

UNITED STATES DEPARTMENT OF COMMERCE
BUREAU OF INDUSTRY AND SECURITY
WASHINGTON, D.C. 20230

In the Matter of:

TE Connectivity Corporation
2800 Fulling Mill Road
Middletown, PA 17057

TE Connectivity HK Limited
18/F Kowloon Commerce Ctr TWR1
51 Kwai Cheong Road
Kwai Chung, New Territories
Hong Kong
Respondent

ORDER RELATING TO
TE CONNECTIVITY CORPORATION AND TE CONNECTIVITY HK LIMITED

The Bureau of Industry and Security, U.S. Department of Commerce (“BIS”), has notified TE Connectivity Corporation of Middletown, Pennsylvania and TE Connectivity HK Limited of Hong Kong (collectively “TE”), of its intention to initiate an administrative proceeding against TE pursuant to Section 766.3 of the Export Administration Regulations (the “Regulations”),¹ through the issuance of a Proposed

¹ The Regulations originally issued under the Export Administration Act of 1979, 50 U.S.C. §§ 4601-4623 (Supp. III 2015) (“EAA”), which lapsed on August 21, 2001. The President, through Executive Order 13222 of August 17, 2001 (3 C.F.R., 2001 Comp. 783 (2002)), which has been extended by successive Presidential Notices, including the Notice of August 8, 2018 (83 Fed. Reg. 39,871 (Aug. 13, 2018)), has continued the Regulations in full force and effect under the International Emergency Economic Powers Act (50 U.S.C. § 1701, *et seq.*) (2012) (“IEEPA”). On August 13, 2018, the President signed into law the John S. McCain National Defense Authorization Act for Fiscal Year 2019, which includes the Export Control Reform Act of 2018, 50 U.S.C. §§ 4801-4852 (“ECRA”). While Section 1766 of ECRA repeals the provisions of the EAA (except for three sections which are inapplicable here), Section 1768 of ECRA provides, in pertinent part, that all rules and regulations that were made or issued under the EAA, including as continued in effect pursuant to IEEPA, and were in effect as of ECRA’s date of enactment (August 13, 2018), shall continue in effect until modified, superseded, set aside, or revoked through action undertaken pursuant to the authority provided under ECRA.

Charging Letter to TE that alleges that TE committed 79 violations of the Regulations.²

Specifically:

GENERAL ALLEGATIONS

As described in further detail below, from on or about December 2015 through on or about October 2019, TE violated the Regulations on 79 occasions by exporting items subject to the EAR to parties on the BIS Entity List (“EL”) in China and/or by exporting items subject to the EAR for restricted unmanned aerial vehicle (“UAV”) end uses without the requisite license or other authorization from BIS. Specifically, one TE segment/unit made 36 unauthorized exports of U.S.-origin, EAR99 items,³ including space-grade and general-use wires, connectors, and clamps, to one EL party in China and 13 unauthorized exports of U.S.-origin, EAR99 items (printed circuit board connectors) to two other EL parties in China. This TE unit also made five unauthorized exports of U.S.-origin, EAR99 items (multi-use wire) to China for restricted end uses in UAV applications. In addition, a separate TE segment/unit made 25 unauthorized exports of U.S.-origin, EAR99 items (temperature and pressure scanners) to two EL parties in China.

Key Parties

A. TE Connectivity Corporation

Founded in 2007, TE is a publicly traded electronics company with offices all over the world. Headquartered in Switzerland, TE also has a significant executive management presence based in Berwyn, Pennsylvania. TE develops, manufactures, and sells connectors, sensors, antennas, wire, and other electronic components, which are purchased for integration into a wide range of items with varying applications. Such items and applications range from communications networks and consumer appliances / electronics to aerospace, marine, and rail applications, as well as power grids and industrial machinery.

