

CISTEC

Linkage Channel
connecting Government, Industry and Academia

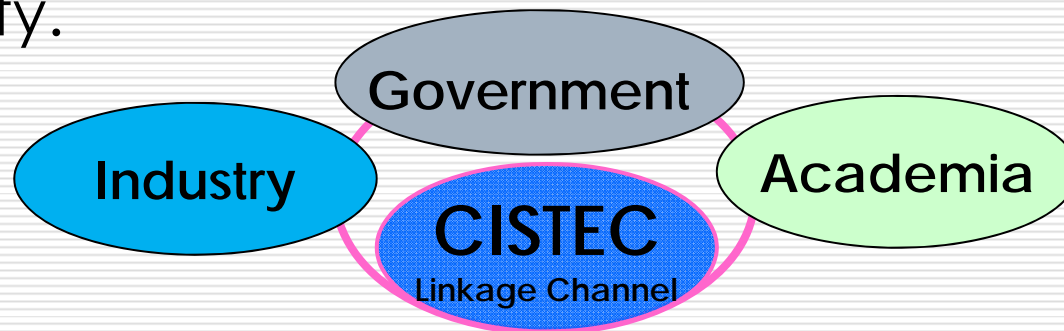
April , 2016 Tokyo

H.RIKO

CISTEC

about CISTEC

- Founded in April 1989
- non-profit, **non-governmental** organization dedicated to security export control issues comprehensively.
- CISTEC, functioning as a **linkage channel** connecting government, industry and academia, shall help to create effective and rational system of security export controls in Japan, and shall thus contribute to the promotion of world peace and security.



Operation Size

■ Staff : Approx. 40

- former government officials
- former industry personnel
- personnel on loan/seconded from industry
- ordinary staffs



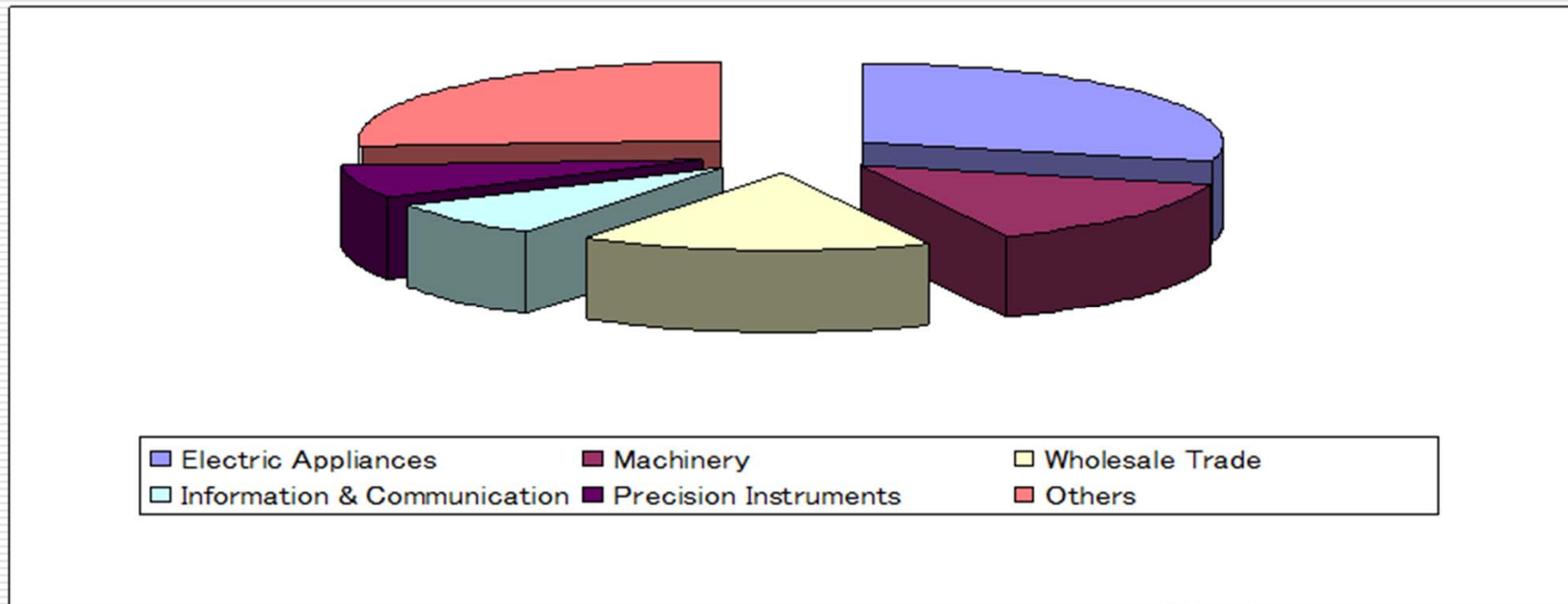
■ Activity funds:

