

Red Flags

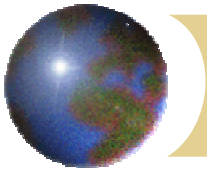
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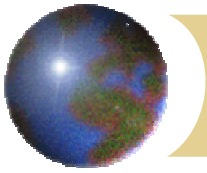
Bureau of Industry and Security

U.S. Department of Commerce



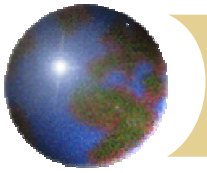
Red Flags

- Red flags point to a heightened risk of a problem with an export/re-export transaction.
 - Most commonly, red flags indicate a heightened risk that a claimed end-use, end-user or ultimate destination is not the actual one.
- Parties should identify and respond to red flags in all transactions, including ones for which an export license has been obtained.



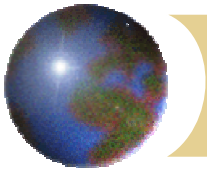
Red Flags Guidance

- Decide whether there are **Red Flags**
- If there are “red flags” – inquire
- Do not “self-blind”
- Employees need to know how to handle red flags
- Reevaluate all the information after the inquiry
- If there are still reasons for concern, refrain from going forward with the transaction or advise government officials and wait



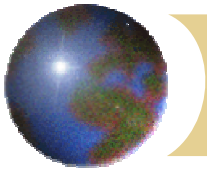
Examples of Red Flags

- The customer or address is similar to one found on a government denied person list, denied parties list or entity list
- A freight forwarder is listed as the products final destination
- Customer is unfamiliar with product characteristics but still wants the product
- Customer will pay cash for a very expensive product



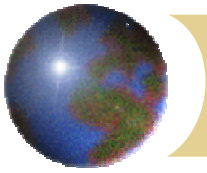
Examples of **Red Flags**

- When questioned, buyer is evasive and purposely unclear, whether items are for export or domestic use
- Routine installation, training, or maintenance services are declined by customer
- Packaging is inconsistent with the stated method of shipment for destination



What to Do When You Have **Red Flags**

- Do not “self-blind”
- Refrain from going forward with the transaction
- Contact government export control and export enforcement officials



On the Horizon

- Proposed rule to enhance Red Flags published on October 13, 2004
- This proposal updates and augments the "red flag" guidance and increases from 12 to 23 the number of circumstances expressly identified as presenting a red flag.