



Department
for Business
Innovation & Skills

EXPORT CONTROL ORGANISATION

Compliance Visits Explained

MARCH 2010

Contents

1.	The Purpose of this Manual	4
2.	The Purpose of Export Control Compliance Audits	4
	Statutory	4
	Assurance	4
	Building relationships	5
	Enforcement.....	5
	Timing	5
3.	The Export Control Compliance Team.....	6
	Who we are	6
	What we are not	6
	Who might accompany Compliance Inspectors on audits?	6
4.	Who do we audit?	7
	Open Individual Licence (OIL) holders.....	7
	Open General Licence (OGL) holders	7
	Companies who have Standard Individual Licences (SILs) that cannot be decremented by HMRC	7
	Remote checks	8
5.	What to expect before the audit	8
	Making contact	8
	Arranging the date.....	8
6.	Preparation for the audit	9
	What we do	9

What you should do	9
7. The audit itself.....	9
Your company.....	10
The licensing and export processes in your company	10
Other activities	10
Being alert and responsible.....	10
Keeping up-to-date.....	10
Questions and concerns	11
8. The Audit.....	11
The process	11
9. The end of the audit and what follows	11
Summing up.....	12
Follow up letter.....	12
10. Shortcomings on audits and possible penalties from ECO.....	12
Which kind of non compliance will the procedure apply to?.....	12
Further Information.....	14
Annex A.....	15
Your company: List of all the subjects we might want to cover.....	15
Annex B.....	16
Supporting documentation	18
Definitions and interpretations.....	18
Guidance specific to named consignees or end-users	20
Annex C	21
Procedure for suspending a company's use of OGLs in cases of non compliance with the requirements of the Licence or relevant export control legislation	21

1. The Purpose of this Manual

This manual has been written to provide companies with information about

- ▶ the reasons for export control compliance audits,
- ▶ details of the audit,
- ▶ what to expect from the Compliance Inspector at the audit,
- ▶ what Compliance Inspectors expect to see from companies
- ▶ to illustrate penalties companies might face if not compliant with export control legislation.

The intention is to de-mystify the process and allow companies to prepare fully so both sides can get maximum benefit from the audit and any subsequent interactions.

This is not a static document. We are constantly looking at ways to make compliance audits more effective for both sides and less resource intensive. Licence conditions also change and this document will reflect those changes as they happen.

Additional information on export controls can be found:

- on <https://www.gov.uk>
- via the Checker Tools (www.ecochecker.bis.gov.uk)
- and from our short ECO Film – “Responsible Exports” available either on DVD or online via YouTube and or the GOV.UK website

We also provide an electronic update service and have a helpdesk (ECO.help@bis.gsi.gov.uk Tel: 020 7215 4594) to assist you.

2. The Purpose of Export Control Compliance Audits

There are a number of reasons for Export Control compliance audits and the main ones are listed below.

Statutory

The standard conditions of Open Individual Licences (OILs) and Open General Licences (OGLs), backed up by the provisions of Article 31 of the Export Control Order 2008 (SI 2008/3231), contain provision for authorised people to inspect export records to ensure the licences are being correctly used.

Assurance

ECO needs to be assured that the licence user has the necessary systems and procedures in place to administer Open Licences, that they are familiar with export control legislation as it applies to their business and particular circumstances and that that

knowledge is correct and current. Companies can also assure themselves that they are not breaking the law.

Building relationships

In the majority of cases, Compliance Inspectors are the only Export Control Organisation (ECO) representatives that the company sees. It is a chance for companies to provide feedback to Compliance Inspectors on their experience of dealing with ECO and to ask questions about areas of policy and current situations that affect their company and specific circumstances.

Enforcement

The audits are also to ensure that companies have not exported goods or technology without an appropriate licence and that they have met all the conditions of any licence they have exported against and complied with applicable export control legislation.

If breaches are discovered, appropriate action will be taken against the exporter. Please see the section on penalties.

Timing

The gaps between compliance audits are based on a risk assessment with the categories ranging from 3-12 months to 36 months with most exporters currently falling in the 12-18 month bracket.

We aim to audit companies new to Open Licences within 3 months of them receiving their first OIL or registering for OGLs for the first time, although this is not always possible.

