Defense Trade Advisory Group (DTAG) Plenary Meeting Minutes
March 30, 2017
Meeting held at 1777 F Street, NW, Washington, DC 20006

Agenda:
- Welcome and introduction
- Small Business Registration Requirements Working Group 1
- US Persons Abroad (USPAB) Working Group 2
- Company Visit Program Guidelines Working Group 3
- Third Party Authorization in DECCS Working Group 4
- Industry Portal, Status, and Other Reporting Working Group 5
- Material Changes Working Group 6
- Wrap-up

Introductory Remarks by Bill Wade, DTAG Chair

Bill Wade, DTAG Chair brought the meeting to order at 1:01 pm, welcomed the public. Mr. Wade was joined on the podium by Andrea Fekkes Dynes, DTAG Vice Chair, and Sandra Cross, DTAG Recorder.

Due to the number of taskings for this DTAG plenary, time for questions may be limited. The audience is encouraged to provide questions not addressed during this session to Sandra Cross, DTAG Recorder at Sandra.cross@hii-co.com.

Bill Wade introduced Brian Nilsson, State Department Deputy Assistant Secretary (DAS), Defense Trade Controls Directorate of Defense Trade Controls (DDTC) who provided remarks to the DTAG membership and audience.

Remarks by Brian Nilsson, Deputy Assistant Secretary, Defense Trade Controls

DAS Nilsson expressed his appreciation for the work completed on the taskings, which involved a tremendous amount of work in a short period of time. His goal is to have regularly scheduled meetings with the DTAG with an expectation of meeting quarterly.

DAS Nilsson stated that DDTC has been busy during the transition period since the November 2016 election. Many political appointees are still not in place within the Department of State; only the Secretary has been appointed and confirmed. DDTC is currently subject to the hiring freeze. Several positions at DDTC are impacted by this freeze, including the vacant Compliance Director, the Managing Director in the Office of Defense Trade Controls Management office, and the Attorney position. No exemption has been granted yet for these positions. The freeze is expected to continue for the rest of the year.

On the regulatory front, DDTC believes it will be exempt from the "2 for 1 rule" on publishing future regulations. Many of the rules to be published in the future were largely already planned for and drafted. In addition, these rules largely relate to internal ITAR changes, which are not

tied to the Department of Commerce's Export Administration Regulations (EAR). DDTC will participate in the "Regulatory Reform Task Force" effort within the State Department, which will provide further opportunities to streamline the ITAR.

In terms of process, licenses issued last year were approximately 42,000 which was a drop from previous years (e.g., 87,000 licenses in 2012). DAS Nilsson remarked that it is still too early to tell what additional reductions in license requests will come from additional USML Category changes that published in December, but they are expecting a drop off of 2,000 additional licenses per year.

DAS Nilsson next provided a summary of the many other topics that DDTC is working on, including:

- USML Category XII (proposed rule) – DDTC is reviewing the public comments received on the most recent proposed changes.

- Definitions Rule – DDTC is focusing on developing new definitions for the terms public domain, fundamental research, technical data, and defense services. DAS Nilsson commented that the technical data definition is key to getting the public domain definition right, and that all these terms relate to and interact together.

- A new exemption – DDTC is preparing a new exemption for goods going out temporarily for repair and maintenance and being returned to the United States.

- Revised §126.4 exemption – This was one of the priorities briefed by the DTAG at the November 2016 Plenary meeting.

- USML Categories VI, VII, XIII and XX – DDTC has participated in interagency meetings to review comments on these categories. There are still some issues to work out and DDTC will be drafting proposed rules to address them. DAS Nilsson also noted that, in the future, the sequence for reviewing USML Categories may not be based on a rigid rotational cycle, but rather may prioritize those USML categories which remain unclear or challenging to industry (e.g., as reflected in part by the number of CJs received). The next Notice of Inquiry will request public comments on changes necessary for USML Categories V, X, and XI.

- USML Categories I, II, and III – These are DDTC priority USML Categories warranting publication of the revised descriptions. Category I represents 25% of DDTC's licensing volume. The proposed rule will address commercial firearms by narrowing the USML Category to include only munitions items.

- "U.S. Persons Working Abroad" – DDTC is working to address this issue and notes that the DTAG is addressing that subject today.