TE is organized into three primary segments: 1) Transportation Solutions; 2) Industrial Solutions; and 3) Communications Solutions. Each of these segments is further subdivided into business units, such as the Aerospace, Defense and Marine (“ADM”) unit, part of TE’s Industrial Solutions segment. The ADM unit markets TE products, primarily electronic components, for supply to original equipment manufacturers. These products are marketed by the ADM unit around the world, including China (“ADM China”). ADM China markets minor electronic components for a variety of commercial

² The Regulations are currently codified in the Code of Federal Regulations at 15 C.F.R. Parts 730-774 (2024). The charged violations occurred in 2015 - 2019. The Regulations governing the violations at issue are found in the 2015 - 2019 versions of the Code of Federal Regulations (15 C.F.R. Parts 730-774). The 2024 Regulations set forth the procedures that apply to this matter.

³ EAR99 is a designation for items subject to the EAR but not listed on the Commerce Control List. See Section 734.3(c) of the EAR.

and unrestricted military end uses, primarily by marketing catalog items directly to customers in China or, more commonly, through third-party distributors operating in China.

The Sensors unit, which is part of TE's Transportation Solutions segment, also markets TE products around the world, including China ("Sensors China"). These products have a wide range of uses, including automotive, industrial, medical, appliance, transportation, and civil aerospace. Sensors China primarily sells off-the-shelf, catalog items both directly and through third-party distributors to its customers. These products provide a variety of measurement capabilities, such as pressure, temperature, speed, position, vibration, humidity, and fluid properties.

B. Entity List Parties

The Entity List, which is set forth in Supplement No. 4 to Part 744 of the Regulations, identifies entities that are subject to additional export, reexport, and transfer restrictions because "there is reasonable cause to believe, based on specific and articulable facts, that the entity has been involved, is involved, or poses a significant risk of being or becoming involved in activities that are contrary to the national security or foreign policy interests of the United States."⁴ As noted above, on 74 occasions, TE violated the Regulations by exporting items subject to the EAR to one of the following parties on the EL:

- Shanghai Academy of Spaceflight Technology, also known as the Shanghai Bureau of Space or the 8th Research Academy of China Aerospace Science and Technology Corporation ("CASC-8");⁵
- Xi'an Research Institute of Navigation Technology, also known as the 20th Research Institute of China Electronic Technology Group Corp ("CETC-20");⁶
- The Southwest Electronics Equipment Research Institute ("SWIEE"), also known as the 29th Research Institute of China Electronic Technology Group Corp. ("CETC-29");⁷
- China Aerodynamics Research and Development Center ("CARDC");⁸

⁴ 15 C.F.R. § 744.11(b).

⁵ CASC-8 was added to the EL on May 28, 1999. Since September 20, 2016, a license has been required to export any item subject to the EAR to CASC-8. *See* Revisions to the Entity List, 81 Fed. Reg. 64,696 (Sept. 20, 2016).

⁶ CETC-20 was added to the EL on May 14, 2001. Since September 20, 2016, a license has been required to export any item subject to the EAR to CETC-20. *See* Revisions to the Entity List, 81 Fed. Reg. 64,696 (Sept. 20, 2016).

⁷ CETC-29 was added to the EL on August 1, 2014. Since August 1, 2014, a license has been required to export any item subject to the EAR to CETC-29. *See* Addition of Certain Persons to the Entity List, 79 Fed. Reg. 44,680 (August 1, 2014).

- Northwestern Polytechnical University (“NPU”),⁹

STATEMENT OF CHARGES

Charges Related to ADM China Sales to Entity List Parties

Charges 1-36 15 C.F.R. § 764.2(e) – Acting with Knowledge of a Violation

As described in further detail below, between on or about December 2016 through on or about December 2017, TE engaged in conduct prohibited by the Regulations on 36 occasions when it sold and exported items subject to the EAR and designated EAR99, including space-grade and general-use wires, standard connectors and clamps, valued at \$470,627.95, with knowledge or reason to know, including awareness of a high probability, that these items were intended for export to CASC-8, without the requisite license or other authorization from BIS. At all relevant times, CASC-8 was on the Entity List and all items subject to the EAR required an export license pursuant to Section 744.11 and Supplement No. 4 to Part 744 of the Regulations.