After the initial audit, a risk assessment is conducted based around issues such as licence usage, number of licences, compliance record and effectiveness of procedures, volume of exports, goods and destinations on the licences and any special conditions which may be in place.

For example a typical company in the 12-18 month bracket will use open licences at least 3 times a week and have OILs to sensitive destinations or with particular conditions on them. They may have had compliance issues in the recent past.

A typical company in the 24-36 month bracket will make less than one shipment a month under open licences and have an excellent compliance history.

Subsequent audits will result in another risk assessment and so on.

3. The Export Control Compliance Team

Who we are

Compliance Inspectors are BIS officials who work within the Export Control Organisation. Our main function is to audit companies to check their compliance with the terms of whichever open licence(s) they are using and UK export controls in general. We liaise with the exporter to agree a time and date for the audit. The exporter normally has had contact with the Compliance Inspector, but, if requested, we have passes with our photos on them, which declare us to be Compliance Officers in the Export Control Organisation.

What we are not

We are not involved directly in issuing export licences, although we may have input into the decision as to whether a company has sufficient knowledge, experience and expertise to administer an Open Individual Licence.

We are not the authority who investigates or prosecutes companies for breaches in Export Control Legislation. Those tasks fall to Her Majesty's Revenue and Customs (HMRC) and the Revenue and Customs Prosecution Office (RCPO). But we will inform them if we discover breaches of export controls on a compliance audit, and ECO will take action on some breaches itself.

We are **not** Technical Officers, so cannot give an opinion on the control entry which specifies your goods, although we are likely to have sufficient knowledge of the strategic export control list to flag up the sort of goods that might be controlled and sometimes suggest categories or control entries which might be relevant.

We are not a consultancy service, and whilst we can, and do, provide advice to companies on how to administer export controls, we cannot write or provide significant input into, company compliance manuals or similar. We are aware of consultants who offer such services, but we cannot pass comment on their services or recommend any in particular.

Who might accompany Compliance Inspectors on audits?

ECO seeks advice from a number of other Government Departments when it decides whether or not to issue a licence and also when it develops a new Open General Licence. Sometimes these advisors ask to accompany Compliance Inspectors on a audit. Usually this is to check particular conditions of a licence, because the company is List X (i.e. works with classified material) and is working on something particularly sensitive to the UK Ministry of Defence (MOD). MOD advisors will also wish to see the company's methodology for handling MOD Form 680s (F680s) where these are required for licences and in particular will wish to review company measures that ensure the dissemination to, and proper observance by, the relevant company personnel of F680 provisos.

On occasion our own technical advisors or other ECO personnel accompany us, sometimes to provide particular advice where the Compliance Inspector is unused to such goods, software or technology or it is very much a specialist area. On other occasions, it is simply to improve the officer's knowledge.

Two Compliance Inspectors sometimes audit companies together. This may be because one is being trained, so that a manager can see their work, or simply to share or update knowledge.

Companies should not infer anything is amiss, or that they are seen as more of a risk if more than one person comes on the compliance audit.

4. Who do we audit?

Open Individual Licence (OIL) holders

We audit any company that holds an Open Individual Licence of any type. We will arrange a visit at the site address on the licence, which will usually be the address where the records relating to the exports or trade activities are held. Other arrangements can be made, but we need to be aware of them before we audit, as well as the reason for the change and this must be an address that is related to the exporter in some way on SPIRE.

Open General Licence (OGL) holders

Most Open General Licences, though there are exceptions, require the user to register with ECO before, or shortly after, they have used the licence. This is a condition of the licence. Any company not notifying us of this is in breach of the conditions of the licence and liable to prosecution.

We audit users of all OGLs requiring registration. However, if you only use some of the niche market OGLs such as those relating to historical goods we are likely to audit less often than if; for example, you are using those which permit exports in support of UK MOD contracts.

Again, our audits are to the company site that has registered to use the licence, which should be where the export records are kept. This does not need to be the site from which the export is made, but at some point, usually during the audit, we will need to understand the relationship between the different sites.

Companies who have Standard Individual Licences (SILs) that cannot be decremented by HMRC

This includes Standard Individual Trade Control Licences and also Standard Individual Export Licences for the electronic transfer of technology or software.