- DDTC's IT modernization efforts – DDTC will continue to pursue this effort and notes the DTAG is addressing several tasking relating to this topic today.

- Compliance Matters – DDTC's Compliance organization will continue to process the matters they've been working on. DAS Nilsson noted that Acting Director Arthur Shulman has been able to work diligently with companies to close out many pending Consent Agreements and cases.

- Internal Organization Reforms – DDTC held offsite meetings to include the management team, compliance, and IT to establish goals and to get feedback on inefficiencies and how to work better. Topics included strategic outreach and training, training internally, IT, and data/knowledge management. In addition, DAS Nilsson reported that DDTC has retained a new Strategic Planning Coordinator to help identify and facilitate ways to reorganize the directorate. This coordinator will be at DDTC full time and DAS Nilsson expects to engage the DTAG on this matter.

No questions were posed to DAS Nilsson.

Small Business Registration Requirements Working Group 1 Presentation

Bill Wade introduced the Small Business Registration Requirements Working Group chair Kim Pritula. A copy of the slide presentation can be found on the DDTC webpage (under the DTAG tab).

The Working Group tasking summary:
1. Provide feedback and recommendation as to whether generally a **"small business" concept** should be incorporated into the DDTC registration and fee structure - and/or whether alternative approaches should be considered.
2. Identify **data elements** DDTC would need to possess in order to fully evaluate the impact implementation of various "small business" registration approaches would have on current and potential future registrants. Identify specific data elements not currently collected via **the DS-2032 form**.
3. Provide feedback and **recommendations regarding implementation** approaches and "small business" definition options. Some issues for consideration: should a structure distinguish between individuals and small/medium/large entities? If so, should determinations be based on number of employees, annual revenue, other factors, or a combination, and how should the determining factors be calculated/evaluated? Should potential "small business" distinctions apply only to non-exporting registrants or to the base fee amount for all registrants?

Key items discussed:
- To provide recommendations and feedback the Working Group gathered information from various sources, reviewed current fee structures of other agencies and key definitions
- They outlined the following issues facing small businesses:
    - Regulations are not well understood – common misunderstanding that a company is ITAR certified once registration is complete
    - Several companies refuse to do business in the ITAR world

- o Understanding at what point 'design' turns into manufacturing which requires registration with DDTC
- Registration statistic – 70% of registered companies show no licensing activity. These are believed to be companies that are non–exporting manufacturers or those that only use ITAR exemptions
- Hurdles to defining Small Business were identified once the Working Group reviewed Small Business Administration (SBA) requirements, the SBA will have to grant approval for this classification and base it on the type of industry and possibly the number of employees or revenues. It will be difficult to get to a standard within the defense industry.
- The Working Group recommended DDTC focus its attention on registration requirements for on non-exporting manufacturers or low volume exporters instead of looking at the small business concept.
- In order to address this new focus, the Working Group believes DDTC should issue a new definition of **manufacturer**. The Working Group recommended the following - *A manufacturer is any person who is engaged in the business of "manufacturing," where "manufacturing" is the mechanical, physical, or chemical transformation of raw materials, substances, components or parts into new tangible products.*
- The recommendation continues in that the use of the new definition will be the beginning of a catch and release process whereby once companies are caught, there can be industry specific carve outs that would release them from the requirement to register as a manufacturer.
- Registration fees should be based on complexity of applications and use of service (those submissions that require a higher level of resources) with a flat fee for the simple applications.
- IT recommendations to support this new fee structure
  - o The new DECCS system might be able to identify the usage rate of DDTC assets to help set the fee
  - o Create an industry tool to allow companies to see what their rate currently is
- Finally, with such a high number of registrants being non exporting (70%), the Working Group recommended that DDTC target these non-exporting entities for outreach.

