



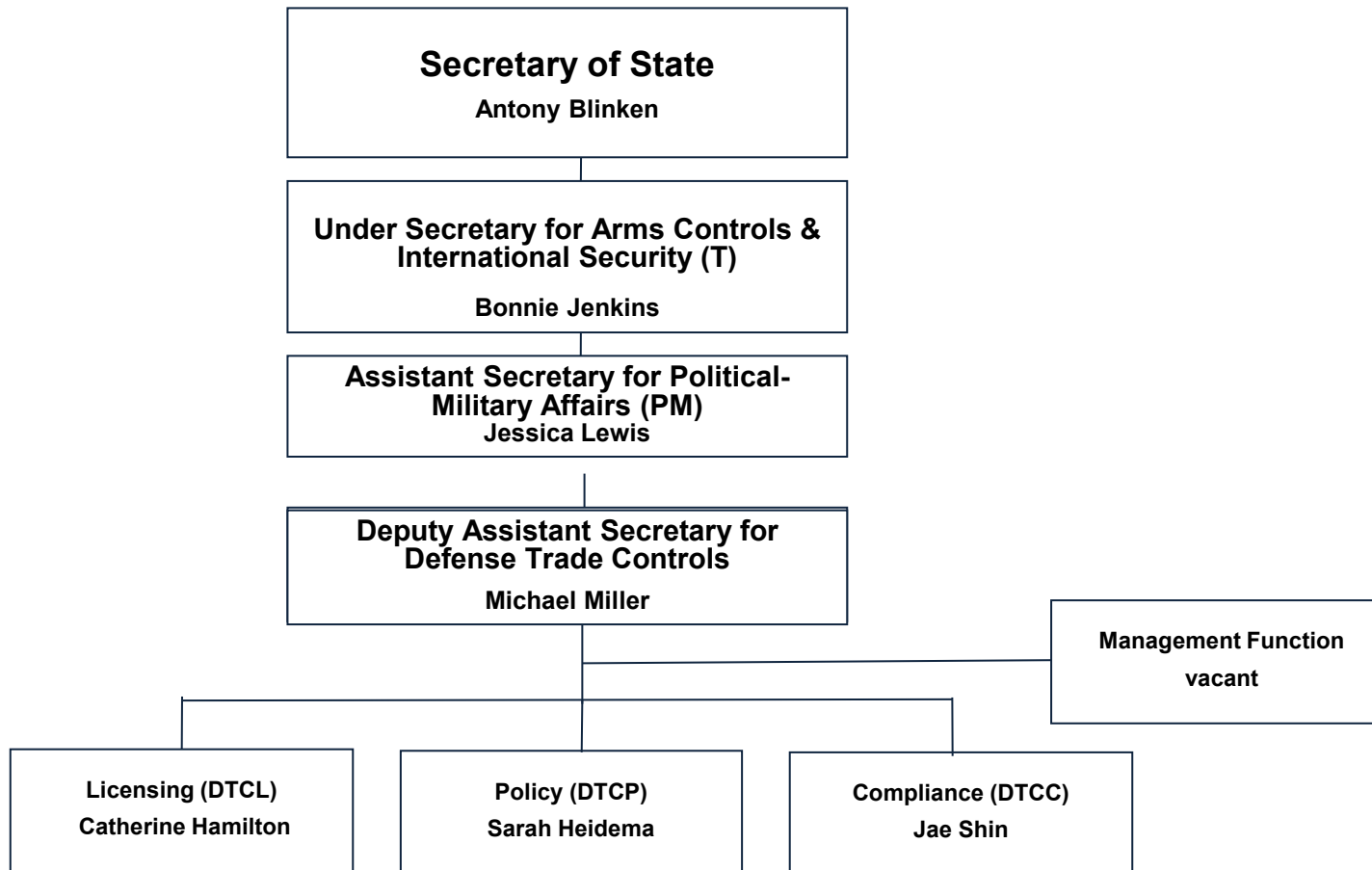
Office of Defense Trade Controls Compliance Compliance and Civil Enforcement Division

May 4, 2022

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Compliance & Civil Enforcement Division
Office of Defense Trade Controls Compliance



U.S. Department of State





Core Responsibilities of DTCC

Registration Compliance & Analysis (RCA)

- Registration of manufacturers, exporters and brokers
- Registration fee collection
- Mergers, acquisitions and divestitures

Compliance & Civil Enforcement (CCE)

- Voluntary and directed disclosures
- Consent agreements and monitoring
- Debarments, reinstatements and rescissions
- Watch List management

Law Enforcement Liaison (LEL)