Remote checks

In some circumstances, for example where a company uses a trade licence and is based overseas, we will ask for specific information to be sent to us.

5. What to expect before the audit

We do not turn up unannounced. Usually we will give at least 4 weeks notice, although sometimes we might give less, particularly if another company in your area has had to reschedule its compliance audit and we need to find a replacement.

Making contact

We will ring the person we have as your company contact on SPIRE. Please try to let us know if that person changes. It can be very frustrating both for you and us if we have to go through a number of people before finding someone who has heard about export control. It also paints a poor initial picture of the company.

Arranging the date

We will usually be looking at a specific date or range of dates. It is important that all those who need to be involved in the audit are available on that day. We expect to see a director of the company or a senior manager at some point during the day. This helps us to be sure that the company takes export control seriously. It also helps the person or people who administer the Company's licences to do their jobs more effectively: We find that if senior management is involved, the likelihood of unlicensed shipments being made is reduced as we can point out the serious consequences of that to Directors.

Those involved in administering the licences should obviously be involved in a compliance audit and, depending on the nature of the company and its exports; you may need to have project managers or technical personnel available. We can help you decide who should be present during this initial call.

Once we have arranged a mutually convenient date, we will send you a letter of confirmation. If we will be accompanied by someone, we will let you know who that person is as soon as we are aware of their interest.

6. Preparation for the audit

What we do

When we send you the confirming letter we will email you a questionnaire that, when completed, will give us some general information about your company, your products and your export markets. This helps us to do some basic research so that we can ask appropriate questions during the audit.

What you should do

Please fill in the questionnaire and return it at least a week before the audit is to take place. Make sure all the logistics are in place to make things run smoothly. For example alert your reception desk, send us a map of how to get to the site, arrange parking if necessary and of course, make sure all those involved know the audit is taking place, why and what their roles are.

Ensure you have to hand for the audit a list (ideally as a spreadsheet, a printout from a database or online, but folders are acceptable) of all the exports you have made since the last audit. This should also show which licence was used to export the goods, technology or software in question or that no licence was required.

Identify and gather together the supporting paperwork for these exports, or ensure they are easily retrievable on the day. Remember this is not just the export documentation, but also end-user/consignee undertakings, paperwork from MOD and anything else that shows you are complying with the conditions of the licence you have quoted on the export documentation. If any of the licences contain provisos, make sure you can demonstrate to us that you have complied. The documents should provide a logical trail ending up with the end-user and should be consistent in terms of descriptions of goods, address of end-user etc, and should, of course, match the licence conditions. e.g. for the OGEL Export after Repair (Military Goods) - Exports against Paragraph 1 (iii) require both evidence of the export licence used for the original export from the UK and evidence the goods are being returned to the person to whom they were originally delivered.

7. The audit itself

We will try to arrive on time, but we will alert you if we are likely to be more than 10 minutes late.

[Annex A](#) gives a comprehensive list of all the subjects we might want to cover, but please bear in mind that not all of them may be applicable to your company.

Please bear in mind that each compliance audit will be different. The answer to a question could lead in many directions, but only one can be followed at once and not all points will

necessarily be followed up. If a Compliance Inspector gets answers which give them concern in one area, he or she may focus more on that than other areas. This might give the impression the audit is skewed in one direction but the next audit is likely to focus elsewhere.

Your company

We do not expect a full presentation on every aspect of your company's business. By all means give a presentation if it is helpful, for example during the first audit but please keep it short and relevant. Much of the information will already have been provided in the pre-audit questionnaire.

The licensing and export processes in your company

Basically, this is a discussion about who in your company decides whether a licence is necessary and when in the export process this decision is made. We are also looking here for evidence of good procedures and back-up for the people working day-to-day on this, for example, what happens when they go on holiday, etc?

Other activities

Some companies still only think about the export of goods from the UK. But is your company involved in the transfer of technology or software by any means, e.g. electronically; - or arranging the transfer of goods between two or more overseas companies; - or between different overseas sites of your own organisation? These activities may also be licensable. Do you send goods to exhibitions, demonstrations, for repair, back to the original supplier? Exports can take place regardless of recipient (for example, it could be part of your own company based outside the UK), price paid (you may be sending goods to exhibitions or after you have repaired them and you state FOC on the export documentation) or mode of transport (physical exports and electronic transfers may be licensable).