Questions posed to the Small Business Registration Requirements Working Group
- Tony Dearth, Acting Managing Director (DDTC) identified that the presentation was licensing focused. He requested that the Working Group include other areas in the White Paper. He stated if 70% of the fees are reduced, that means those that use the DDTC licensing structure would in turn have their fees increased. He then asked how companies feel about a rise in their fees. *Working Group Response – we did not survey exporting registrants so we cannot provide information in response to this question.* Tony continued and indicated licensing isn't the only DDTC service that industry uses. There are several things that compliance does that is not as tangible as a license. Tony was concerned that tying the registration fee solely to licensing may not be representative on how industry uses the services of DDTC. *Working Group Response - DDTC would have insight into how many non-exporting registrants use other DDTC services such as compliance. Current rates are already based on licensing activity and the $2250 registration fee causes a lot of small companies to reject business from defense*

companies. The proposed model on use of service is a fair way to land on the fees that should be applied to companies.

- DAS Nilsson, State Department Deputy Assistant Secretary (DAS), Defense Trade Controls Directorate of Defense Trade Controls (DDTC) commented that they currently do not distinguish between a manufacturer and an exporter and there needs to be a fair way to apply the fees.
- Dan Cook, Chief, Compliance, Registration, & Enforcement Division (DDTC) stated his appreciation for the thoughtfulness presented by the Working Group. DDTC has been looking at SBA and wanted to find another way without having to create new definitions. Smaller organizations need a lot of hand holding. Bigger companies typically get it right the first time. They've seen smaller companies take 2-3 times to get it right.
- Josh Fitzhugh, BAE Systems commented that requiring U.S. persons employed abroad to register doesn't seem to fit. *Working Group Response – once an entity was exporting then the fee would be charged based on the use of service. A U.S. person getting one license is easier and less of a burden.*

DTAG moved for a vote of approval, the vote was not unanimous. The Yes votes override the No votes and the presentation passes as presented.

The Small Business Registration Requirements Working Group "White Paper" will expand on the presentation and will be made available on the DDTC website (under the DTAG tab).

US Persons Abroad (USPAB) Working Group 2 Presentation

Bill Wade introduced the US Persons Abroad (USPAB) Working Group chaired by Christine McGinn who was unable to be in attendance today. Heather Sears and Michael Cormaney will present Working Group 2's material. A copy of the slide presentation can be found on the DDTC webpage (under the DTAG tab).

The Working Group tasking summary:
1. DDTC requests a recommendation from the DTAG regarding an appropriate annual registration fee for U.S. natural persons (as defined in the proposed 22 CFR 120.43), who furnish defense services while in the employ of foreign persons, and would register individually in the absence of coverage by another person's current registration. These U.S. persons must comply with registration requirements in accordance with Part 122 of the ITAR, including natural persons who may fall under an authorization exemption (proposed in a new 22 CFR 124.17). DDTC is considering an annual fee of $250 for U.S. natural persons furnishing defense services to foreign employers, and requests comment from the DTAG on this recommendation in addition to any alternative recommendations.

Key items discussed:
- To provide recommendations and feedback the Working Group gathered information on applicable proposed rules to assess a registration fee for U.S. persons abroad (USPAB), to offer the option for persons to be part of a companies' registration, to create a new definition for natural persons, to update definitions, and adjust other regulatory changes. Also a review of the public comments for those proposed rules was part of the analysis.

- The Working Group applied the proposed rules to real life situations of USPAB and the provision of defense services.
- Through the analysis several issues were identified. While the fee may be appropriate it isn't the substantive matter DDTC should be looking at. The main issue and question is why does a US Person need individual registration? The regulations already require a licenses to perform defense services and the Working Group didn't understand why this isn't adequate.
- The DTAG felt registration was an unnecessary burden and needed more background on 'why' registration was necessary in order to provide better feedback. Additionally the DTAG believes the recent Executive Order 13777, February 24, 2017, likely identifies registration as an unnecessary burden and keeping it might lead to the loss of U.S. talent to a foreign company.
- The DTAG also recognizes the ITAR 'taint' of having a U.S. person work on a foreign defense article would cause that article to be subject to the ITAR which might encourage foreign companies to not hire U.S. persons and develop an ITAR-free workforce approach.
- Regarding the proposed definition for natural person, the Working Group could not identify a benefit or need to include a new definition of natural person. It is already captured in the definition of foreign person.
- The definition of defense service is the key to the registration requirement. Only if providing a defense service does a person need to register. The Working Group all agreed that the current definition of defense services is overly broad and captures things that may not have been intended. Changing the definition of defense service is critical to the proper implementation of the registration requirement.
- The DTAG requests a tasking for the next plenary to review and recommend defense service definition options.
- The Working Group believes U.S. persons might unnecessarily get caught up in the rule who are not engaged in risky or harmful activity or persons born in the U.S. but moved abroad at an early age and were schooled abroad.
- There is already a license requirement for people to obtain licenses for those who provide defense services abroad. The Working Group questioned whether registration added anything more to the current regulations.
- To address a proposed exemption which excluded licensing requirements for USPAB working in NATO and certain categories, the Working Group felt this distinction and reference to NATO would be better served as part of a defense service definition, making the defense service definition the vehicle by which to apply this requirement.
- The Working Group recommendations include modifying the definition of defense services, which must come first. Need to clarify and delineate what is included in a defense service.
  - Focus on the activities that are a concern to DDTC
  - Eliminate the registration requirement for USPAB
  - Use the licensing oversight as the vehicle instead of registration
- Recommendation #2 relates to the proposed rule and the structure of a new §122.1 to include new subparagraphs – (a) services in the U.S., (b) services abroad, and add (c) an exclusion from the registration requirement for USPAB that never had access to U.S. origin technical data.