- Criminal enforcement support (HSI and FBI)
- Civil/criminal referrals
- Liaison to Export Enforcement Coordination Center (E2C2)
- Deconflictions

Committee on Foreign Investment in the United States (CFIUS)

- Transaction mitigations

- Referral Triage Team
- Company Visit Program
- Advisory Opinion responses



Our Work: Civil Enforcement



- Defense articles are controlled by U.S. even after export from the U.S.
- U.S. government exercises broad authority under the Arms Export Control Act (AECA) for civil and criminal enforcement
 - Civil enforcement cases
 - Brought by the Office of Defense Trade Controls Compliance
 - Adjudicated before Administrative Law Judge
 - Criminal enforcement cases
 - Investigated by the U.S. Department of Homeland Security
 - Prosecuted by the U.S. Department of Justice, U.S. Attorney's Office
 - Counter-intelligence cases
 - Investigated by the Federal Bureau of Investigation (FBI)
 - Prosecuted by the U.S. Department of Justice, U.S. Attorney's Office



Types of Disclosures



Voluntary Disclosure (VD)	Directed Disclosure (DD)
<p>Persons voluntarily disclose circumstances to the Office of Defense Trade Control Compliance (DTCC) which they believe may have violated any export control provision of the Arms Export Control Act (AECA), or any regulation, order, license, or other authorization issued</p>	<p>In the form of a letter, the Office of Defense Trade Control Compliance (DTCC) requests information regarding a potential or actual violation, based on other information received from other sources</p> <p>Information sources: calls, emails, inter-agency, intra-agency, other disclosures</p>
601 voluntary disclosures in FY 2021	59 directed disclosures in FY 2021
<i>Failure to report is considered when assessing penalties</i>	



Components of Voluntary Disclosures



- The Who, What, Where, When, and Why surrounding the violations:
 - Who was involved?
 - What is the violation and the defense article or service involved?
 - Where did the violation occur?
 - When did the violation occur and over what period of time?
 - Why did the violation occur?
 - What remedial measures were taken or will be taken to avoid future violations of the same type?



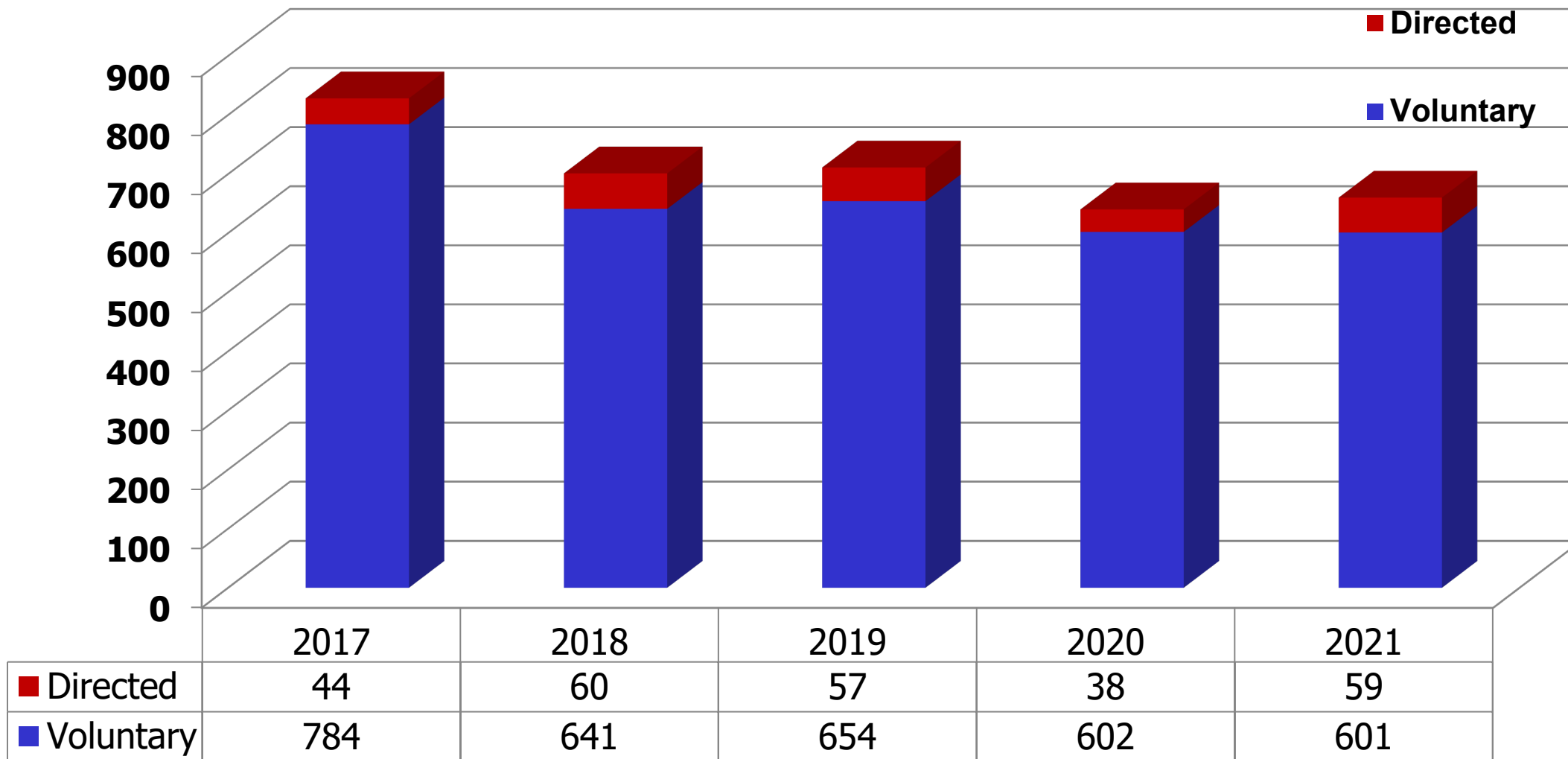
Positive Effects of Voluntary Disclosures



