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**DEPARTMENT OF HOMELAND SECURITY**

**Federal Emergency Management Agency**

**44 CFR Part 328**

**[Docket ID FEMA-2020-0018]**

**Prioritization and Allocation of Certain Scarce or Threatened Health and Medical Resources for Domestic Use; Exemptions**

**AGENCY:** Federal Emergency Management Agency, DHS.

**ACTION:** Notification of exemptions.

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**SUMMARY:** The Federal Emergency Management Agency (FEMA) announces exemptions from a temporary final rule that FEMA published in the *Federal Register* on April 10, 2020.

**DATES:** *Applicability date:* This notification applies beginning on [INSERT DATE OF FILING FOR PUBLIC INSPECTION AT THE FEDERAL REGISTER].

**ADDRESSES:** You may review the docket by searching for Docket ID FEMA-2020-0018, via the Federal eRulemaking Portal: <http://www.regulations.gov>.

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**SUPPLEMENTARY INFORMATION:**

**Background**

On April 10, 2020, the Administrator of the Federal Emergency Management Agency Administrator (FEMA Administrator or the Administrator) published a

temporary final rule (the “rule”) to allocate certain scarce or threatened materials for domestic use, so that these materials may not be exported from the United States without explicit approval by FEMA.<sup>1</sup> The rule aids the response of the United States to the spread of COVID-19 by ensuring that certain scarce or threatened health and medical resources are appropriately allocated for domestic use.<sup>2</sup>

The Administrator issued the rule under the authority of the Defense Production Act of 1950, as amended (DPA),<sup>3</sup> and related executive orders and delegations.<sup>4</sup> Most prominently, on April 3, 2020, the President signed a Memorandum on Allocating Certain Scarce or Threatened Health and Medical Resources to Domestic Use (Memorandum).<sup>5</sup> In the Memorandum, the President directed the Secretary of Homeland Security, through the Administrator, and in consultation with the Secretary of Health and Human Services (HHS), to use any and all authority available under section 101 of the DPA to allocate to domestic use, as appropriate, five types of personal protective equipment (PPE) materials (covered materials).

Consistent with the Memorandum, the rule provides that until August 10, 2020, and subject to certain exemptions, no shipments of covered materials may leave the United States without explicit approval by FEMA.<sup>6</sup> The rule requires U.S. Customs and Border Protection (CBP), in coordination with such other officials as may be appropriate,

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<sup>1</sup> See 85 FR 20195 (Apr. 10, 2020) (codified at 44 CFR part 328).

<sup>2</sup> See 44 CFR 328.101.

<sup>3</sup> 50 U.S.C. 4501 *et seq.*

<sup>4</sup> See 85 FR at 20196–20197.

<sup>5</sup> See Memorandum on Allocating Certain Scarce or Threatened Health and Medical Resources to Domestic Use for the Secretary of Health and Human Services, the Secretary of Homeland Security, and the Administrator of the Federal Emergency Management Agency (Apr. 3, 2020), <https://www.whitehouse.gov/presidential-actions/memorandum-allocating-certain-scarce-threatened-health-medical-resources-domestic-use/>.

<sup>6</sup> 44 CFR 328.102(a).

to notify FEMA of an intended export of covered materials.<sup>7</sup> CBP must temporarily detain any shipment of such covered materials pending the Administrator's determination whether to return for domestic use, issue a rated order for, or allow the export of part or all of the shipment.<sup>8</sup> In making such determination, the Administrator may consult other agencies and will consider the totality of the circumstances, including: (1) the need to ensure that scarce or threatened items are appropriately allocated for domestic use; (2) minimization of disruption to the supply chain, both domestically and abroad; (3) the circumstances surrounding the distribution of the materials and potential hoarding or price-gouging concerns; (4) the quantity and quality of the materials; (5) humanitarian considerations; and (6) international relations and diplomatic considerations.<sup>9</sup>