Questions posed to the US Persons Abroad (USPAB) Working Group.
- Rob Hart, Regulatory and Multilateral Affairs (DDTC) commented that registration usually comes first then the license. *Working Group Response – USPAB will use the General Correspondence requirement. Treat them like a foreign entity asking for a retransfer*. Regarding the 'taint' issue, does the DSP-5 vehicle address the taint issue? *Working Group Response - No. The person providing the service on the foreign product is still transferring ITAR exposure and coverage to the foreign product.*
- Josh Fitzhugh, BAE Systems commented that the individual U.S. person being required to register is more of an issue for the foreign party employing that U.S. person rather than the individual themselves. The foreign company might foot the bill for all of its U.S. employees. He added that the 'taint' issue is the most significant of what was addressed in the presentation. Non-U.S. technology is going to be subject to the ITAR if a U.S. person is working on the product. A U.S. engineer helping to design a wing on an aircraft should not result in the wing becoming subject to the ITAR.
- Nicholas Matheson, British Embassy also commented that the 'taint' may be an issue. DDTC should not allow that to happen. If someone is simply employed it is not a defense service, if someone is a regular employee they do not have to be registered. Carve out for the majority of employees that are not doing a defense service from the registration requirement. *Working Group Response – §122.1 could exclude persons from registration if simply employed.*

DTAG moved for a vote of approval, the vote was not unanimous. The Yes votes override the No votes and the presentation passes as presented.

The US Persons Abroad (USPAB) Working Group "White Paper" will expand on the presentation and will be made available on the DDTC website (under the DTAG tab).

Company Visit Program Guidelines Working Group 3 Presentation

Bill Wade introduced the Company Visit Program Guidelines Working Group 3 chair Debbie Shaffer. A copy of the slide presentation can be found on the DDTC webpage (under the DTAG tab).

The Working Group tasking summary:
1. During the November 15, 2016 plenary, the DTAG Compliance Working Group suggested a "New Project" related to Proposed Guidelines for Company Visit Program Outreach. DTCC would like to learn more about and discuss this item. DDTC asks that the DTAG provide a presentation along with a draft outline of suggestions for CVP-O guidelines.

Key items discussed:
- Overarching theme related to company visits, there is a general need to alleviate the perception that the visit is an audit. The outreach needs to be restructured and rebranded and remove the current –C for compliance and –O for outreach.
- The Working Group met with DTCC to discuss the tasking where they posed several questions for the DTAG membership to address at the plenary.