Charge 37 15 C.F.R. § 764.2(e) – Acting with Knowledge of a Violation

As described in further detail below, on or about January 4, 2017, TE engaged in conduct prohibited by the Regulations when it sold and exported items subject to the EAR and designated EAR99, specifically printed circuit board connectors valued at \$5,040, with knowledge or reason to know, including awareness of a high probability, that these items were intended for export to CETC-20, without the requisite license or other authorization from BIS. At all relevant times, CETC-20 was on the Entity List and all items subject to the EAR required an export license pursuant to Section 744.11 and Supplement No. 4 to Part 744 of the Regulations.

Charges 38-49 15 C.F.R. § 764.2(e) – Acting with Knowledge of a Violation

As described in further detail below, between on or about December 2015 through on or about August 2017, TE engaged in conduct prohibited by the Regulations on 12 occasions when it sold and exported items subject to the EAR and designated EAR99, specifically printed circuit board connectors valued at \$211,900, with knowledge or reason to know, including awareness of a high probability, that these items were intended for export to CETC-29, without the requisite license or other authorization from BIS. At all relevant times, CETC-29 was on the Entity List and all items subject to the EAR

⁸ CARD C was added to the BIS EL on May 28, 1999. Since September 20, 2016, a license has been required to export any item subject to the EAR to CARD C. *See* Revisions to the Entity List, 81 Fed. Reg. 64,696 (Sept. 20, 2016).

⁹ NPU, a public university located in Xi’an, Shaanxi Province, China, was added to the Entity List on May 14, 2001. Since September 20, 2016, a license has been required to export, reexport, or transfer to NPU any item subject to the EAR. *See* Revisions to the Entity List, 81 Fed. Reg. 64,696 (Sept. 20, 2016).

required an export license pursuant to Section 744.11 and Supplement No. 4 to Part 744 of the Regulations.

Charges Related to ADM China Sales for UAV End Use

Charges 50-54 15 C.F.R. § 764.2(e) – Acting with Knowledge of a Violation

As described in further detail below, on five occasions between on or about December 2015 through on or about October 2017, TE engaged in conduct prohibited by the Regulations when it sold and exported to China¹⁰ items subject to the EAR and designated EAR99, specifically multi-use wires valued at \$34,508.60, with knowledge or reason to know, including awareness of a high probability, that these items were intended for UAV end uses, without the requisite license pursuant to Section 744.3 of EAR or other authorization from BIS.¹¹

Charges Related to Sensors China Sales to Entity List Parties

Charges 55-77 5 C.F.R. § 764.2(a) – Engaging in Prohibited Conduct

As described in further detail below, on 23 occasions between on or about October 2016 through on or about October 2019, TE engaged in conduct prohibited by the Regulations when it sold and exported items subject to the EAR and designated EAR99, including pressure scanners used in wind tunnels and valued at \$990,474.31, via a third-party distributor to CARDC without the requisite license or other authorization from BIS. At all relevant times, CARDC was on the Entity List and all items subject to the EAR required an export license pursuant to Section 744.11 and Supplement No. 4 to Part 744 of the Regulations.

Charges 78-79 5 C.F.R. § 764.2(a) – Engaging in Prohibited Conduct

As described in further detail below, on two occasions on or about January 27, 2017 and May 19, 2017, TE engaged in conduct prohibited by the Regulations when it sold and exported items subject to the EAR and designated EAR99, including temperature and pressure scanners valued at \$34,722.50, via a third-party distributor to NPU without the requisite license or other authorization from BIS. At all relevant times, NPU was on the Entity List and all items subject to the EAR required an export license pursuant to Section 744.11 and Supplement 4 to Part 744 of the Regulations.

¹⁰ China is listed in Country Group D:4. See Supplement No. 1 to 15 C.F.R. Part 740.