Being alert and responsible

Do you make enquiries about new customers (or even existing ones)? Are you confident that your goods are arriving at the intended destination and that your customer is using them in the way you thought? What do you do if you are suspicious? If you are not sure about end-use controls, then at this point we will explain them to you. Do you sell ex-works? How do you ensure someone has applied for a licence for the goods?

Keeping up-to-date

We will ask you how you keep up-to-date with changes in legislation and keep your knowledge current. If you are not already aware, we will discuss the help and advice the ECO can offer. These include our website, Checker tools and our electronic updates service.

Questions and concerns

You may well have concerns or questions about UK export controls. Compliance Inspectors are a mine of information, but sometimes they will need to take your question away and discuss it with experts either in ECO or sometimes in other Government Departments coming back to you with the answer later.

8. The Audit

The process

We will ask to see a record or list of the exports, technology transfers and trade activity the company has undertaken over the last 12 months, as a minimum. You should have available records of transactions back to the last compliance visit.

From this list we will choose a number of exports and ask to see the supporting paperwork for those shipments. First, we need to see the export documentation with the licence referenced on it, and then other documents which the licence conditions require. We will check that the goods and destination match the permissions on the licence and that all supporting paperwork ties together.

Then we will need to see documents to support the specifics of the licence, e.g. OIL Undertaking (usually original, on end user or consignee headed paper, signed, matching the licence, with appropriate wording and valid on the date on which the export was made), a letter from EPA Casework (formerly DESP) confirming that the company has a contract with the UK MOD and some sort of assurance from you that the goods and destination relate to that specific contract. Each OGL and some OILs have their own set of conditions; you must be able to provide documentary evidence that you have complied with every condition.

[Annex B](#) gives greater detail on this and other aspects of the requirements of a company from a compliance audit. It also catalogues the mistakes that could lead to a revisit or to us contacting HMRC.

Please Note: this is not a comprehensive list and is subject to change.

9. The end of the audit and what follows

By the end of the audit you should be aware of how we have assessed your ability to administer open licences.

Summing up

There will usually be a session at the end of the audit where the Compliance Inspector will run through his or her findings and any follow-up actions needed on either side. It is useful if a Director or similar attends this. If you have been found to be non-compliant with the terms and conditions of one or more licences or other requirements in applicable export control legislation, the compliance inspector will discuss with you the actions which you need to take before the next audit and when that audit might be.

Follow up letter

You will receive, usually within about a week of the audit, a letter on SPIRE confirming the outcome of the audit, reminding you of the action points for both sides. Any actions for your company must be acknowledged and replied to on SPIRE. We aim to reply to you within one month with the results of any follow up actions for ourselves, again on SPIRE

If non-compliance with open licences is found, the correspondence will take the form of a warning letter (by post or email) from ECO detailing the failures in compliance identified, the remedial action we expect you to take to ensure compliance and the date for a revisit to check the remedial action has been taken. The letter also warns that if there are still issues around compliance at the re-visit, the company's use of one or more open licences may be suspended [Annex C](#) gives further details.

If non-compliance with a standard individual licence was found, we will pass this information to HM Revenue and Customs.

10. Shortcomings on audits and possible penalties from ECO

Compliance audits are largely built around helping companies to comply with the legislation, rather than punishing them for non-compliance, but if a problem is discovered with your use of open licences we will lay out the remedial action you need to take in the warning letter referred to in the previous section with a timescale which we have discussed with you. If little improvement is found at the re-visit, we will consider suspending your use of the open licence(s) concerned. Please see the procedures described in [Annex C](#). Do bear in mind that there are other measures that can be taken including involving HM Revenue and Customs who may decide to prosecute.

Which kind of non compliance will the procedure apply to?

The procedure will apply to infringements of the legislation or licence requirements where the exporter has failed to take corrective action identified in a warning letter issued after a

compliance audit. This procedure is without prejudice to the Secretary of State's general powers to suspend or revoke licences by following other procedures. There may be instances where it would not be appropriate to follow this procedure, for example, where an exporter is being investigated or prosecuted in relation to a possible criminal offence, or has been found guilty of a criminal offence under the export control legislation, when it would be appropriate to take speedier action and there may be little or no warning that an open general licence is to be revoked for that exporter.