- Annual Budget: Approx. yen 640 mil.
- Membership Fee from Associated Members :
Approx. 40%
- Revenues from Publication, Database, Seminar, etc. :
Approx. 60%

Members' proportion by sector

No. of Associated Industry members: 433 (as of Mar.2016)

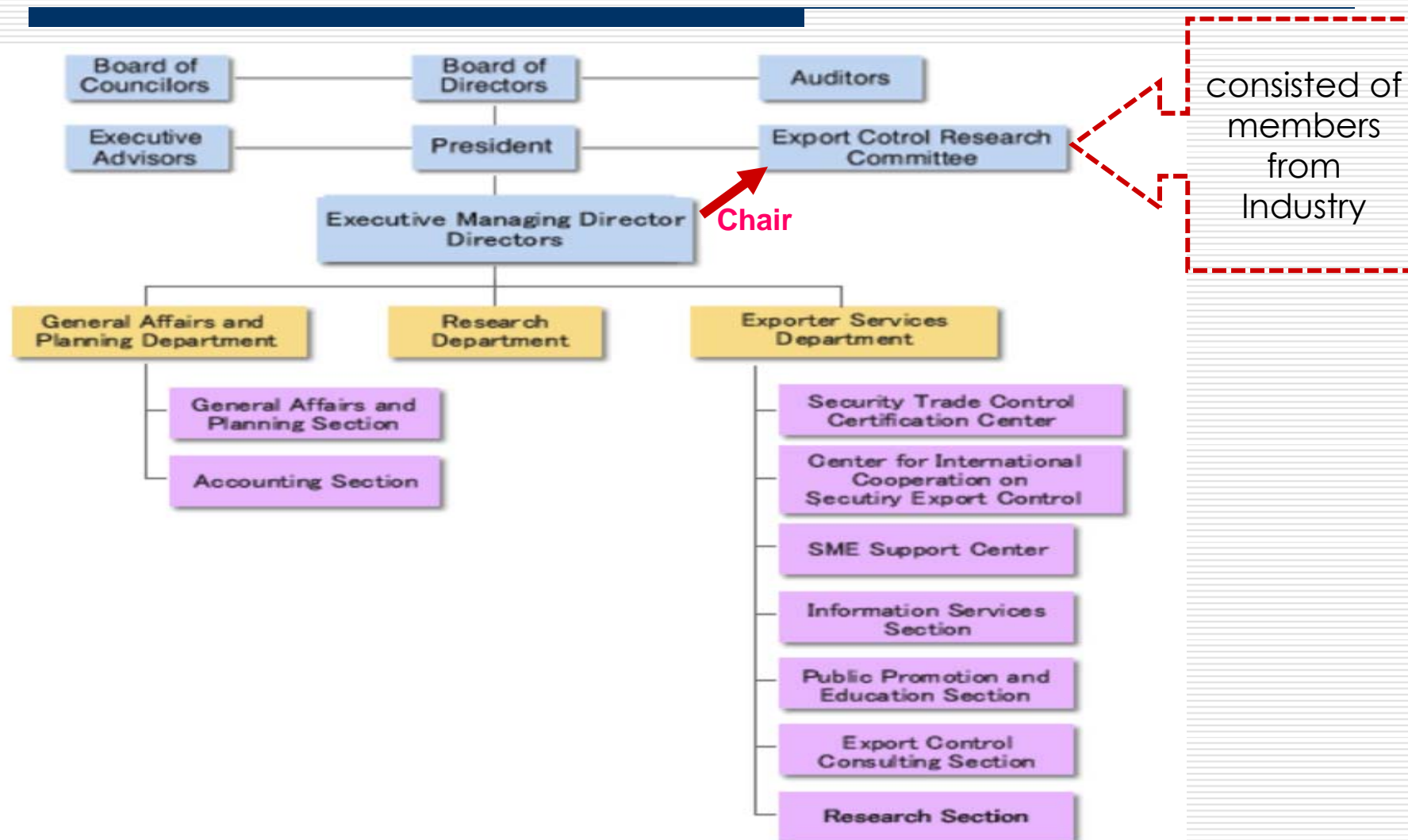
No. of Associated University members: 31 (ditto)