In addition to providing for the determination described above, the rule includes one exemption to the requirement that covered materials not leave the United States without explicit approval by FEMA. In the interest of promoting the national defense, the Administrator determined to generally allow the export of covered materials from shipments made by or on behalf of U.S. manufacturers with continuous export agreements with customers in other countries since at least January 1, 2020, so long as at least 80 percent of such manufacturer's domestic production of such covered materials, on a per item basis, was distributed in the United States in the preceding 12 months.<sup>10</sup> If FEMA determines that a shipment of covered materials falls within this exemption, such materials may be exported without further review by FEMA, provided that the Administrator may waive this exemption and fully review shipments of covered

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<sup>7</sup> 44 CFR 328.102(b).

<sup>8</sup> *Id.*

<sup>9</sup> 44 CFR 328.102(c).

<sup>10</sup> 44 CFR 328.102(d)(1).

materials, if the Administrator determines that doing so is necessary or appropriate to promote the national defense.<sup>11</sup>

Pertinent to this notification, the rule also provides that the Administrator may establish, in his discretion, additional exemptions that he determines necessary or appropriate to promote the national defense and will announce any such exemptions by notice in the *Federal Register*. This notification announces such exemptions.

### **Notice of Additional Exemptions**

Pursuant to 44 CFR 328.102(d)(2), section 101 of the DPA, and related authorities, the Administrator has determined that it is necessary and appropriate in order to promote the national defense to exempt certain categories of covered materials from the requirements of 44 CFR 328.102(a) and (b). The Administrator may waive any of these exemptions at any time and fully review shipments of covered materials under 44 CFR 328.102(b) if the Administrator determines that doing so is necessary or appropriate to promote the national defense. In addition, if CBP believes that any manufacturer, broker, distributor, exporter, or shipper of any covered materials is intentionally modifying its shipments in a way to take advantage of one or more of these exemptions, diverting materials from the United States market, or otherwise trying to circumvent the FEMA review requirements in 44 CFR 328.102(b) through application of any of the exemptions, CBP may detain a shipment and forward information about that shipment (including the basis for CBP's belief) to FEMA for determination.

For exemptions (2), (3), (4), (8), and (9), below, FEMA will require a letter of attestation to be submitted to FEMA via CBP's document imaging system and placed on

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<sup>11</sup> *Id.*

file with CBP, certifying to FEMA the purpose of the shipment of covered materials. The letter should be submitted to CBP with other documentation related to the shipment, and contain the following information:

- (1) A description of which exemption(s) the exporter is claiming.
- (2) Details regarding the shipment that are sufficient for the CBP and FEMA officials to determine whether the shipment falls under the claimed exemption(s).
- (3) A statement that the provided information is true and accurate to the best of the exporter's knowledge, and that the exporter is aware that false information is subject to prosecution under the DPA, as outlined in the allocation order.

Exporters who have concerns about how to file this letter of attestation should reach out to CBP to request additional details.

The exemptions are as follows.

- (1) *Shipments to U.S. Commonwealths and Territories, Including Guam, American Samoa, Puerto Rico, U.S. Virgin Islands, and the Commonwealth of the Northern Mariana Islands (Including Minor Outlying Islands).* The Administrator issues this exemption to clarify that shipments to U.S. territories are not considered to be “exports” for purposes of the implementation of the allocation order. The Administrator believes that this exemption is necessary to clarify the scope of the original allocation order and to ensure that scarce or threatened items are allocated for the use of all Americans, including Americans living in U.S. territories. The Administrator believes that ensuring widespread access by Americans to covered materials is necessary and appropriate to promote the national defense and

consistent with the purposes of the Presidential Memorandum and the subsequent allocation order to provide for the needs of all Americans.