- Q1 - *If DTCC could completely restructure the program, what recommendations does DTAG have on how the program should be organized, structured, and operated?*
  - CVP-O should go away and be renamed Public Outreach Program (POP) and fall under the management of DDTC and not in compliance
  - Provide industry a 'Look ahead' of where DDTC is focusing its attention posted on DDTC's website. For example, there will be X% of companies to be visited or DDTC is going to look at Cat XII companies that do XYZ.
  - Maybe provide the option of having an in-house visit at DDTC prior to going to the company location/facility or instead of.
  - Create a two-prong contact approach (1) contact senior management and say this is a voluntary visit, and (2) contact the export control team to set expectations for the visit. They might need something from DDTC. I'd like for you to convince our management of XYZ.
  - Each visit should be customized for each company. DTAG observation is that the preparation for a C visit is the same as an O visit. For example, if they don't employ foreign persons, that subject can be skipped.
  - Host in-house sessions to talk about how to build a compliance program. How to design a record keeping system. Lots of ideas out there to share with companies that need help.
  - When visiting a city, host a group discussion/forum in that city and invite companies in that geographic area. More outreach.
- Q2 – *Is our messaging on the website effective? What should we add/revise so that a Compliance officer can point their senior leadership to it and it would help allay any fears of a potential CVP-O visit? What other forms of messaging could we do as well that we are not already doing?*
  - Website was reviewed and the information is useful. However the information does not support a distinction between a C and O visit. Sends a message that they aren't very different. Suggest that DDTC separate the websites to emphasize that they are different.
  - If during a friendly visit, a violation is discovered, will industry be able to treat this as a voluntary disclosure? We'd like it to be considered a voluntary disclosure.
  - Publish a sample close out report. Need to overcome historical negative image of the outreach visits.
  - Use of the term of best practice – it might be a best practice for one company but not for another. If implemented and something goes wrong then what. We recommend that they use the terminology of 'effective examples of compliance' instead of best practices.
- Q3 – *What factors would make a company feel comfortable for us to explain on the forefront why they were chosen for a visit? Would a letter stating as such in the first instance help allay fears that a CVP-O visit isn't the same as a CVP-C visit? We specifically would like recommendations on the analysis that DDTC goes through when selecting a company for a visit.*
  - Criteria on the website are good but broad.
  - Suggest some revisions
    - Give specific measures on which companies will be visited

- Consider visits to registrants that have no exporting activity (70% registrants mentioned earlier WG1)
  - Q4 - *If the visit team included personnel from Licensing and Policy, would that go a long way to show that the visit is not a compliance visit? USG cannot specifically commit to allocating resources from other offices, but it's an idea we would like to pursue.*
    - A visit from compliance alone may be unsettling. Participation by licensing, policy and IT might go a long way and add to more robust conversations. Licensing officers would also gain a better understanding of the technology up front which in turn could help them in making licensing decisions.
    - The Working Group believes this type of approach will generate more cooperation with DDTC.
  - Q5 - *For the outreach portion of the Company Visit Program, please identify specific benefits that could be realized by revising CVP-O to operate as a Directorate-level rather than a DTCC effort.*
    - Transition will alleviate the audit perception by industry.
    - Expected to result in better feedback on their company's experience with the licensing process and ability to get regulatory clarifications/guidance. Industry could also provide suggestions on streamlining the various DDTC processes in this type of setting.
  - Q6 – *Please also identify specific reasons or interests that support continuing to operate CVP-O as a DTCC effort.*
    - Logistically it is easier, lesser resources to coordinate and it is precedent.
  - Conclusion
    - DDTC should rename the program
    - Initiate better marketing
    - Include other organizations outside of compliance
    - Enhance predictability

Questions posed to the Company Visit Program Guidelines Working Group.
- Tony Dearth asked whether the group looked at potential visitors with the team that were not from DDTC such as DTSA coming along. *Working Group Response – Yes we did. We rejected the idea. Simply because, there isn't always agreement between agencies. Don't want the company visit to turn into a disagreement session, not an appropriate venue. Some did like the idea. But maybe better suited in the forum, outreach a combined agency approach.*
- Brian Nilsson mentioned that they are now standing up an internal working group on this subject and the information provided by the Working Group is very helpful.
- Arthur Shulman, Acting Director Office of Defense Trade Controls Compliance offered his thanks for the information provided. He would like to continue to work with the DTAG on this. Many of the subjects the DTAG presented today are ones that DDTC is currently going through.

DTAG moved for a vote of approval, the vote passed unanimously.

The Company Visit Program Guidelines Working Group "White Paper" will expand on the presentation and will be made available on the DDTC website (under the DTAG tab).

Third Party Authorization in DECCS Working Group 4 Presentation

Bill Wade introduced the Third Party Authorization in DECCS Working Group 4 chair Nate Bolin. A copy of the slide presentation can be found on the DDTC webpage (under the DTAG tab).

