

**SUPPORTING STATEMENT FOR
PAPERWORK REDUCTION ACT SUBMISSION**

**Maintenance of Records by Registrants
OMB No. 1405-0111**

A. Justification

1. The Directorate of Defense Trade Controls (DDTC), Bureau of Political-Military Affairs, U.S. Department of State, in accordance with the Arms Export Control Act (AECA) (22 U.S.C. 2751 *et seq.*), the International Traffic in Arms Regulations (ITAR) (22 CFR Parts 120-130), and associated delegations of authority, has the principal missions of promulgating regulations for the import and export of defense articles and defense services; taking final action on license applications and other requests for defense trade transactions via commercial channels, ensuring compliance with the statute and regulations, and collecting information for various types of reports that are submitted to Congress. By statute, Executive Order, regulation, and delegation of authority, DDTC is charged with controlling the export and temporary import of defense articles, the provision of defense services and the brokering thereof which are covered by the U.S. Munitions List (USML). The collection and storage of various types of data are integral to fulfilling DDTC's mission and responsibilities.

The statutory authority of the President to promulgate regulations with respect to the export and the temporary import of defense articles and the provision of defense services was delegated to the Secretary of State by Executive Order 13637, as amended. These regulations are primarily administered by the Deputy Assistant Secretary of State for Defense Trade and DDTC.

DDTC reviews license applications and technical assistance and manufacturing license agreement requests to determine, *inter alia*:

- Whether the transactions further U.S. foreign policy objectives, national security interests, and world peace;

- Eligibility of parties (*e.g.*, applicants, consignees, end-users) to participate in U.S. defense trade;
- Appropriate end-use of commodities subject to U. S. Government approval of munitions exports and transfers;
- Whether law enforcement concerns have been adequately addressed; and
- Whether appropriate offers or payment of political contributions, gifts, commissions, and fees, have been adequately addressed.

To help meet this mandate, the Department of State promulgated ITAR provisions (§§122.5 and 129.4 of the ITAR) to require that all persons subject to registration maintain records on defense trade-related transactions and make them available for U.S. Government review whenever necessary. Elimination of this provision would seriously undermine the U.S. Government's ability to enforce the AECA.

2. As previously stated, the ITAR requires registrants to maintain records pertaining to defense trade-related transactions. This information collection facilitates the record-keeping requirements imposed on registrants by the ITAR. Respondents to this collection may submit their records to DDTC as supporting documentation for disclosures of potential violations of the AECA and ITAR. The method by which respondents submit these records is approved under OMB control no. 1405-0179.

DDTC uses these records, *inter alia*, to analyze registrant compliance processes and procedures, and to help assess whether the potential AECA or ITAR violations merit penalties, administrative actions, sanctions, or referral to the Department of Justice for possible prosecution.

3. Respondents may maintain records in any format consistent with the provisions noted in ITAR § 122.5.

4. The Department of State is unaware of any other U.S. Government requirements that would cause U.S. industry to duplicate this record keeping requirement.

5. The law and regulations that require this record keeping requirement are applicable equally to large and small businesses or entities. The burden imposed on industry as a result of this record keeping requirement is directly correlated with the amount of business conducted by said business or entity.

6. This recordkeeping requirement is important for DDTC's review of disclosures of potential AECA and ITAR violations because it obliges registrants to maintain information necessary for DDTC to assess whether reported activity could merit administrative sanctions or referral to the Department of Justice for possible criminal prosecution. The absence of this record-keeping requirement would hinder DDTC's ability to receive and evaluate information submitted under OMB Control Number 1405-0179.

7. Entities who are registered with DDTC and who conduct business regulated by the ITAR must maintain records for a minimum period of five years from the expiration of the license or written approval, or from the date of the transaction. This period may be lengthened or shortened by the Deputy Assistant Secretary of State for Defense Trade Controls or the Director of the Office of Defense Trade Controls Licensing on a case-by-case basis pursuant to 22 CFR § 122.5(a).

8. The Department published a notice in the *Federal Register* on February 27, 2018, soliciting public comment. 83 FR 8563. No comments were received.

9. No payment or gift has been or will be provided to any respondent.

10. Information that is maintained as a result of this collection and submitted to DDTC pursuant to OMB Control Number 1405-0179 will be protected from disclosure to the extent allowed by ITAR § 126.10.

Respondents may review DDTC's SORN and PIA for more information. State-42, Munitions Control Records, is in the process of being updated, in part, to accommodate implementation of DDTC's

new electronic case management system, Defense Export Control and Compliance System (DECCS). Information entered or transferred into DECCS, will be covered under the relevant SORN and PIA.

11. Respondents will not be required to maintain or provide records related to matters commonly considered to be sensitive, such as sexual behavior and attitudes or religious beliefs.

12. The Department of State has reason to believe that the information that is required for maintenance of records concerning defense trade is already available to U.S. industry in some form due to other needs and requirements (e.g., business transactional records, tax records, quality assurance and productivity, and legal issues posed by other Federal laws). DDTC estimates 9,100 respondents devote approximately 20 hours each per annum to this recordkeeping requirement. The annual hour-cost burden associated with this collection is estimated to be 182,000 hours (9,100 times 20). According to the U.S. Department of Labor Bureau of Labor Statistics website (www.bls.gov), the weighted wage rate category for a "Compliance Officer" is estimated to be \$47.28 per hour (\$33.77 average wage x 1.4 multiplier). Therefore, the estimated annual burden hour cost to respondents is \$8,604,960 (182,000 annual burden hours x \$47.28).

13. There are no anticipated additional costs to respondents to maintain these records. Respondents who submit records to DDTC do so in accordance with OMB Control Number 1405-0179, Disclosures of Potential Violations of the AECA. The monetary burden associated with submitting records is discussed in the supporting paperwork for that information collection.

14. The burden imposed on the Federal Government to review industry records is reported in the supporting paperwork for OMB Control Number 1405-0179, Disclosures of Potential Violations of the AECA. This recordkeeping requirement does not impose additional costs on the Federal Government.

15. DDTC has updated paragraph 12 of this supporting statement to reflect the BLS' most recent wage estimates.

16. DDTC will not publish relevant information.

17. The Department of State requests approval to not display this collection's expiration date because this collection represents a recordkeeping requirement. There is no form uniquely associated with this information collection.

18. The Department of State does not seek any exception to the statement, "Certification for Paperwork Reduction Act Submissions," of DS-83-I.

B. Collections of Information Employing Statistical Methods

This collection of information does not employ statistical methods.