

BIS Ref: 01.12.01/71C

Your Ref:

Ms Catriona Shaw
Policy Director
British Banks Association
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7 June 2011

Dear Catriona

LAUNCH OF THE NEW ECO ADVICE SERVICES

You may recall that back in September 2009 I wrote to you, as representatives of the banking community, to explain how banks should work with ECO's advice systems to gain the reassurance that they need with regard to exports to Iran. That letter was prompted by ECO introducing a new service to provide swift, end-user specific advice to exporters who wished to find out more about their Iranian customers. Following the success of that pilot, we have now radically changed the advice services that we provide; so I thought it would be a good time to update banks of what we have done and set out the implications for you.

What will be changing

As of 6th June 2011, we are no longer offering the 'Rating Enquiry Service'. Instead, we are now providing two new distinct advice services, namely

- the 'Control List Classification Advice Service' and
- the 'End User Advice Service', now extended beyond Iran to cover all countries except EU Members States, Australia, Iceland, Norway, Japan and United States of America.

The logic of this is primarily to ensure that the many exporters who are fully aware that their goods do not feature on any control lists (and will therefore only be prevented from export on the basis of WMD concerns) can swiftly obtain the WMD end user advice they need rather than having to go through the full technical rating process every time. Under the new system, an exporter on making a new 'Control List Classification' enquiry about their goods, software or technology, will either be told that their goods are controlled and a

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licence needed, or will receive a 'Not Listed' outcome letter; advice which they can retain to avoid having to make repeat enquiries. Exporters with "Not Listed" advice can then ask us about the end user(s) of any future exports by making an 'End User Advice' enquiry and will either be told that they need to apply for a licence on the basis of WMD concerns, or receive a 'No concerns' outcome letter. Please see the enclosed 'Notice to Exporters' from our website for more information:-

<http://www.bis.gov.uk/assets/biscore/eco/docs/notices-to-exporters/2011/nte201113.doc>

Implications for banks

ECO will deal with any Rating Enquiries that were submitted before 31st May 2011 and will be finalising a backlog of Rating Enquiries over the coming weeks. So whilst some of the traditional Rating letters will continue to be issued, they will increasingly be superseded by the new advice. As a result, where banks see a need to confirm that exports do not cause governmental concern, they can, under the new system, reasonably ask exporters to provide either:

- I. a valid export licence; or
- II. a 'Not Listed' letter from the Control List Classification Advice Service accompanied by a 'No concerns' letter from the End User Advice Service confirming that there are no WMD concerns relating to the proposed recipient of the export

If exporters are not able initially to provide either of the above, then banks should first ask them to confirm that they have taken appropriate steps to confirm that their goods are 'not listed'. If exporters are unclear about whether their goods are listed, they will need to first ascertain this before approaching the End User Advice Service. They can do this by consulting the ECO website as above, using an outside consultant, or by making a Control List Classification enquiry. All these methods are equally valid and exporters should not be encouraged to make a Control List Classification enquiry on the basis that it is more authoritative. When exporters have established that their goods are not listed, they should then apply for advice under the End User Advice Service as above and furnish the positive response to the bank when they receive it.

It is of course entirely understandable that banks should seek reassurance about the business they are supporting when it involves high risk destinations where WMD issues come into play. ECO fully supports you in that endeavour, our concern is simply to ensure that you seek the right evidence to reflect the new systems and thus gain that reassurance in the most appropriate and effective way.

I stand ready to deal with any further queries that you might have.

Yours Sincerely

Melvyn Tompkins

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of Export Control Organisation