(NOTE)

NOTE : The Sectors are as Specified by the Securities Identification Code Committee (SICC), and the Sectors in "Others" include Transportation Equipment, Chemicals, Services, Glass & Ceramics etc.

CISTEC Organization

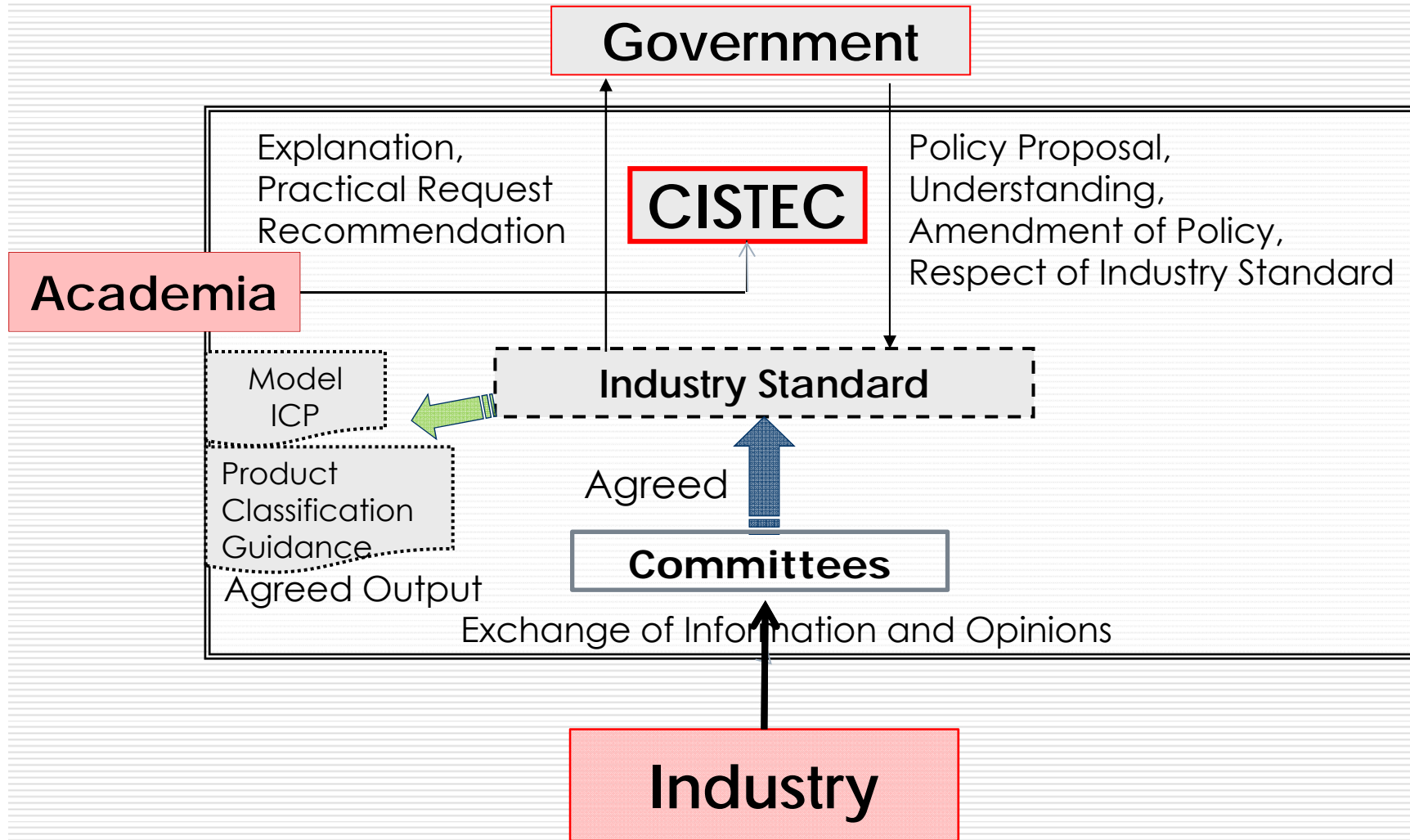


Export Control Research Committee

- **Policy, Rules and Procedures Board**
and related Committees of
 1. Export control policy
 2. Rules and procedures
 3. International research
 4. International relations
- **Goods and Materials Board**
and related Committees of
 1. Dual-use items for WMD
 2. Advanced materials
 3. Industrial machinery
 4. Electronics
 5. Information technologies
 6. Sensors, lasers, navigations & avionics



Linkage Channel



Linkage Channel(2)

- For the Government, CISTEC
 - provide professional technical advices
 - sound industry out on new policy plan of METI
 - explain views/thoughts of industry/academia
- For Industry/Academia, CISTEC
 - integrate opinions from Industry/Academia into common one
 - recommend it to METI on behalf of whole industry/Academia
 - provide occasion of dialogue with METI officers

CISTEC's Roles and Utilities for Industries (1)

- (1) Ensuring the opportunity for exchange of opinions and negotiations with export control authorities (e.g. public comments to METI, US BIS or DOC, etc.)
 - ← by Export Control Research Committee activities, CISTEC's delegation/mission to foreign countries, etc.

- (2) Enabling (i) frank information exchange/sharing And (ii) personnel exchange among companies of different industries
 - ← by Export Control Research Committee activities

- (3) Enabling sharing the latest information and best practices of export control
