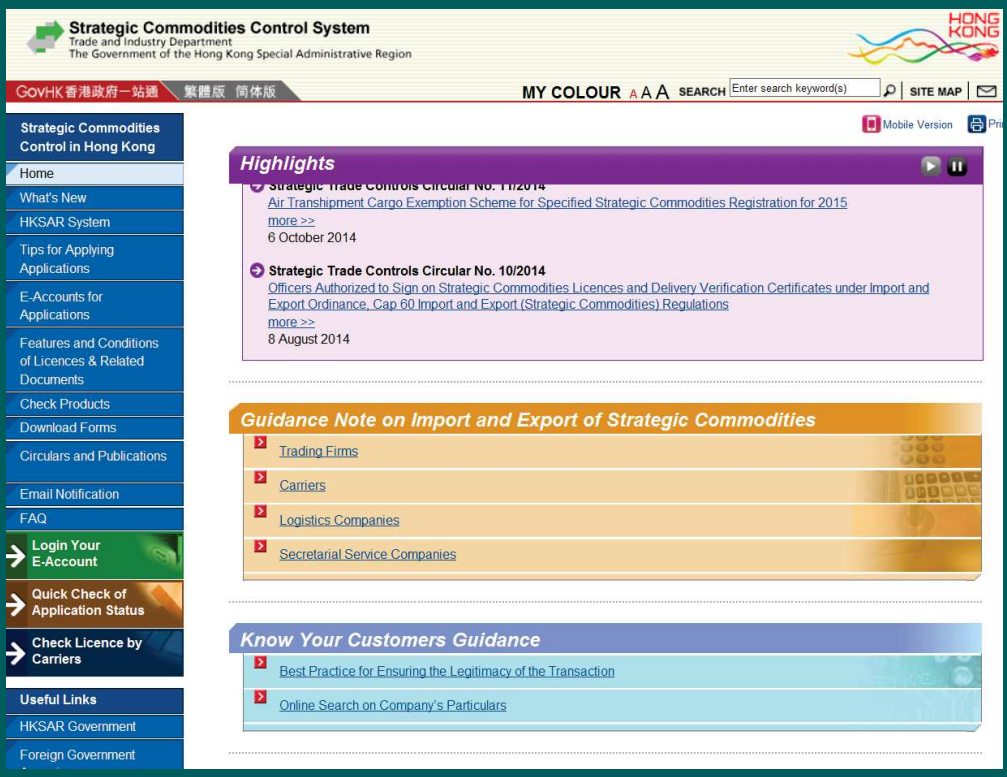
Or submit a licence application to the Trade and Industry Department

Sources of Information for Internal Compliance

ICP Reference

- Guidance Note on Company's Internal Control Programme
- Core Elements of A Company's Internal Control Programme
- Advice for ICP
- ICP published by foreign control authorities: https://www.stc.tid.gov.hk/english/hksarsys/promoting.html

Online Guidance: www.stc.tid.gov.hk



Strategic Trade Control Circulars

Strategic Commodities Control System
Trade and Industry Department
The Government of the Hong Kong Special Administrative Region

GovHK香港政府一站通 繁體版 简体版 MY COLOUR A A A SEARCH Enter search keyword(s) SITE MAP

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Pamphlet, Circulars and Publications

Strategic Trade Controls Circular

2001	2002	2003	2004	2005	2006
2007	2008	2009	2010	2011	2012
2013	2014	2015			

Pamphlet and Other Publications

- Strategic Trade Control Pamphlet
- General Licensing Information
- Information on Specific Products
- Classification Information

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e-mail address : stc@tid.gov.hk
Ref : TRA CR 1015/35
TRA CR 1015/37
12 May 2009

Strategic Trade Controls Circular No. 7/2009

Import and Export of Encryption Products

This circular reminds traders of the licensing requirements for the import and export of encryption products. Circular No. 12/2004 dated 16 April 2004 of the same subject is hereby superceded.

The Legal Basis

2. The legal basis for imposing licensing control over strategic commodities in Hong Kong is the Import and Export (Strategic Commodities) Regulations (to be referred as "the Regulations" hereafter) made under the Import and Export Ordinance, Chapter 60, Laws of Hong Kong. Articles contained in the Schedules to the Regulations are regarded as strategic commodities, the import and export of which must be covered by valid licences issued by the Director-General of Trade and Industry. The Regulations contain four Schedules. Schedule 1 is the full list of strategic commodities subject to import and export licensing control. Schedule 2 contains products which, in addition to being subject to import and export control, are controlled even if they are in transit through Hong Kong (also read paragraph 18 below). Schedules 3 and 4 are items and activities subject to end-use control (also read paragraph 19 below).

Seminars on Strategic Trade Control

Highlights

18 October 2017

Hong Kong-Japan Joint Industry Outreach Seminar on Strategic Trade Control (17 Nov 2017)
An outreach seminar on strategic trade control jointly organized by the Trade and Industry Department and the Customs and Excise Department of the Hong Kong Special Administrative Region Government and the Ministry of Economy, Trade and Industry of Japan will be held on 17 November 2017. Companies who would like to know more about the strategic trade control systems in Hong Kong and Japan are welcomed to join. For details of the seminar and reservation procedures, please refer to the invitation letter.
more >>
18 October 2017

Licensing Section: 2398 5575

Classification Section: 2398 5587

Email: stc@tid.gov.hk

Thank you