

Electronics

MANAGING THE EXPORT OF ENCRYPTION PRODUCTS

One of the largest electronic and electric equipment companies in the world has an operating unit focused on printers, scanners and other document management products. Many of these products contain encryption technology, which protects the data stored in them through the use of a unique algorithm and data key. A key focus for this company is exporting these encrypted products from the United States, where the products are controlled through rigorous export regulations and reporting requirements. With over 50,000 SKUs to manage and several hundred shipments a month, this company needed a system to capture and report on encrypted product shipments.

To protect and preserve foreign policy and national security interests, the United States (as do many other countries) maintains export controls on encryption items. Encryption products may be used to maintain the secrecy of information, and therefore may be used by persons abroad for criminal or otherwise harmful activities.

Companies that export encryption products must work with the U.S. Bureau of Industry and Security (BIS) to ensure they have provided the proper information needed to lawfully export the items. If they do not, they could face heavy fines, a loss of their export privilege or even jail time.

The electronic company involved with encrypted products needed to ensure it properly identified which of their products contained encryption technology. Using the Export Administration Regulations (EAR), they could determine the proper Export Control Classification Number (ECCN) to apply to a product with encryption. Working with Tradeflow, this company setup an automated feed from their Enterprise Resource Planning (ERP) system to send their product information into the Product Management Centre. Tradeflow provided the full ECCN list within the application to confirm they have selected a valid ECCN. In addition, they needed to flag the encrypted products with a specific License Code ("C50"). If there was a license exemption they could use, an additional reference number of "ENC" could be flagged. All together, the ability to manage their encrypted product information centrally in the Product Management Centre, and use the ECCN trade content to validate their classification choices, provided a reliable and compliant process.

After setting up their products, with automated updates from their ERP, the next step was to incorporate their product information onto their commercial documents. The key document was the commercial invoice, but they also

generated Shippers Letters of Instruction (SLI) and the information needed for a Shippers Export Declaration (used for referencing when the broker filed the Electronic Export Information [EEI] with the U.S. government). The company implemented Tradeflow's Shipment Management Centre to serve as their centralized document generation platform. The ECCN and some of the license code information originating from the Product Management Centre would display on the necessary documents, which were later sent to a third party broker. By having the documents generated within Tradeflow, they obtained a system of control, whereby the required information was present. For example, if someone tried to export an encrypted product not already setup in the Product Management Centre, they would see a message that the product was not found. This message would then force the user to contact the proper compliance contact at the company to first add the product with the appropriate data elements, before the user could create documents to export the product.

Another aspect of the export of encrypted products is reporting to the BIS on periodic basis. A semi-annual report requires companies to convey all the encrypted products they exported in the previous six months. Because this customer managed their exports through Tradeflow's Shipment Management Centre, all the data was in one place where they could pull together a comprehensive report. A special license code report provided all the information (ECCN, License Code numbers, quantities, values, product description and other details) the company needed to meet the BIS reporting requirements. Instead of spending days trying to piece together all the information of six months' worth of exports, they could receive a report in less than an hour.