 - ← by Export Control Research Committee activities

CISTEC's Roles and Utilities for Industries (2)

(4) Enabling collection of the information which is difficult for a company to gather by itself

← by Export Control Research Committee activities, seminars, guidance books, online database services, CISTEC's delegation/mission to foreign countries, etc.

(5) Enabling outsourcing to CISTEC on self control activities

← by CISTEC's consultation services, seminars, guidance books, online database services, etc.

(6) A third-party certification functions

← by export control classification services, audit services, etc.

CISTEC's Roles and Utilities for Industries (3)

(7) Functions of certification of practical capabilities of export control personnel

← by Certification Examination Program

(8) Intermediation services on introduction of export control personnel

← by registration of the suitable candidates

----currently more than 200 persons

introduction of the candidates to various companies, universities, government related organizations, etc.

---- more than 60 successful cases of employment since 2009

CISTEC's Roles and Utilities for Japan's government, such as METI (1)

- (1) Role as the cross-industry liaison for collecting opinion, forming consensus and letting METI understand these
← by Export Control Research Committee activities,
- (2) Enhancing the level of self-control of exporting companies, which is one of METI's aims
← by Export Control Research Committee activities, model ICP, etc.
- (3) Supporting exporters' sufficient understanding of the laws and regulations by "translating" the complexity
← by seminars, guidance books, on-line database services, etc.