(2) *Exports of Covered Materials by Non-profit or Non-governmental Organizations that are Solely for Donation to Foreign Charities or Governments for Free Distribution (Not Sale) at their Destination(s).* The Administrator believes that it is necessary and appropriate to promote the national defense to support the efforts of domestic and international non-profit and non-governmental organizations (NGOs) responding to COVID-19 around the world, in response to the humanitarian concerns that have arisen as a result of this global pandemic, and consistent with the position of the United States as a world leader. A key element of national defense is the ability of the United States to convey international leadership during times of crisis, including the COVID-19 pandemic. This includes our ability to exercise moral leadership, help those in need, and to remain stalwarts of the international community. Denying shipments of humanitarian goods would undermine U.S. diplomacy and messaging internationally, allowing strategic competitors to take advantage of our absence. The allocation order recognizes the importance of humanitarian considerations by specifying it as an explicit factor to be considered in making determinations about whether to allow an export to proceed or to utilize the purchase domestically. This exemption creates a limited definition of what constitutes a humanitarian shipment for purpose of the exemption by limiting the exemption both on the exporter side (by limiting it to non-profit organizations or NGOs) and on the recipient side (foreign governments or charities). Further, the exemption is limited by specifying that the

goods must be shipped as donations in kind and cannot be sold upon receipt. This limited exemption will allow FEMA to meet the goals of the allocation order while prioritizing review of commercial shipments most likely to be needed for domestic use.

FEMA will require a letter of attestation to be submitted to FEMA via CBP's document imaging system and placed on file with CBP, certifying to FEMA the purpose of the shipment of covered materials.

(3) *Intracompany Transfers of Covered Materials by U.S. Companies from Domestic Facilities to Company-owned or Affiliated Foreign Facilities.* The Administrator recognizes the international nature of many U.S. companies, and believes that allowing these companies to continue to produce at a high level is crucial to the functioning of the U.S. economy. One of the factors specifically identified in the allocation order as being critical for the national defense is minimization of disruption of the supply chain, both domestically and abroad. The Administrator believes that allowing this exemption would minimize disruption to the domestic supply chain, while not causing a detrimental shortage of covered materials to Americans.

FEMA will require a letter of attestation to be submitted to FEMA via CBP's document imaging system and placed on file with CBP, certifying to FEMA the purpose of the shipment of covered materials.

(4) *Shipments of Covered Materials that are Exported Solely for Assembly in Medical Kits and Diagnostic Testing Kits Destined for U.S. Sale and Delivery.* The

Administrator recognizes that, in many circumstances, materials destined for domestic use are assembled in other countries, prior to being returned to the United States for domestic distribution. One of the factors specifically identified in the allocation order as being critical for the national defense is the minimization of disruption of the supply chain, both domestic and abroad. The Administrator believes that allowing the shipments of these kits is important to allow for uninterrupted continuation of existing supply chains, and is the most expedient means to ensure timely delivery and allocation of these materials within the United States to respond to the national emergency. Relying on existing supply chains where available and efficient will maximize the ability for FEMA and CBP to focus limited resources on areas where the supplies are being shipped outside the United States for final disposition. As noted above, the Administrator believes that ensuring widespread access by Americans to covered materials is necessary and appropriate to promote the national defense and consistent with the purposes of the Presidential Memorandum, and the subsequent allocation order, to provide for the needs of Americans.

FEMA will require a letter of attestation to be submitted to FEMA via CBP's document imaging system and placed on file with CBP, certifying to FEMA the purpose of the shipment of covered materials.

- (5) *Sealed, Sterile Medical Kits and Diagnostic Testing Kits Where Only a Portion of the Kit is Made Up of One or More Covered Materials That Cannot be Easily Removed Without Damaging the Kits.* The Administrator believes that detaining



shipments containing these kits, and subsequently attempting to separate the covered materials from the kits (potentially destroying the kits in the process), is an inefficient use of national defense resources. In addition, ready-to-use sealed, sterile medical kits are vital for the healthcare community globally to continue to meet broader urgent healthcare needs in the context of the pandemic. Addressing the related healthcare needs globally will enable other countries to best respond to and contain the pandemic, which will advance the ability of the United States Government to best contain the pandemic within the United States. The Administrator believes that refraining from needlessly dismantling valuable kits is necessary and appropriate to promote the national defense and consistent with the purposes of the Presidential Memorandum, and the subsequent allocation order, to provide for the needs of Americans.

