



BPE Global Hot Topic – November 2023

Ultimate Consignee Determination: You Might Be Getting It Wrong

Reporting your transactions' Ultimate Consignee information is a necessary step to get your export out the door. It is part of the data collection process for the Automated Export System (AES) Electronic Export Information (EEI) filing with Census, and importantly, it reflects the exporter's knowledge of their end users and the end-use of their transactions – a critical expectation of a company's Export Compliance Program.

The Ultimate Consignee is the person, party or designee located abroad who receives the shipment. Generally, it is a straightforward designation. However, we don't live in a world of straightforward supply chains. Drop-shipments, Reseller agreements, export-controlled (i.e. licensable transactions) and consolidated shipments all present a more complex situation warranting closer review of end-use. Not only for the EEI, but ultimately, to comply with "know your end-user" expectations. This month's Hot Topic was prompted by the disconnect we often observe surrounding certain types of shipments, paired with a great article that Census published in October. We encourage you to review the below scenarios to confirm your company is getting it right.

Drop Shipments

A drop-ship transaction occurs when a shipment is delivered ("dropped") to a foreign party who is different from the foreign buyer (FPPI). In this scenario, the Ultimate Consignee is the foreign party who receives the "dropped" shipment.

Operationally, the exporter is still responsible for screening the FPPI, the Ultimate Consignee, and any other known party to the transaction. However, for the purposes of filing the EEI, only the Ultimate Consignee will be listed, as the shipment is sent directly to them from the USPPPI.

Reseller or Distributors

In this reseller or distributor agreement, the USPPPI knows both the foreign buyer (FPPI) and the end user subsequently buying the goods from the FPPI. This leads to three possible scenarios:

Scenario 1: Foreign buyer stores goods in inventory = Foreign buyer is the Ultimate Consignee.

Scenario 2: Foreign buyer adds value to goods = Foreign buyer is the Ultimate Consignee. Even if the Foreign buyer then passes goods to an end-user, the goods to be passed are not the same goods in the export transaction from the U.S.

Scenario 3: Foreign buyer receives goods and passes to end user = End User is the Ultimate Consignee, Foreign Buyer = Intermediate Consignee.

Licensable Shipments

Census reminds us that per the Federal Trade Regulations (FTR) 30.3, conformity of documentation is not required in the FTR due to differences in export reporting requirements among federal agencies. Requirements to report the Ultimate Consignee in the EEI are the same for a non-licensable shipment which means that the Ultimate Consignee on the EEI may be different from the Ultimate Consignee party on an export license.



Consolidated Shipments

This scenario describes a transaction when a USSPI exports a consolidated shipment with multiple Ultimate Consignees. This leads to two common scenarios:

Scenario 1: Consolidation with ONE Ultimate Consignee = ONE EEI filing if:

- ✓ One USPPI
- ✓ One Ultimate Consignee
- ✓ One Conveyance moving product out of U.S. on
- ✓ One day
- ✓ Over \$2,500 per Schedule B or satisfies mandatory filing requirement.

Scenario 2: Consolidation with MULTIPLE Ultimate Consignees = MULTIPLE EEI filings if:

- ✓ One USPPI
- ✓ MULTIPLE Ultimate Consignee
- ✓ One Conveyance moving product out of U.S. on
- ✓ One day
- ✓ Over \$2,500 per Schedule B or satisfies mandatory filing requirement.

Our call to action is for you to pressure-test the Ultimate Consignee designations should any of the above scenarios apply to your organization. Don't forget that the Ultimate Consignee Type Code should correctly reflect whether the entity is a Reseller, Direct Consumer, Government end-user, or "Other." As part of this review process, it's a good time to refresh the corresponding end-use/user statements as well (we wrote a great piece on this last month if you'd like to refresh). Again, the Ultimate Consignee is more than an EEI data point, it's also about thoroughly vetting your transactions to ensure you "know your customers."

BPE Global is a 19-year-old global trade compliance consulting and training firm. We are committed to changing the way that companies approach global trade compliance. Rather than look at global trade as a means to an end, we strongly believe that it is critical to a company's overall strategy and is a competitive advantage.

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