The Working Group tasking summary:
1. Provide a consensus view or acceptable options for implementation of flexible access controls to allow third parties to review and/or submit applications on behalf of importers/exporters

Key items discussed:
- This Tasking was a result of the November 15, 2016 DTAG plenary session where it was recommended that DDTC should create flexibility in the Defense Export Control and Compliance System (DECCS) by allowing access to third parties and provide additional signature functionality.
- The Working Group approach was to gather relevant information from DTAG members and review analogous systems like SNAP-R and ACE.
- The Working Group reached out to Karen Wrege, Chief Information Officer (DDTC) for a discussion and was able to narrow the tasking. From this discussion, additional questions were identified for the Working Group to address.
- Provide recommendation to designate super users in the system.
  o Currently DDTC is thinking the Point of Contact identified on the DS-2032 will function as the super user [later to be named the Corporate Administrator (CA) in the DECCS system]
  o In general, the Working Group does not support this approach. Specifically, the instructions of the proposed revised DS-2032 do not discuss CA status of the registration point of contact. Also, if the CA leaves or changes job functions, then the DS-2032 would need to be amended. If the CA needs to change, it is unclear on how a company can continue to use DECCS while this change is underway and may possibly have to suspend use of DECCS and ITAR activity until the change is approved.
  o Allowing a single point of contact to have access to the entire DECCS system as a CA could lead to Organizational Conflict of Interest (OCI) and related issues.
  o Another concern raised is that using the DS-2032 would reflect a departure from the current system for designating Empowered Officials, which is done through an internal company process, not through the DS-2032 or other notice to DDTC.
  o DDTC should consider a process separate from the DS-2032 and use a separate letter or other designation system similar to the current method of designating super users in DTrade.
- Authentication in the system
  o DDTC is expecting that similar to DTrade, the digital certificate will still be used to access the DECCS system.
  o The Working Group believes that digital certificate can be unwieldy to use and burdensome. They can impose additional cost for small to medium sized

companies or those with a lot of employees all of whom require a digital certificate to use the system, while not necessarily providing greater security than other authentication methods, while not necessarily providing greater security than other authentication methods.

- o DDTC should utilize industry-standard two-factor authentication methods instead.
- How to define users – roles and responsibilities
  - o A system for user access to DECCS will need to have flexibility to meet organizational firewall requirements such as OCI mitigation requirements and to protect personal identifying information (for example, the DS-2032 requires registrants to provide personal details such as social security numbers and addresses of board of directors and senior officers).
  - o It is recommended that DECCS use a menu approach. Every registrant will have a CA role. All other roles will be optional and the CA will assign other roles through an account administration page within DECCS.
  - o 4 categories of access to DECCS
    - Corporate (Tier 1)
    - Sector/segment level (Tier 2)
    - Program level (Tier 3)
    - Third party level for access
  - o 4 types of functions
    - administrator
    - drafter
    - reviewer
    - signer
  - o Broken down into 4 tier levels for access
    - "**Tier 1**" = access across entire company (including subsidiaries and affiliates listed in Blocks 4, 9, and 10 of DS-2032 and sensitive information contained in DS-2032)
    - "**Tier 2**" = access across only one segment of the registrant's business (typically a division or subsidiary)
    - "**Tier 3**" = access limited to activity related to certain contracts or projects
    - "**Third Party**" = U.S. person consultant, lawyer, etc. authorized by CA
  - o Each company would have flexibility to set up a different CA structure and grant accesses to match the organizational structure and chain of command within each company.

Questions were posed to the Third Party Authorization in DECCS Working Group.

- Josh Fitzhugh, BAE Systems asked whether licensing of GCs by foreign parties in DECCS is being contemplated? There have been some losses of their GCs in the paper format. *Karen Wrege, DDTC response – main objective is to get away from GCs and make things more electronic and this would apply to foreign parties. Would not be required to register. Would like to have it be electronic.*
- Karen Wrege provided her thanks for the recommendations provided. A lot of thought clearly went into it.
- Josh Fitzhugh, BAE System asked whether any party listed on the license could go in and see the approval and see what is authorized. For foreign persons these could be discreet

data fields. *Working Group Response – this topic will be addressed in the next Working Group (Working Group 5) presentation.*

- Karen Wrege explained that the thought behind tying it to the DS-2032 was to get away from GCs or letters. DDTC will need to come up with something electronic to create a CA. Digital certificates for user authentication will be kept for now for the first deployment and then DDTC will explore other authentication options. *Working Group response – we know it cannot all be implemented at once and would expect DDTC to use an iterative approach.*

DTAG moved for a vote of approval, the vote passed unanimously.

