Red Flag Indicators in Export Transactions
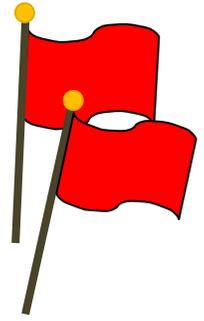
The following are some indicators (red flags) that a buyer of your products may not be authorized to receive them due to Export Administration Regulations (EAR) or International Traffic in Arms Regulations (ITAR). If there are red flags, you need to exercise due diligence to inquire regarding the suspicious circumstances and ensure appropriate end-use, end-user, or ultimate country of destination. If the red flags cannot be explained or justified and you proceed with the transaction, you run the risk of violating EAR or ITAR.

- Purchasing agent is reluctant to offer information about the end-use of the products.
- The buyer is unfamiliar with the product's performance characteristics, but still wants the product.
- The product's capabilities do not fit the buyer's line of business.
- The item ordered is incompatible with the technical level of the country to which it is to be shipped.
- Deliveries are requested to out of the way destinations.
- Delivery dates are vague.
- A freight forwarding firm is the listed as the products final destination.
- The shipping route is abnormal for the product and destination.
- Packaging is inconsistent with the stated method of shipment or destination.
- The buyer requests to pay cash for specific parts, or wants to pay cash for an expensive item when the terms of sale normally call for financing.
- The buyer has little or no business background.
- Routine installation, training, or maintenance services are declined by the buyer.
- The buyer is evasive when questioned about whether the parts are for domestic use or re-export.
- The company is less than five years old.
- The buyer or their address is similar to one of the parties found on a US government's list of denied persons.

Employees need to be aware of regulations and compliance issues, and should not "self-blind" themselves by not asking for end-user information. This does not insulate a company from liability and may be considered an aggravating factor in an enforcement proceeding.

Review lists of prohibited countries and organizations (e.g. Denied Persons List, Entity List, Debarred List, Unverified List, etc.), which can be found on the following websites along with other useful information.

www.export.gov (Multi-agency website)
www.bis.doc.gov (Bureau of Industry and Security, US Department of Commerce)
www.pmddtc.state.gov/compliance/documents/compliance_programs (US State Department)
www.treasury.gov/about/organizational-structure/offices/Pages/Office-of-Foreign-Assets-Control.aspx
(Office of Foreign Assets Control, US Department of Treasury)