

Port of <Insert Port Name> - Pipeline



U.S. Customs and
Border Protection

Pipeline <Insert Number>
January 11, 2017

To: Customhouse Brokers, Importers, Exporters, Freight Forwarders, and
Others Concerned

Subject: Department of State Import and Export Electronic Filings for Licenses and
License Exemptions

This pipeline is to provide guidance based on the Department of State, Directorate of Defense Trade Controls Federal Register Notice dated January 3, 2017. Persons not familiar with the Directorate of Defense Trade Controls (DDTC) import and export regulations are encouraged to read the International Traffic in Arms Regulations (ITAR), 22 CFR Parts 120-130. DDTC is the controlling and ultimate authority for international movements of United States Munitions List (USML) defense articles, technical data and defense services.

DDTC published a Federal Register Notice (FRN) amending the ITAR. The amendment requires that importers and exporters electronically submit the data, via their agent/filer or direct, at the time of entry and export via Customs Systems (Automated Commercial Environment and the Automated Export System) for the decrementation of permanent export licenses (DSP-5), temporary import licenses (DSP-61), temporary export licenses (DSP-73), licenses for classified materials (DSP-85), and goods controlled under the Foreign Military Sales (FMS) program (DSP-94), along with the submission of license exemption claims.

The regulatory changes became effective December 31, 2016.

For imports against DSP-61, DSP-73, DSP-85, FMS shipments and shipments under a license exemption, the electronic submission is the DDTC Partnership Government Agency (PGA) message set, and will be submitted at the time of entry. The PGA message set can only accept the data for one DDTC license or license exemption per one commodity line on the entry. That commodity line's entered value will be used as the DDTC endorsement value. So, filers are required to "split the commodity entry line" to associate a single entry line with a single license whose entered value will represent the DDTC value.

Filing Examples:

- **9808 – Certified Emergency War Materials** - The primary and secondary classification must be included in your BEI. Expeditors will assign the license to the 9808 line item only and transmit to CBP. Upon receipt, CBP will increment the value associated with the 9808 classification only.
*7501 line 1 - 9808.00.3000 – Hardware/DDTC value- *PGA transmission is required and includes license number**
9013.90.9000 - No value (associated HTS)

7501 line 2 - 9808.00.3000 - Repair value
9013.90.9000 – No value (associated HTS)

- **Any free & dutiable classifications – Any other HTS**

7501 line 1 - 9013.90.9000- Hardware/DDTC value- **PGA transmission is required and includes license number 1**

7501 line 2 - 9013.90.9000- Repair value

7501 line 3 - 9013.90.9000- Hardware/DDTC value- **PGA transmission is required and includes license number 2**

7501 line 4 - 9013.90.9000- Repair value

Import Valuation Examples:

There are times when the import and export values of a commodity are not the same due to changes in the condition of the commodity, for example repaired items. The importer/broker has three options regarding how the entry and PGA message set can be filed.

Example: the items is valued at \$750 and it has been sent out of the country for repairs. The value of the repairs is \$350.

Option 1.

At the time of export the value declared via the Electronic Export Information is \$750. Upon entry the commodity line value is declared at \$1100. The license will be decremented for \$750 for the export and \$1100 for the import.

Option 2

At the time of export the value declared via the EEI is \$750. Upon entry the broker files two Harmonized Tariff Schedule (HTS) lines, one for \$750 with a DDTC PGA message set and the second HTS line using HTS 9802.00.50 for \$350. The license would be decremented for \$750 for both the import and export. Note, there may be additional documentary requirements is association with using HTS 9802.00.50.

Option 3

At the time of export the value declared via the EEI is \$750. Upon entry the broker files two HTS commodity lines, one for \$750 with a DDTC PGA message set and the second HTS commodity for that commodity classification. The license would be decremented for \$750 for both the entry and export.

For Exports related to a DSP5s, DSP-61s, DSP-73s, DSP-85s, FMS shipments, and license exemptions will continue to be filed via the Customs system (Automated Export System (AES)) for each commodity filing.

Per DDTC's FRN, paper DSP-61 and DSP-73 licenses will no longer be required to be presented for incrementation or decrementation since the import and export transactions against the shipment will be captured in Customs systems. In order to ensure accurate license balances in Customs systems, for those DSP-61s and DSP-73s issued prior to January 3, 2017, license holders are requested to provide the following information to CBP (insert POC and address) in

the form of a letter: the license number, the total value of all prior import shipments incremented against the license, and the date when this information was recorded. The historic import values are required since the data was not collected on the PGA record set. .

The license registrant is reminded of its temporary license requirements under 22 CFR 123.3 and 123.5 which will continue to be evidenced using the registrant's business records. Given the automation, these business records may be subject to review by CBP in order to meet its requirements under 22 CFR 123.23 to "permit the shipment of defense articles identified on a license when the total value of the export does not exceed the aggregate monetary value (not quantity) stated on the license by more than ten percent..."

For the FMS program, the DSP-94 and the Letters of Offer and Acceptance, along with any amendments or modifications still have to be lodged with CBP. CBP is working on automation of this process and it is projected that the automation process will be completed in summer/fall 2017. CBP will provide updated guidance when that automation has been completed.

For the DSP-85 classified program, endorsements continue to be managed by the Defense Security Service.

Corrections related to the electronic import and electronic export (PGA record set) transmissions.....

Any questions about this pipeline should be referred to Mr. Robert Rawls, Outbound Enforcement and Policy Branch Chief via email at Robert.Rawls@dhs.gov or phone at (202) 344-2847.

<Insert Port Director's Name>
<Insert Port Name>
<Insert Field Office Name>