The Third Party Authorization in DECCS Working Group "White Paper" will expand on the presentation and will be made available on the DDTC website (under the DTAG tab).

Industry Portal, Status, and Other Reporting Working Group 5 Presentation

Bill Wade introduced the Industry Portal, Status, and Other Reporting Working Group 5 chair Rebecca Conover. A copy of the slide presentation can be found on the DDTC webpage (under the DTAG tab).

The Working Group tasking summary:
1. Create a wireframe or PowerPoint slide(s) that capture the types of information that industry would like to see on a user portal page. Determine if there is other information or reports (in addition to the priorities identified above) that would be useful for DDTC to provide to industry either through a web interface or in an automated way through an Application Program Interface (API).

Key items discussed:
- The Working Group approached the tasking by looking at the DDTC website and created user stories. I want to do X and the business value because it will yield Y. Then ranked the stories. Then specifically addressed a user portal page.
- The Working Group met with Karen Wrege, Chief Information Officer (DDTC) to discuss and help focus the presentation.
- Recommendations for the DDTC website include two priority items - create a search button and install a site map.
- DDTC should initiate electronic notifications of regulatory and policy changes to let industry know what changed and when. This could also include updates to CJ opinions.
- Increase insight into DDTC's interpretations by publishing redacted advisory opinions and GCs with search capability to identify key words.
- Make sure that all the information posted on the website is up to date. Specifically the ITAR itself, there is the official version and the up to date version. We found this confusing for a new user of the webpage.
- We'd like to see information on compliance trends that DDTC is seeing within industry. It can help industry prioritize its compliance plan.
- Organize the FAQs. Have them be searchable and dated.
- DTAG presented a Public DDTC Page sample

- Have a company specific portal page that includes or addresses the following:
  - Company dashboard that allows DECCS to provide updates on pending applications and licenses. Issues alerts on updates to USML changes that may impact the company. If Category XV is on a company's registration then an automated message will go out to the company indicating that a change was made to Category XV.
  - The portal would manage GCs, disclosures and other activities as well beyond licenses. Allow industry to initiate a request for status or display the status of items. The portal could display tracking numbers immediately upon submission. Include specialty cases and provide updates on when congressional notifications are complete.
  - The portal would allow for downloads from the DECCS to a company system.
  - Manage registration requirements. 5 day notifications, update the details right there in the system. Be able to upload documents.
  - Uploaded documents would be part of the official record. It doesn't replace the company's records but it will be DDTC's record.
- Implement two way communications wherever possible for communications back and forth with DDTC licensing officers. Real time notifications of case status. Being able to send emails is a good way to communicate when dealing with different time zones.
- Company dashboard
  - At the top of the dashboard it will identify open items that require attention by the company
  - Divide the dashboard into 4 main segments - Registration, Communication, Authorization Management, Submission & Status
- Registration
  - List only high level items on who is on the Board or the subsidiary information rather than displaying SSNs or birth dates
  - The company can get pinged when it is close to expiration
  - Be able to see status of a 5 day notification
  - Include a fee calculator of how registration is calculated
- Communication
  - Ability to chat or message, be similar to the help desk
  - If someone is out of the office, the web interface can re-route the message to someone who is taking over that role
- Authorization management
  - Manage decrementation of license by Customs
  - Statistics and trends – be able to spot RWA rates – monitor that activity – good for management of a program
  - Exemption reporting – upload required documents
  - DECCS – perfect place to manage the Company Administrator for DECCS through the dashboard
- Submission & Status
  - Interface with DECCS to handle submission and have the status in the system
  - Proviso reconsideration of licenses could be handled here

- o Color coding the licenses to identify which ones are ready to use, which ones need additional work prior to use and red for those licenses that can no longer be used.
- o Be able to initiate amendments through this tool. The portal will interface with DECCS
- Allows us to leverage existing capabilities

Questions posed to the Industry Portal, Status, and Other Reporting Working Group.
- No questions were posed to the Working Group

DTAG moved for a vote of approval, the vote passed unanimously.