- (6) *Declared Diplomatic Shipments from Foreign Embassies and Consulates to their Home Countries. These May be Shipped via Intermediaries (Logistics Providers) but are Shipped from and Consigned to Foreign Governments.* Pursuant to the diplomatic interests of the United States, the Administrator believes that it is necessary and appropriate to promote the national defense to allow diplomatic shipments to proceed without interruption or delay. One of the factors specifically identified in the allocation order as being critical for the national defense is international relations and diplomatic concerns. The Administrator believes that stopping these types of shipments would cause significant international relations and domestic concerns, while not providing significantly enhanced access to covered materials for Americans. In order to continue to

foster positive diplomatic relationships with our partners and allies, the Administrator has determined to exempt diplomatic shipments from the allocation order.

- (7) *Shipments to Overseas U.S. Military Addresses, Foreign Service Posts (e.g., Diplomatic Post Offices), and Embassies.* The Administrator believes the intent of the Presidential Memorandum is to protect Americans by ensuring their access to covered materials. The Administrator believes this extends to all Americans, including those serving our country overseas. For this reason, the Administrator believes that it is necessary and appropriate to promote the national defense to allow shipments of covered materials to be shipped overseas to U.S. government employees working abroad.
- (8) *In-Transit Merchandise: Shipments in Transit through the United States with a Foreign Shipper and Consignee, Including Shipments Temporarily Entered into a Warehouse or Temporarily Admitted to a Foreign Trade Zone.* The April 3 Presidential Memorandum states that “To ensure that these scarce or threatened PPE materials *remain in the United States* for use in responding to the spread of COVID-19, it is the policy of the United States to prevent domestic brokers, distributors, and other intermediaries from diverting such material overseas” (emphasis added).<sup>12</sup> The Administrator believes that merchandise merely passing through the United States is outside the scope of the Presidential Memorandum.

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<sup>12</sup> See Memorandum on Allocating Certain Scarce or Threatened Health and Medical Resources to Domestic Use for the Secretary of Health and Human Services, the Secretary of Homeland Security, and the Administrator of the Federal Emergency Management Agency, sec. 1 (Apr. 3, 2020), <https://www.whitehouse.gov/presidential-actions/memorandum-allocating-certain-scarce-threatened-health-medical-resources-domestic-use/>.

In addition, the Administrator believes that diversion of these specific types of materials would cause significant impacts to international relations, diplomacy, and global supply chains, each of which is a factor that is specifically identified in the allocation order as being necessary and appropriate to promote the national defense. Therefore, the Administrator is explicitly exempting these shipments from the enforcement of the allocation order.

FEMA will require a letter of attestation to be submitted to FEMA via CBP's document imaging system and placed on file with CBP, certifying to FEMA the purpose of the shipment of covered materials.

(9) *Shipments for Which the Final Destination is Canada or Mexico.* The

Administrator recognizes the important role our closest neighbors play in the national defense interests of the United States. The integration of the economies and supply chains among the United States, Mexico, and Canada is robust. Many critical sectors – including, for example, food and agriculture; communications and energy; automotive and industrial; water and wastewater management; and law enforcement and first responders – cross national boundaries. Negative impacts to workers, including a lack of PPE, in these and other critical sectors in Canada and Mexico may cause significant interruptions to the corresponding supply chains in the United States, and in turn, may disrupt the large flow of cross-border trade with our neighbors. In addition, the United States maintains close economic and diplomatic ties with these nations, which would be negatively impacted by the restriction of exports of covered materials into these countries. In the allocation order, the Administrator specifically identified minimization of