CISTEC's Roles and Utilities for Japan's government, such as METI (2)

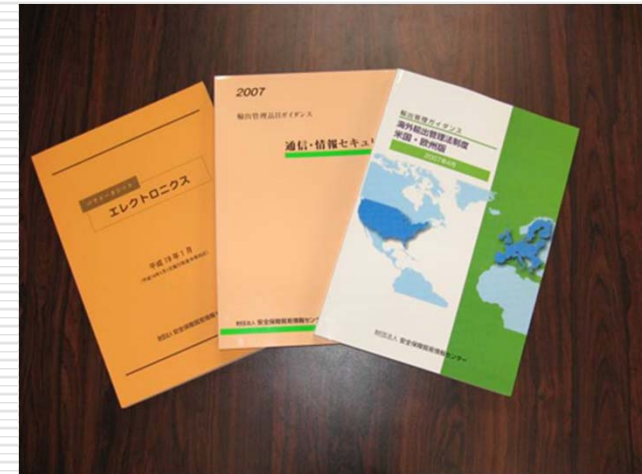
- (4) Accumulating professional knowledge and experience, which are provided for METI to perform various activities
 - ← by Export Control Research Committee activities, Explanation in response to METI's questions

- (5) Supporting METI's outreach activities
 - ← by providing full supports to METI's outreach seminars, such as dispatching suitable lecturers

- (6) Providing services to METI, Customs Office, others
 - ← by dispatching lecturers to Japan's government's various internal training course, and providing website database services, etc.

Publications

- Guidance, Manuals, Handbooks
- Parameter-sheets for Commodity Classification
- Commodity Guidance
- CISTEC Journal



Publications

Guidance, Manuals

Security Trade Control Guidance

Model CP Guidance

Q&A and Guidance for Practitioners

Manual for Export License Application Procedures

Manual for Technology Export License Application Procedures

Guidance on U.S. Reexport Controls

Guidance for Security Trade Control for Overseas Subsidiaries and Affiliates

Tools for Guidance of Overseas Subsidiaries and Affiliates

Practical Examples of Corporate Security Trade Control on Audit

Practical Examples of Corporate Security Trade Control on Awareness Raising and Training

Overview of Japan's Export Controls

Publications

Parameter Sheet

- Computers
- Electronics
- Communications & information Security
- Acoustic Sensors & Lasers
- Advanced Materials
- Chemical Substances
- Miscellaneous (Non-Security Related)

Commodity Guidance

- Computers
- Electronics
- Communications & information Security
- Acoustic Sensors & Lasers
- Advanced Materials
- Chemical Substances
- Chemical Weapons related
- Material Processing
- Nuclear related
- Aircraft, Space related
- Technology Transfer, Services

Line-up of publications

<i>Related to dom. Control</i>	<i>Related to Intl. Control</i>
Security Trade Control Guidance	Guidance for Security Trade Control for Overseas Subsidiaries and Affiliates (English Ver.)
Model ICP Guidance	Overview of Japan's Export Control(English Ver.)
Practical Examples of Corporate Security Trade Control on Education/training, Audit etc.	Guidance on Foreign Countries' Export Control Laws/Regulations and Practices
Manual for Export License Application Procedures	Tools for Guidance of Overseas Subsidiaries and Affiliates
Manual for Technology Export License Application Procedures	Guidance on U.S. Re-export Controls
...and more	...and more

Seminars and Trainings

1) Holding Seminars (FY 2015, 34 times)

- Basic Course (Procedures, License, Classification)
- Management Course
- Theme-Oriented Courses
(US Re-Export Controls, EU Export Controls,
Export Controls for Overseas Subsidiaries/Affiliates)
- Specific sector Course
(Machine tool, Electronics etc.)

2) Dispatching Instructors (FY2015, 88 times)

- For companies (53 times)
- For universities (13 times)
- For specific associations (22 times)



STC Certification Program

Type of Qualifications	No. of Holder (Mar.2016)	Strat time. No. of Execution
STC-Expert	362	Since 2005
STC-Legal expert	311	Once a year
STC-Semi-Legal expert	128	
STC-Advanced	597	Since 2015 Twice a year
STC-Associate	25,761	Since 2004 3 times a year



NOTES :

- The "ONLY" Certification of Knowledge and Skills on STC
- "Good Motivation" for examinee
- "Incentives" for STC Certification holders
- Advantageous to promotion, change of job etc.
- Regarded as an Effective Capacity-building tool



Providing Information through Online

■ Portal Site Service

- ✓ Online Store
- ✓ FAQ Corner
- ✓ Web Seminar
- ✓ e-Learning
- ✓ Community site
- ...and more



