Building Up a Risk Management System for Effective Export Control: Singapore’s Approach
OUTLINE

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  – STRATEGIC TRADE SCHEME
  – PROCESSING OF TIER 1 PERMITS

• TARGETING & ENFORCEMENT

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BACKGROUND

SAFE GLOBAL TRADING ENVIRONMENT

INTERNATIONAL OBLIGATIONS

TRUSTED TRADE HUB

SECURED SUPPLY CHAIN
SINGAPORE’S APPROACH

• Multi-Pronged Approach to Export Control
  – Whole of Government collaboration
  – Engaging our trading community
  – Encouraging self-compliance
  – Being part of the international network
  – Developing robust enforcement
1. Whole of Government Approach
   – Inter-ministry committee
   – Close working relations with border, technical & security agencies

2. Engaging Our Trading Community
   – Putting together a transparent regime
   – Outreach
   – Facilitating predictable outcome

3. Encouraging Self-Compliance
   – Industries play a key role to prevent proliferation
   – Incentivize good compliance, sharpen focus towards high-risk areas
SINGAPORE’S APPROACH

4. Being part of the International Network
   – Participate & contribute at various fora
   – Share experience & tap expertise

5. Developing Robust Enforcement Capabilities
   – Leverage multi-agency expertise
   – Intelligence exchange
   – Enhancing risk management & targeting capabilities
RISK MANAGEMENT APPLIED

- SC’s risk management model in line with WCO Risk Compendium
  - 7-step risk management process
- Risk Management: Co-ordinated activities to direct & control risk
  - Tailored to organization’s context & needs
  - Structured, Systematic, Timely
  - Integral to informed decision making

RISK MANAGEMENT APPLIED

CAPABILITY
Degree to which an entity can implement the action

MOTIVATION
Factors that drive an entity to consider the action in question

VULNERABILITY
Internal checks & processes in place

NON-TANGIBLE
Economic, political & social considerations

TANGIBLE
Revenue
TRADEFIRST

• TradeFIRST: Trade Facilitation & Integrated Risk-based SysTem
  – New trade facilitation framework launched on 26 Jan 2011
  – Integrates facilitation, compliance & risk-management elements into a single assessment framework

• Based on three key principles
  – A single assessment approach for all customs schemes
  – A risk-based management approach to facilitate trade
  – Ability to proactively offer schemes or facilitations that suit traders’ business needs
Companies will be assessed using a common set of criteria & placed in one of these bands.

Schemes & facilitations are mapped onto each band. Higher bands qualify for schemes within that band & all the schemes in the lower bands.

E.g., a company that falls in the Intermediate band will enjoy the facilitations in the Intermediate, Standard & Basic bands.

Facilitations in the Basic band are available to all traders.
STRAIGHTIC TRADE SCHEME

LEVEL OF FACILITATION

TIER 1 PERMIT

TIER 2 PERMIT

TIER 3 PERMIT
## Strategic Trade Scheme

### Key Assessment Areas

<table>
<thead>
<tr>
<th>Key Assessment Areas</th>
<th>Mandatory Criteria</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company Profile</td>
<td>Appoint dedicated Strategic Goods Control Officer(s)</td>
</tr>
<tr>
<td></td>
<td>Regular export control training (in-house) program</td>
</tr>
<tr>
<td>Compliance</td>
<td>Company’s commitment to compliance</td>
</tr>
<tr>
<td></td>
<td>Regular internal compliance audit</td>
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<tr>
<td>Inventory Management &amp; Controls</td>
<td>Proper record keeping</td>
</tr>
<tr>
<td>Procedures &amp; Processes</td>
<td>End-user screening</td>
</tr>
<tr>
<td></td>
<td>Product screening</td>
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</tbody>
</table>

Applicants of **Tier 3** scheme must fulfill **ALL 7** mandatory criteria.

Applicants of **Tier 2** scheme must fulfill at least **4** mandatory criteria.
STRATEGIC TRADE SCHEME

Tier 3 Permit
- Pre-approval of multiple products to pre-approved destinations

Tier 2 Permit
- Pre-approval of the same product to multiple end-users
  - OR
  - Pre-approval of multiple products to same end-user