Non-compliance manifests itself mainly as missing or incorrect paperwork, leading to an inability to demonstrate all the terms and conditions of a licence are being met.

Examples include:

- Missing undertakings or no paperwork showing a link to a Government where one is required.
- Failure to obtain MOD F680 approval where it is specifically required.
- Failure to reference the licence on paperwork
- Failure to keep adequate records of exports, particularly in relation to electronic transfers.
 - o The overarching record keeping requirements are listed in Articles 29-32 of the Export Control Order 2008. The following information is required under that:
 - Description of the act (export or trade)
 - Description of the goods, software or technology to which the act relates
 - Date of the act or the dates between which the act took place
 - Quantity of the goods (if any) to which the act relates
 - Name and address of the person using the open licence
 - Name and address of consignee
 - Where possible, the name and address of the end-user of the goods.
 - Any further information required by the licence (import information, F680s etc)

Further Information

For further information about export control related matters please contact:

ECO Helpline
Export Control Organisation
Department for Business, Innovation and Skills
3rd Floor
1 Victoria Street
SW1H 0ET

Tel: 020 7215 4594

Fax: 020 7215 2635

Email: eco.help@bis.gsi.gov.uk

Information on export controls is published on: <https://www.gov.uk>

NOTE: This document is for guidance only. It is NOT a statement of law. Before exporting you should refer to the legal provisions in force at the time.

Annex A

Your company: List of all the subjects we might want to cover

NB that not all of them may well be applicable Many of these are covered in the pre-audit questionnaire, but we may seek clarification at the audit

Company Information

Other sites
Number of employees
Goods/software/technology exported
Trade controls
Temporary exports

Customers, markets and competitors for controlled items

Overseas
Agents/Distributors
Checking of customers

Licencability

Control entry specifying goods
Expertise within company to determine the control entry

Responsibility

Overall
Day to day
Cover in absence
Reporting structure for export activity
Compliance statement
Export control training procedures
Desk instructions
Keeping up to date with relevant changes

Order process

When is the decision made about need for a licence
Blocks on computer system
Check on end user undertaking
Check on end use/user

Record keeping

Retention policy
Maintaining end-user undertakings

Annex B

Guidelines for Compliance Audits

Records maintained electronically

1. Exporters can maintain an electronic record of commercial or shipping documents for exports made against open licences. It is recommended that hard copies of undertakings be retained until a licence application has been finalised.

Compulsory checks to be made during the inspection of export paperwork

2. During a compliance audit the Compliance Inspector will inspect the records of at least one shipment made against every licence used. It is impossible to give a percentage of shipments to be inspected as that very much depends on the nature of the company's exports, but a representative sample will be selected.
3. Compliance Inspectors will inspect paperwork for a range of exports made against
 - open licences,
 - standard individual licences covering transfers of controlled technology or software by electronic means, and
 - standard individual licences covering trade activities
 - licences relating to WMD-related activities
4. Compliance Inspectors will investigate compliance with the WMD exclusion (or any related condition) for any exports of missiles, UAVs or related parts made against open licences.

Record keeping requirements

1. Unless a licence states otherwise records of shipments made against SILs and OILs must be retained for at least three years from the end of the calendar year in which the export took place. Individual OGLs state the number of years' records must be kept with regard to shipments against that OGL.

Electronic transfers of controlled technology or software

1. An exporter can maintain generic records (e.g. summaries of transfers under a specified contract on a spreadsheet) detailing controlled electronic transfers of technology. The records required are set out at Articles 29-32 of the Export Control Order 2008, as well as specific requirements in each licence. If generic records are maintained the exporter does not need to retain the original communication.
2. If the actual communication (e.g. email) is retained as the sole record of an electronic transfer this must in itself meet the record keeping requirements of Articles 29-32 of the Export Control Order 2008, and any specific requirements of the licence used.
3. There is no need to make a specific reference to the licence on the email, fax, etc where controlled technology or software is transferred by electronic means.