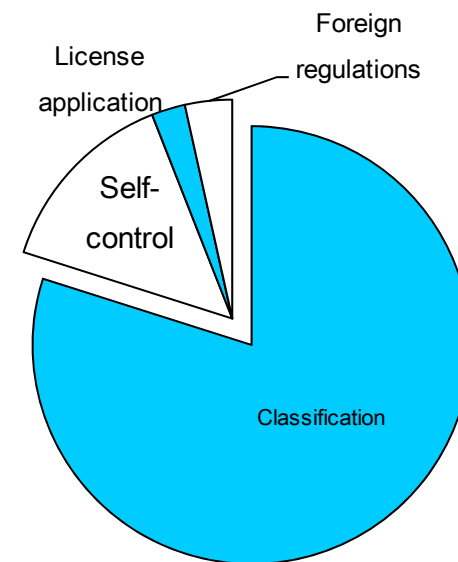
■ Database Service (Fee-Based)

- ✓ Consolidated Parties List of Reference Information
- ✓ Parameter Sheet for Commodity Classification
- ✓ Japanese Export Control Laws and Regulations

Consultation Service

- Provide advices to customers for consultation through interview and mail
- Details of consultation
 - **classification** of commodity/ technology
 - establishment of **self-control system, ICP**
 - internal **audit** (hands-on) etc.

Categorized proportion of Consultation



Classification Assistance Service

- CISTEC Started the 2 types of **Commodity /Technology Classification Assistance Service** since April 2012

General Service: Verify the classification done by customer and issue the Verification Certificate

Full Support Service: Instruct customer basics how to make classification and issue the Verification Certificate

Audit/Internal System Assistance Service

- CISTEC started **Audit Assistance Service** since April 2015
- Also started **Internal System Building Assistance Service** since October 2015

Through interview and dialogue with client, CISTEC find and analyze problems then provide advices and best solutions

University Membership Program

- Started from 2009 (31 Members as of Mar. 2016)
- Free supply of various basic Guidance
- Free Basic Seminars up to 5 persons
- Free Dispatch of Instructor for In-House Training (once a year)
- Free Consultant service upto 15 times a year
- Community site for university on CISTEC HP and More...

Export Controls Experts introduction

- CISTEC provide recruitment information of experts on export controls since 2008
- Universities have been major recruiters
- SME also need such experts
- Big enterprise can select a particular exact one
- Rich knowledge/experience widely shared in various fields

Export Controls Experts introduction

- Experts who retired and wish to still work with their rich knowledge /experience may register with CISTEC
- Universities , Research Institutes and companies looking for export controls experts, may inquire CISTEC
- CISTEC provide such recruitment information to all registered experts
- Experts who have interest in the inquiry may directly contact and negotiate with inquirer

International Cooperation

- **Asian Export Control Seminar** (Co-organized with METI/MOFA)
Annually held in Tokyo Since 1993 (23 times)
- Assist in **METI's Industry Outreach** Seminars in Asia
- Dispatch Speakers to various intl. Seminars/Workshops
- Dispatch "Japan Delegation" Mission to USA every 2 years, and to EU every 2 years since 2002 and newly to Asia in 2016
- Dialogue with foreign Governments, industrial associations , research institutes , universities, etc.

Main Challenges (1)

a) More Assistance to **SME** (Small medium sized Enterprise)

- ← via web-seminars, booklets published on the website, Classification assistance services, Collaboration with SME Agency, JETRO, etc.

b) More Assistance to **Academia**

- ← ① via University Membership program
- ② submission of “comprehensive list of demands for improving export control administration at universities” to METI, Ministry of Education, and MOFA by coordinating with 5 associations of universities in June 2014
- ③ Export Day for Academia (co-supported)

Main Challenges (2)

- c) Clarification of export control rules/procedures on the “**Three Principles** on Transfers of Defense Equipment and Technology” newly adopted in April 2014 by coordinating with Japanese government (METI)

[Important Note]:

-CISTEC is not in charge of the following (i) and/or (ii) and the relevant intermediation. (Sales/production people related to (i) and (ii) do not participate in CISTEC activities.)