The Industry Portal, Status, and Other Reporting Working Group "White Paper" will expand on the presentation and will be made available on the DDTC website (under the DTAG tab).

Material Changes Working Group 6 Presentation

Bill Wade introduced the Material Changes Working Group 6 chair Bryce Bittner. A copy of the slide presentation can be found on the DDTC webpage (under the DTAG tab).

The Working Group tasking summary:
1. Suggest an approach to automate material changes to licenses that involve non-registered entities.

Key items discussed:
- The issue to be addressed with this tasking relates to licenses that have an address identified for a party but when that address changes the shipping paperwork doesn't reflect what is listed on the license.
- Prior to 2011, we obtained amendments, now a web notice is posted that identifies the change in name or address of the foreign company. Then the exporter takes the web notice to present to CBP to alleviate the discrepancies with the shipping paperwork and the license.
- In an electronic age, the system needs to be updated to reflect the address change in order for CBP to see it real-time. DDTC wants to move away from the GC process. For non-registered entities, essentially foreign parties to the license, DDTC wants the changes directly added to the system, currently they are not added.
- To support the analysis for this Working Group, they reached out to the COAC to discuss how they are looking at material changes.
- Mergers, acquisitions and divestitures (MAD) will continue to go through the old process. MAD changes will be on a form, DDTC will continue to review MAD events on a case-by-case basis and direct the parties to update licenses via replacement licenses and major/minor amendments when appropriate.
- 2 options to address non-MAD events:
  - o Solution (1) applicants can update their own licenses in DDTC's system based on the web notice change (in the future a batch upload may be available for a large number of impacted licenses). Problem generated with this solution is that

multiple applicants could be updating the same entity. Industry will not have information on why the change occurred. It might be proprietary. We only know that there is a change.

- o Solution (2) the foreign entity logs into the system and updates their information. This could flow to all impacted licenses and be updated at the same time. But there is no master database of foreign entities that currently exists. Also different companies might enter the foreign entity's name slightly different. William vs. Bill vs. Billy vs Will…..One mistake could affect tons of licenses.
- Neither solution is perfect, both have positives and negatives.

Questions posed to the Material Changes Working Group.
- Karen Wrege, DDTC – She also reached out to the COAC to get inputs. If you have a small number of licenses this isn't that hard to solve. It is when there is a large pool impacted. She also has an issue with foreign parties updating U.S. industry licenses. The best way to approach this is to allow people to update their licenses themselves through the interface and create a batch upload. The directorate needs to ensure that the updates occur quickly. There are a fair number of these requests coming in all the time. Can't necessarily wait 30 days to implement these changes and then get the data to Customs. There need to be rules around implementing the changes. Will need to look at the address of name changes through the watch list screening. *Working Group Response – what happens after the address changed, is DDTC comfortable with the change?*
- Heather Sears, DTAG member suggested the combination of Working Group 4 and 6 proposals. A non-registered person will be able to go into DECCS and request a change. Then the dashboard displays the change to those within industry who might have a license impacted, click here and it updates the license. The registered party accepts the change. This way the non-registered entity justifies the need for the change and the registered party acknowledges the change on their license.
- Arthur Shulman, DDTC commented that there is a weakness in the system in that there needs to be a profile created for all foreign parties which we don't have now because if someone puts the name in the license different than what was changed it will not get flagged automatically in the system and will be dropped.

DTAG moved for a vote of approval, the vote was not unanimous. The Yes votes override the No votes and the presentation passes as presented.

The Material Changes Working Group "White Paper" will expand on the presentation and will be made available on the DDTC website (under the DTAG tab).

Wrap-Up and Concluding Remarks

Bill Wade led the **Wrap-Up** discussion.

April 17 is the deadline for additional Q&A by the public. Such comments should be sent to DTAG Recorder, Sandra Cross at Sandra.cross@hii-co.com.

DDTC will publish the DTAG presentations, Plenary Meeting Minutes and White Papers on its website in short order.

Plenary Meeting concluded at 4:12 pm.

Meeting minutes recorded by Sandra Cross.