- Industry, commercial entities, and universities strengthen compliance programs and in turn:
 - Better protect technologies and technical data all around
 - Improve National Security protection efforts
 - Improve partnership between industry and government
- Increase government awareness of defense activities and pain points
- Improve government interagency cooperation
- Used as a significant mitigating factor in enforcement actions



Disclosure Trends by FY





Disclosure Trends - ITAR Violations



Nature or pattern of violations has been consistent from previous years:

- Unauthorized export of hardware, including technical data
 - Misclassification of hardware/technical data
 - Export of network directories
- Unauthorized provision of defense services
- Violating provisos and other conditions of authorizations
- Foreign person employment
- Improper use of license exemptions
- Exceeding authorized dollar value of export authorizations



Civil Enforcement – Disclosure Review



- Harm to U.S. foreign policy or national security
- Failure of adherence to law, regulations and Directorate of Defense Trade Controls (DDTC) licensing and compliance policies
- Severity of violation (systemic or unique, minor or substantive, procedural or judgmental, once or repeated)
- Company's approach & commitment to compliance
- Root cause analysis
- Implementation of remedial measures
- Improvement of company's compliance program



Civil Settlement



- When the Department decides to charge, the case is usually resolved with a consent agreement meaning, case is resolved outside of typical legal proceedings
- Consent agreement process components
 - Penalty memo (internal)
 - Proposed charging letter and consent agreement
 - Negotiate proposed charging letter language and settlement terms set forth in consent agreement
 - Order
- Consent agreement documents (incl. penalties, violations, proposed charges) are publicly available on DDTC's website in order to provide education and deterrence for industry



Consent Agreement Requirements and Monitoring



- Consent agreement sets forth certain requirements to be fulfilled during agreement term
 - Special Compliance Official (SCO)/ Internal Special Compliance Official
 - Reviews and audits at specified intervals
 - Reports at specified intervals
 - Implementation/enhancement of compliance program policies and procedures
 - Debarment, if applicable
 - Term of agreement typically 2-3 years
- The Office of Defense Trade Controls Compliance (DTCC) monitors company's fulfillment of consent agreement requirements during the agreement's term



Civil Enforcement Penalties



- Violations of the Arms Export Control Act (AECA), rules and regulations – “strict liability” generally applies to all elements of a defense trade transaction
- Up to \$1,272,251 per violation, extra compliance measures, debarment
- Initiated and concluded by the Office of Defense Trade Controls Compliance (DTCC) under administrative processes
- Generally settled through a negotiated Consent Agreement
- Adjudicated before Administrative Law Judge, as applicable



Recent Civil Settlements & Statutory Debarment Notices



U.S. Department of State Concludes \$840,000 Settlement of Alleged Export Violations by Torrey Pines Logic, Inc. and Dr. Leonid B. Volfson

MEDIA NOTE

OFFICE OF THE SPOKESPERSON

JANUARY 31, 2022

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The U.S. Department of State has concluded an administrative settlement with Torrey Pines Logic, Inc. (TPL) of San Diego, California and Dr. Leonid B. Volfson, to resolve alleged violations of the Arms Export Control Act (AECA), 22 U.S.C. § 2751 *et seq.*, and the International Traffic in Arms Regulations (ITAR), 22 C.F.R. Parts 120-130. The Department of State, TPL, and Dr. Volfson have entered into a settlement agreement following an extensive compliance review by the Office of Defense Trade Controls, U.S. Department of State's Bureau of Political-Military Affairs.