(i) business promotion of “defense equipment and technology”

(ii) development/production of “defense equipment and Technology”

- CISTEC is mainly in charge of research and proposals on export control rules/procedures of the above-mentioned.

Main Challenges (3)

Collaborating with Japanese government (METI),

d) Internationalization of the classification numbering system

- Based on the request of CISTEC etc. METI studying
- Comparison Table with EU List uploaded on CISTEC HP to which METI HP links (under preparation)
- Create a **single set of export control laws and regulations**, replacing the current system (future)

CISTEC has received the award "Export Controls Consultant of the Year" from WorldECR in 2015

WorldECR Awards 2015

- defence sector companies.
- Assisted a number of multinationals engaged in humanitarian trade with sanctioned countries. By steering them through the complex U.S. restrictions affecting food, agricultural commodities, medicine and medical devices, the firm enabled these companies to capitalise on business opportunities in these markets.
- Advised charities and non-governmental organisations operating in countries, such as Sudan and Syria, where U.S. sanctions affect how they can deliver goods and services in humanitarian crises.

Runner-Up: Debevoise & Plimpton LLP

Debevoise & Plimpton's U.S. sanctions team, based in its offices in DC and New York, is home to 12 attorneys. The team works closely with the firm's offices outside the U.S., including those in London and Moscow. A cross-departmental practice, the team's clients typically come from banking, insurance,

private equity, asset management, energy and natural resources, and mining.

In the past year, the team has provided advice to clients on conducting Iranian, Cuban, Russian and other transactions without violating EU and U.S. sanctions, and advised Russian clients 'on the impact of U.S. sanctions, including specific advice tied to potential acquisitions and on issues related to U.S. and E.U. persons serving on board of directors'.

Clients are enthusiastic about team members and the service they provide:

'The team at Debevoise & Plimpton, headed by Carl Micarelli, has done a terrific job helping us to negotiate the changing regulations that pertain to both Myanmar/Burma and South Sudan... Ensuring secure and speedy funds transfers to our international partners is critical to their ability to serve their communities. In OFAC regulated countries like Myanmar and South Sudan, it is increasingly difficult to ensure cooperation from the banking industry – even as federal regulations change, the banks continue to have a conservative approach toward financial transfers. Debevoise has

ensured that OFAC provides us with appropriate licensing and documentation, and has negotiated for the release of funds when transfers have been questioned or frozen.'

'I consider this firm deserve full recognition as they have provided us with outstanding and innovative advice in sensitive matters in the U.S. in a fast-changing regulatory & political environment.'

Highly commended

Skadden, Arps, Slate, Meagher & Flom, LLP advised a major U.S. energy company in getting an emergency OFAC licence to wind down a major project that became subject to OFAC's sectoral sanctions and advised on one of the highest profile sanctions settlements with multiple regulators in history.

Hogan Lovells represented 'an international bank in one of the most significant global anti-money-laundering and sanctions enforcement investigations of 2014-15. The bank was named in July 2014 as a "primary money laundering concern" by the U.S. Treasury Department's FinCEN.'

Export Controls Consultant of the Year

Winner: Center for Information on Security Trade Controls (CISTEC).

CISTEC is a Tokyo-based non-profit and non-governmental organization that supports Japanese industry activities. It was nominated for this award by an expert in international export controls, who wrote: 'Even though CISTEC is not a for-profit consulting firm like the Big Four, etc. it serves as a consultancy for Japanese industry and foreign industry and providers. They have been active for almost 30 years, one of the first "consultancies" before there even were any. They provide a full suite of services for their clients, from item classification, to regulatory guidance, to training, to research and analysis. They also have been instrumental in promoting export controls and compliance development

and best practices throughout the Asia Pacific region.'

On a daily basis, CISTEC contributes to regional security through its wide range of compliance and non-proliferation advice and services. It

- provides advice on issues and concerns of security export controls and checks if goods and technologies are regulated;
- provides businesses with practical assistance in setting up compliance programmes;
- offers training seminars and other educational services plus a certificate in export control;
- collects both domestic and international information on goods and technologies and analyses for 'foreign availability', 'controllability', and production/technology levels. CISTEC seeks to

achieve rational international export controls by providing the research results and analysis to the government;

- promotes the harmonisation of international export control regimes and supports global activities by businesses, studying domestic and international legal systems, the actual process of laws and regulations, and the interpretations on export controls;
- provides on-line export control compliance support services and publishes an official bulletin, which covers changes in export control-related regulations to businesses promptly.