However the exporter must, when asked, be able to identify the licence used and demonstrate compliance with all the conditions of use.

Trade Control Licences

1. Supporting documentation generally, but not always, needs to relate to the activity in the UK rather than the export from the third country (if indeed one takes place). Undertakings are not always necessary, but if needed this will be specified in the licence.
2. OITCLs have conditions specific to the company's application (along with standard conditions) that a Compliance Inspector will check at audit. These generally will be specific details of the trading activity, such as names and addresses of source and destination, description of goods and dates of trading. Additional conditions could involve more detailed proof of the trading activity (such as advertisements or promotional material) but will be clearly stated on the licence.

General guidelines for compliance audits

1. OILs are only issued where there is an appropriate business case. For example an OIL might be required to fulfil regular exports, provide ongoing support or maintenance, or urgent shipments (eg to deal with emergencies). For regular exports, acceptable OIL usage, ie justification for an exporter to retain the licence, is defined as follows:
 - Dealer-to-Dealer OIL – minimum of six exports per annum.
 - Other OILs – minimum of twenty exports per annum.
2. Sometimes goods exported from the UK will subsequently be moved on to another destination without first being returned to the UK. It is possible that more than one open licence might apply to such movements. It is also possible, depending on the goods involved and other factors such as where and when the onward transaction was arranged, or any fee involved etc, that a trade licence might be required.
3. Moving goods from one destination to another rather than bringing them back (to the UK) and re-exporting them is acceptable, providing the conditions/restrictions that apply to each licence used can be met e.g. that both are permitted destinations on the same OIL, or it fulfils all OGL conditions to both destinations.
4. For OIELs which contain a wide definition government-only clause (Government direct, Government agencies or companies whose use of the goods is in direct support of a Government contract) it is acceptable for the goods to be consigned to an agent or distributor in the destination country, i.e. an intermediary rather than the company that uses the goods. It is also permissible for the goods to pass through multiple consignees who simply handle the goods in the destination country so long as there is a clear audit trail from the UK exporter to the government end-user.

5. The MOD requirements for approving the export or transfer of goods or technology classified “Confidential” or above include the following which are specific to certain open licences:
 - Physical exports or postal shipments: Security Transportation Plan.
 - Courier exports: MOD issues an “Authority To Carry Documents” certificate.
 - Electronic transfers above unclassified: These must be on an approved encryption system, which must itself be approved by MOD

These may also be checked during the compliance audit

Supporting documentation

Undertakings

1. Exporters should obtain original undertakings to support shipments made against open licences. If a Compliance Inspector is presented with photocopies, faxed versions or those sent as attachments to emails, and there are any doubts as to the authenticity, the exporter will be told to obtain originals, usually within one month of the audit.
2. Undertakings are valid for a maximum period of one year from the date of the document. If an undertaking is undated the exporter must obtain a new one within a reasonable timeframe.
3. It is an administrative requirement that undertakings are written on the consignee’s headed notepaper even though this is not expressly requested in the conditions of OILs. A suggested template is published on <https://www.gov.uk>
4. Undertakings issued by a head office (or equivalent), but specifically covering exports from a range of other sites, are acceptable so long as it is clear that the signatory has management authority over those sites. The document must also include the names and addresses of all the sites covered.

Government Purchase Orders (GPOs) and Government contracts

1. GPOs which are quantity-specific remain valid supporting documents until the stated quantity of the goods have been delivered.

Definitions and interpretations

1. The definitions of “**exhibition**” and “**demonstration**” are as follows:

“Exhibition”

A display of equipment and technology where the exhibitor has no control over who views the equipment or technology. It therefore follows that all exhibits **MUST** be at an unclassified level.

“Demonstration”

A closed event where equipment and technology can be shown, in greater depth, at a pre-agreed level of classification to a known audience.

2. **Government Bodies:** The status of some agencies in relation to the definition of government is dependent on the country concerned. Some, like the FBI in the USA, can be considered as a Government body, others such as a local force may not. Compliance Inspectors will seek clarification on a case-by-case basis unless the answer is clear.