Tier 1 Permit
- 1 permit per shipment
## PROCESSING OF TIER 1 PERMITS

<table>
<thead>
<tr>
<th>Category</th>
<th>Questions</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Product</strong></td>
<td>• What are the capabilities of the product?</td>
</tr>
<tr>
<td></td>
<td>• Is the product adequate for the intended end use?</td>
</tr>
<tr>
<td><strong>Entities</strong></td>
<td>• Are the business profiles of the involved entities relevant for the intended transaction?</td>
</tr>
<tr>
<td>(Exporter, Consignee, End-User)</td>
<td>• Are any of the entities sanctioned or listed on watch lists, or associated with one that is?</td>
</tr>
<tr>
<td><strong>End Use</strong></td>
<td>• Is the intended end use adequate for the product’s capabilities and in line with the end-user’s business profile?</td>
</tr>
<tr>
<td></td>
<td>• Is the intended end use of military/governmental nature?</td>
</tr>
<tr>
<td></td>
<td>• Is the product intended to be integrated into a higher assembly for further transfer?</td>
</tr>
<tr>
<td><strong>Country of Origin &amp; Destination</strong></td>
<td>• Is the transfer of the product subject to the export control laws of the originating/supplying country?</td>
</tr>
<tr>
<td></td>
<td>• Is the product destined for a sanctioned country or one of proliferation concern?</td>
</tr>
<tr>
<td><strong>Supporting Documents &amp; Red Flags</strong></td>
<td>• Is the information provided consistent with that detailed in the supporting documents?</td>
</tr>
<tr>
<td></td>
<td>• Any red flags? (e.g., high sum offered for low value goods, ordering of incomplete product package, economically illogical shipping route)</td>
</tr>
</tbody>
</table>
PROCESSING OF TIER 1 PERMITS

**Low Risk**
- Low-end dual-use items; usually highly-traded
- Non-sensitive destinations and entities

**Medium Risk**
- Sensitive dual-use items (i.e., higher end, more specialized in relation to applicability in WMD-related uses)
- Non-sanctioned destinations and entities

**High Risk**
- Military items, especially if intended for non-government use
- Items likely to be used for WMD-related purposes
- Sanctioned/targeted destinations and/or entities

- **Low-Risk Shipments**: Consider approval
- **Mid-Risk Shipments**: Consider approval, Consult other agencies for inputs as necessary
- **High-Risk Shipments**: Consult other agencies for inputs before decision
RE-CAP

- Ability to distinguish between high- & low-risk companies and transactions enables risk-based facilitation / controls on each tier
- At the transaction level (Tier 1), differentiated approach is taken based on risk profile of individual transactions
  - Parameters include: Product, End-Use, End-User, Country of Origin, Export Destination
  - Red flags

Differentiating between:
1. Those who are voluntarily compliant;
2. Those that try to be compliant but do not always succeed
3. Those who will avoid complying if possible
4. Those that deliberately do not comply

WCO Risk Management Compendium
TARGETING & ENFORCEMENT

Priority Areas for Targeting & Enforcement

- Risk management as a tool for informed decision making & prioritization in enforcement
- Development of internal risk profiling parameters a constant, reiterative process
  - Develop, validate parameters
  - Refine to reduce false-positives
  - Evolve with changing environment / requirements
<table>
<thead>
<tr>
<th>RISK PROFILE</th>
<th>NATURE OF RISK</th>
<th>MITIGATING ACTIONS</th>
</tr>
</thead>
</table>
| Low Risk              | Lapse in / degradation of company’s internal compliance programme             | ▪ Renewal audits every 2 years  
▪ Revocation of STS status if serious non-compliance detected                                                                                       |
| Low Risk - STS Tier 2 & 3 permits |                                                                                |                                                                                                                                                      |
| Medium-High Risk      | Inaccurate / incorrect information furnished in declaration                   | ▪ Transaction level controls  
▪ Regular audits on past shipments                                                                                                                       |
| Medium-High Risk - Tier 1 permits |                                                                                |                                                                                                                                                      |
| High Risk             | Fraudulent declaration to circumvent controls                                 | ▪ Transaction level controls  
▪ Pre-approval inspections to determine nature of goods exported, profile of company                                                            |
| High Risk - Shipments to sensitive destinations - Targeted entities, red flags |                                                                                |                                                                                                                                                      |
TARGETING & ENFORCEMENT

PRE-SHIPMENT
- Documentation checks
- Physical inspections

POST-SHIPMENT
- Audits
- Back-end monitoring of data

DEVELOP RISK PARAMETERS
- Constantly enhance / refine risk parameters based on lessons learned / trends observed

Integrate new parameters
“Increased automation and the submission of more comprehensive information earlier in the supply chain has enabled Customs to improve risk assessment and deployment of targeted Customs controls concentrated on the high-risk end of the risk continuum.

Corresponding effective and efficient controls in turn give Customs the opportunity to facilitate low-risk movements and promote key government goals relating to the facilitation of trade and travel.”

Kunio Mikuriya
Secretary-General
World Customs Organization

- Risk management enables SC to have more focused controls over high-risk areas
  - Better use of resources
  - Reduces costs & hassle on compliant traders