CISTEC managers are regular speakers on export control matters at events around the world, playing a key role in creating awareness of the importance of controls to businesses

WorldECR Awards 2015

WorldECR Awards 2015



Members of the CISTEC management team

Back Row, standing: Mr. Jiro Niidome, Senior Advisor; Mr. Nobuo Tanaka, Member of the Board & General Manager, General Affairs and Planning Department; Ms. Mikiko Noritake, Manager, Exporter Services Department

Front row, seated: Mr. Hsashi Riko, Member of the Board & General Manager, Exporter Services Department; Mr. Tsutomu Oshida, Executive Managing Director; Mr. Osamu Fujimoto, Member of the Board & General Manager, Research Department

in Asia and beyond. It is the type of consultancy for business that every country would benefit from. (<http://www.cistec.or.jp/english/>)

Runner-Up: KPMG

In 2014, KPMG Trade & Customs and KPMG Software Consulting were engaged by an Illinois-based client operating in the chemicals sector on two key matters. The first was to develop the company's IT capabilities as it relates to 'legally required' export control management (denied party screening, dual-use commodities, etc) and also to 'commercially required' export controls, e.g. those arising 'due to the importing destination regulations or requirements'. In testifying to the excellent job carried out, the client wrote:

'A legally required element for U.S. export regarding pesticides by the U.S. EPA is the product label must be translated to an official language of the destination country. For us the controls to prevent pesticide exports were manual and not sustainable. KPMG developed SAP controls for pesticide products that prevent export if an appropriate language label does not exist in the inventory.'

'A commercially required export control element relates to our food products. Many destination countries require import permits if the product contains animal derivative (ex: milk

protein). Without that import permit, our customer cannot import and our export sits on a foreign dock and perishes. KPMG facilitated our use of new "product attributes" in SAP along with GTS controls that identify to our customer service that the customer has certain functions to perform before U.S. export shipment may occur.'

The second issue was 'to assess our internal controls and policies related to export from a Customs, BIS and other partnering government agencies as it relates to "legally required" export controls, e.g. those arising "due to the importing destination regulations or requirements". In testifying to the excellent job carried out, the client wrote:

'The client summed up his satisfaction with the consultant, saying, KPMG "delivered export control value both at the practical/transactional control level as well as at the export control discipline level with procedure and policy recommendations".'

The individual KPMG consultants involved were Wesley J. Bergeron, Manager, Trade & Customs Services, and Rada R. Gaynullina, Senior Consultant, Global Trade Practice. (www.kpmg.com/us/en/services/tax/trade-and-customs)

Highly commended

David Hayes: David Hayes is regarded as being among the leading export controls advisors in the UK. He advises all controlled industries, military exporters as well as clients in every category of the dual-use list globally – including in Australia, Canada, EU, Norway, Middle East, US. (davidhayes-exportcontrols.com)

FACTI: The Export Compliance Training Institute 'provides some of the most crisp and useful guidance on trade compliance I've ever seen. Their consistent ability to boil complex requirements down to their most essential, comprehensible elements, and then provide practical strategies for addressing those requirements, is second to none. Their free newsletter is a treasure trove and they could easily charge money for the valuable tips and tricks they share at no cost.' (learnexportcompliance.com)

Export Solutions Inc: In a busy year for this eight-person consultant based in the U.S., instructions included advising a global aviation company which 'needed to reduce overhead costs without compromising its compliance efforts. Through an extensive gap analysis, best-practice corrective action, and outsourcing project, we were able to reduce costs by an estimated 57% per year, while at the same time, re-focused their compliance resources to the most high-risk / high-need areas.' (exportsolutionsinc.com)

Thank you
very much !

CISTEC (Center for Information on Security Trade Controls)

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