

Best Practices of Compliance to Strategic Trade Control in Hong Kong

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

1

Presentation Outline

- (1) Compliance Responsibility of Companies
- (2) Hong Kong's Situation
- (3) Best Practices of Compliance
- (4) Sources of Information for Internal Compliance

2



Compliance Responsibility of Companies

3

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

4

ICP - *the Hong Kong Model*

5

- 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

6

Best Practices of Compliance

7

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

8

Know your customers

9

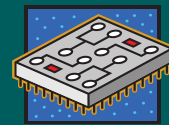
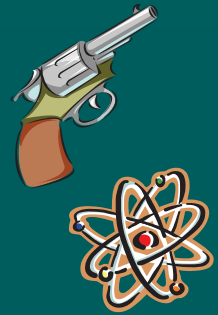
Know Your Customers The Four W's

- **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?

10

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



11

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.)



12

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



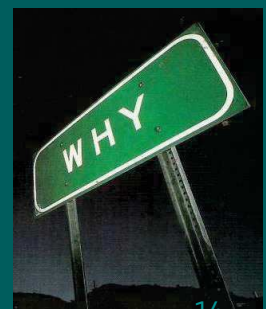
13

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.



14

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

15

Sources of Information for Internal Compliance

16

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

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Strategic Commodities Control in Hong Kong

- Home
- What's New
- HK SAR System
- Tips for Applying Applications
- E-Accounts for Applications
- Features and Conditions of Licences & Related Documents
- Check Products
- Download Forms
- Circulars and Publications
- Email Notification
- FAQ
- Login Your E-Account
- Quick Check of Application Status
- Check Licence by Carriers
- Useful Links
- HK SAR Government
- Foreign Government

Highlights

- **Strategic Trade Controls Circular No. 11/2014**
[Air Transhipment Cargo Exemption Scheme for Specified Strategic Commodities Registration for 2015](#)
[more >>](#)
6 October 2014
- **Strategic Trade Controls Circular No. 10/2014**
[Officers Authorized to Sign on Strategic Commodities Licences and Delivery Verification Certificates under Import and Export Ordinance, Cap.60 Import and Export \(Strategic Commodities\) Regulations](#)
[more >>](#)
8 August 2014

Guidance Note on Import and Export of Strategic Commodities

- [Trading Firms](#)
- [Carriers](#)
- [Logistics Companies](#)
- [Secretarial Service Companies](#)

Know Your Customers Guidance

- [Best Practice for Ensuring the Legitimacy of the Transaction](#)
- [Online Search on Company's Particulars](#)

Strategic Trade Control Circulars


Strategic Commodities Control System
 Trade and Industry Department
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Strategic Commodities Control in Hong Kong
 Home
 What's New
 HK SAR System
 Tips for Applying Licences
 Features and Conditions of Licences and, Related Documents
 Check Products
 Measures on UN Sanctions
 Control Requirements of Major Trading Partners
 Internal Compliance Programmes for the Industry
 Download Forms
 Pamphlet, Circulars and Publications
 FAQs

Home > Pamphlet, Circulars and Publications
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](#)



Trade and Industry Department
The Government of the Hong Kong Special Administrative Region
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24-hour hotline : 23 922 922
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 50, 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 18 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



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21

Thank you

22