Guidance on specific OGELs

OGEL (Military Goods: Government or NATO End-Use)

1. Paragraph 1 (i) does not indicate a specific means by which an exporter is required to confirm use by a Government or a specified NATO HQ. A Government or NATO contract or similar will confirm this.
2. Paragraph 1 (ii) gives examples of the type of documentation a contractor might provide to confirm that goods supplied against the OGEL are for a permitted use and end-user. However this is not a definitive list, and anything that confirms this, as well as linking the contractor to the end-user, would be acceptable.
3. The OGEL refers to trial and testing. This covers only trial and testing by organisations appointed to act on the Government's behalf (as defined above).
4. Exports of equipment/technology being used in relation to some multinational projects are not permitted under the OGEL. This is because some of the potential end-users are not permitted destinations. If this is the case, please use another type of licence.

OGEL (Technology For Military Goods)

5. Where technology (ML22) relating to ML21 (software) is exported against this OGEL it is not necessary to determine the military product to which that software relates (e.g. in relation to the exclusions in the licence).

OGEL (Exports or Transfers in Support of UK Government Defence Contracts)

6. It is not necessary for the finished goods to go into service with the UK MOD, although that Department must issue prior written confirmation that the intended export is in relation to a UK Government defence contract.

OGEI (Export For Repair/Replacement Under Warranty – Military Goods)

7. Where Compliance Inspectors deem it to be unclear, exporters are required to show that a consignee falls within the definitions contained in conditions 1 (iii) (the original manufacturer, stockists or licensed manufacturer who first supplied them (the original supplier) or 1 (iv) (an approved repair centre) of the licence. The means by which this is done is also at the discretion of the Compliance Inspector, but may include for example headed notepaper showing them to be an accredited repair centre or a document from the original manufacturer listing them as such.

Open General Trade Control Licence

8. If a UK exporter arranges the transfer of non-restricted goods from a Group 2 country (a) to a Group 3 country (b), but at the same time also arranges the transfer of those same goods onto another Group 3 country (c), the movement from (b) to (c) would not be permitted by the OGTCL unless (b) was simply a transit point from (a) to (c).

Guidance specific to named consignees or end-users

1. Two organisations in Singapore, known as DSTA and DSTL, are part of the Singapore MOD. MOD 680 approvals for the Singapore MOD therefore cover both DSTA and DSTL.

Annex C

Procedure for suspending a company's use of OGLs in cases of non compliance with the requirements of the Licence or relevant export control legislation

The procedure will apply to infringements of the legislation or licence requirements where the exporter has failed to take corrective action identified in a warning letter issued after a compliance audit. Exporters may be prevented from using an OGL for a period of time if they have received notice in writing from the Secretary of State (from ECO on his behalf) to that effect.

If a company has received a letter suspending their use of an OGL, they will still be able to apply for SIELs, submitting valid end-user undertakings with each application so that they can continue their business, but they will not be able to use the OGL until the period of licence suspension is over. The period of suspension will only come to an end after the exporter has fulfilled ECO's requirements as stated in the warning letter.

The procedure is as follows:

1. A compliance audit is undertaken and minor non-compliance is found.
2. ECO will then send a "warning letter" to the company outlining the steps they need to take to ensure compliance with the controls and stipulates a date by which this is to be completed. All companies who are not fully compliant will receive such a letter. The timescale will be decided by the Compliance Auditing Officer after discussion with the company at, or shortly after, the audit.
3. A revisit is arranged for the date contained in the warning letter. If the company is found to be compliant, no further action is taken
4. If the exporter is found not to have taken the steps necessary to ensure compliance with the controls, they will be sent a letter suspending the use of their OGEL for a period of time.
5. A revisit will take place before the end of the period of suspension. After this audit it will be decided whether the period of licence suspension should come to an end. Where the company has restored compliance, the licence suspension period will come to an end on the date indicated in the warning letter. Where full compliance has not been restored the Secretary of State may decide to extend the suspension for a further period. If this happens a further warning letter will be issued which identifies the action which needs to be taken, a further compliance audit arranged and period of suspension identified.
6. If at the end of that further period of suspension little or no improvement is found, the Secretary of State may conclude that one or more OGLs should be revoked in

relation to that exporter. In which case the company will be notified in writing to this effect.

A similar procedure operates for OIEL suspension.

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URN 10/667