This agreement pursuant to ITAR § 128.11 resolves alleged ITAR violations including the unauthorized export of defense articles; the unauthorized export of defense information to countries, including the People's Republic of China and Lebanon, which are prohibited under ITAR § 126.1, and Russia, a country that was, at the time of the violations, subject to ITAR export control measures on defense exports per the Department of State public announcement regarding the settlement, the settlement involvement in ITAR-regulated activities while ineligible; and the failure to maintain accurate ITAR records.

U.S. Department of State Debars Seven Persons for Violating or Conspiring to Violate the Arms Export Control Act

MEDIA NOTE

OFFICE OF THE SPOKESPERSON

JUNE 4, 2021

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DEPARTMENT OF STATE

[Public Notice: 11433]

Bureau of Political-Military Affairs; Statutory Debarment Under the Arms Export Control Act and the International Traffic in Arms Regulations

ACTION: Notice.

BACKGROUND: Notice is hereby given that the Department of State has imposed statutory debarment under the International Traffic in Arms Regulations ("ITAR") on persons suspected of violating, or conspiracy to violate, the Arms Export Control Act (AECA).

DEBARMENT: Debarment imposed as of June 4, 2021.



Debarment



Two Types

- Statutory Debarment
- Administrative Debarment

Debarred Parties

- Prohibited from directly or indirectly participating in ITAR-related activities
- List of debarred parties available on DDTC's website



U.S. DEPARTMENT OF STATE

Directorate of Defense Trade Controls

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ADDITIONAL INFORMATION

[Statorily Debarred Parties](#)

[Administratively Debarred Parties](#)

Debarred Parties

Statutory Debarments

The persons (including entities and individuals) listed in documents linked below have been convicted of violating or conspiracy to violate the Arms Export Control Act (AECA). As a consequence, they are subject to "statutory debarment" pursuant to §38(g)(4) of the AECA and §127.7 of the International Traffic in Arms Regulations (ITAR). Thus, these persons are prohibited from participating directly or indirectly in the export of defense articles (including technical data) and defense services. The names of these parties and their ineligibility for defense trade have been previously published by DDTC in the Federal Register. Statutory debarment remains in effect unless the debarred person's application for reinstatement of export privileges is granted by DDTC; notice of reinstatement will be published in the Federal Register and the person's name will be removed from the list.

[View the Statutory Debarment List](#)

Downloadable Formats

- [CSV Format](#)
- [Excel Format](#)
- [PDF Format](#)

Administrative Debarments



DDTC Support for Criminal Cases



- The prosecution of criminal AECA/ITAR violations is integral to DDTC's mission
- Dedicated Law Enforcement Liaison (LEL) Division provides support essential to investigations involving violations of the AECA and the ITAR
- Types of support includes:
 - Guidance on jurisdiction and classification of items
 - License/registration history of entities
 - Trial witnesses
 - Outreach/training
 - Deconflictions with E2C2
- FBI and HSI liaisons assigned to DDTC
- Coordinate with the Export Enforcement Coordination Center (E2C2)

JUSTICE NEWS

Department of Justice

Office of Public Affairs

FOR IMMEDIATE RELEASE

Tuesday, March 20, 2018

Florida Man Pleads Guilty to Conspiracy to Illegally Export Defense Articles to Russia

These night vision rifle scopes, thermal monocular, and ammunition primers required a license or other authorization from the U.S. Department of State before being exported from the U.S. since they were on the U.S. Munitions List.

A certified license history check revealed that neither Nevidomy nor his associates ever applied or attempted to apply for an export license from the State Department for the night-vision equipment or ammunition primers.

<https://www.justice.gov/opa/pr/florida-man-pleads-guilty-conspiracy-illegally-export-defense-articles-russia>



CY-2022 Priorities



- Further improve DECCS Registration to improve customer service experience
- Continually develop civil cases
- Conduct outreach to universities
- Educate law enforcement and Justice on DDTC's process to better support law enforcement cases
- Automate manual processes by developing and refining IT systems



Contact Information



- To check on correspondence from our office or to find out which Compliance Specialist is assigned to your disclosure, email:
DTCC-CaseStatus@state.gov
- For all other matters, including substantive questions and inquiries regarding registration submittal or status and referrals, contact the **DDTC Response Team**
 - Phone number: (202) 663-1282
 - E-mail: DDTCCustomerService@state.gov
- For general information, please visit DDTC's website
 - <http://www.pmdrtc.state.gov/>