R. McCONNELL GROUP PLLC

A BOARD GUIDE

Trade & Sanctions

Export controls, sanctions screening, and cross-border trade compliance

Sanctions screening, export classification and licensing, restricted and denied-party checks, and end-use diligence governing all cross-border transactions

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Why Trade Compliance Matters

One wrong shipment can cost the license to ship at all

Trading is a privilege
Violations bring fines, forfeiture, criminal penalties, and loss of trade privileges

Strict, personal liability
The organization stays liable even when brokers or forwarders err on its behalf

No de minimis on sanctions
Facilitating a prohibited transaction is illegal regardless of the amount

Five questions per deal
What, who, where, why, and how must be answered before every transaction

ZERO DE MINIMIS

Facilitating a transaction for a sanctioned party is illegal regardless of the transaction amount

The Compliance Backbone

Classification, licensing, and screening on every transaction

Trade classification

Every good, technology, and software item needs accurate classification

License determination

Decide whether a license is required before any transfer

Restricted-party screening

Screen customers, vendors, intermediaries, and visitors against prohibited lists

Sanctions screening

Block dealings with embargoed countries, entities, and listed persons

End-use diligence

Verify end-user, end-use, and destination to prevent diversion

Valuation & origin

Declare accurate value and country of origin to customs

Screening Operations

Continuous, governed screening with regulator reporting

Board governance	The board retains ultimate responsibility for adopting and maintaining the program
Screen at onboarding	Capture and screen each customer before the first transaction processes
Re-screen on change	Re-screen on customer changes and against updated list batches
Manual review	Potential matches are investigated; accounts suspended pending resolution
Regulator reporting	Report blocked assets and rejected transactions within deadlines
Licenses & exceptions	Pursue licenses where permitted; exceptions need assessment and approval

Restricted-Party Categories

Sanctioned and denied-party categories

- **Specially designated nationals**
- **Embargoed countries & territories**
- **State-owned enterprises**
- **Debarred / arms-export parties**
- **Nonproliferation-sanctioned parties**
- **Denied & entity-list parties**
- **Non-cooperative jurisdictions**
- **Restricted banks & logistics**

STOP

If a warning signal cannot be resolved, stop the transaction immediately and report it

Definitions

Restricted-party screening

Verifying a party against government prohibited-party lists before transacting

Sanctions

Government restrictions banning trade with targeted countries, entities, or persons

Export classification

Categorizing an item to determine its export-control and licensing requirements

Warning signal

An abnormal circumstance suggesting possible diversion or prohibited end-use

Questions the Board Should Ask

A few questions test whether trade risk is controlled

1 **Are all counterparties screened before every deal?**
Screening must be universal, not selective or delayed

2 **Who owns classification and license determination?**
Controlled items must be identified before shipment

3 **How are sanctions hits escalated and reported?**
The program must meet regulator-reporting obligations

4 **Are we exposed to broker or forwarder error?**
Liability persists despite delegated logistics