¹¹ Section 744.3(a)(3) of the EAR reads in pertinent part that: *[i]n addition to the license requirements for items specified on the CCL, you may not export, reexport, or transfer (in-country) an item subject to the EAR without a license if, at the time of export, reexport or transfer (in-country) you know that the item: [w]ill be used in the design, "development," "production," operation, installation (including on-site installation), maintenance (checking), repair, overhaul, or refurbishing of any rocket systems or unmanned aerial vehicles in or by a country listed in Country Group D:4, but you are unable to determine: [t]he characteristics (i.e., range capabilities) of the rocket systems or unmanned aerial vehicles.* (Emphasis added).

BACKGROUND OF CHARGES

ADM China

1. In October 2017, TE initiated an investigation in response to allegations made to its internal compliance reporting system and legal office regarding ADM China's sales to restricted end users. According to the allegations, now-terminated ADM China salespersons worked to conceal the nature of these sales at the direction of a now-terminated ADM China Sales Director (the "ADM China Sales Director"). TE's investigation ultimately uncovered a pattern of active deception and concealment by these ADM China salespersons and certain third-party distributors in China, who used misleading end-use certificates ("EUCs") to circumvent TE's denied-party screening process to ensure that sales were approved, regardless of the ultimate end user or end use.
2. Specifically, in 2012, the ADM China Sales Director instructed the ADM China salespersons to refer to certain end users, such as state-owned Chinese military corporations, by numbers instead of their corporate names in an effort to conceal the true end users from TE's U.S.-based compliance personnel. ADM China salespersons shared these numbers with China-based distributors, who also used other methods of concealment to circumvent compliance screening, such as by using the names of other companies as a 'stand-in entity' to conceal the true end users or by combining orders for restricted end users with orders placed for legitimate customers. In some transactions, ADM China salespersons were on notice of the actual end users because the distributor named them in informal price inquiries or explicitly identified them in response to a request for information from ADM China. In certain cases, those end users were restricted parties designated on the Entity List.
3. The concealment efforts and use of stand-in parties were also repeatedly used for transactions that did not involve restricted end users or end uses to circumvent the U.S. compliance screening process. Specifically, ADM China salespersons provided distributors with end-user names and end-use descriptions that had previously been approved by TE's U.S. trade compliance personnel. The distributors then used these on EUCs in an effort to ensure that transactions would be approved and processed quickly.
4. TE's internal investigation ultimately revealed the following: 36 shipments of space-grade and general-use wires, as well as standard connectors and clamps, valued at \$470,627.95, for CASC-8; 2) one shipment of printed circuit board connectors, valued at \$5,040, for CETC-20; and 3) 12 shipments of printed circuit board connectors, valued at \$211,900, for the Southwest Electronics Equipment Research Institute ("SWIEE"), also known as CETC-29.

5. ADM China salespersons also actively promoted TE products for UAV applications in China. Specifically, TE identified five shipments of multi-use wire to unidentified Chinese end users, valued at \$34,508.60, for UAV end uses.

Sensors China

6. In October 2019, TE also became aware of potentially improper sales made by one of Sensors China's distributors to a listed entity, specifically CARDC. The sales were reportedly undertaken via Hong Kong Distributor No. 1. Hong Kong Distributor No. 1 is registered in Hong Kong and has an affiliate in mainland China.
7. In an email with a Sensors China sales manager about a request for quote from an unknown company, Hong Kong Distributor No. 1 accidentally included information that suggested it had previously provided Sensors China with an inaccurate end-user name to conceal the true end user, CARDC, for an order. After realizing what it had shared, Hong Kong Distributor No. 1 wrote to two other Sensors China sales employees and asked them to help conceal the true end user. Instead of complying with that request, one of the Sensors China sales employees reported this to TE compliance personnel, which prompted an investigation.
8. Prior to October 2018, Sensors China's sales were managed by a sales team based in the United States. In October 2018, Sensors China transitioned the management of its China business to a sales team based in China as part of a TE business reorganization. Since that time, Sensors China's business has been managed directly by the China sales team. Prior to the transition, a U.S.-based Sensors China account manager and a U.S.-based Sensors China engineer managed the business unit's sales in China. Neither of those employees could speak, read, or otherwise understand Chinese.
9. Hong Kong Distributor No. 1, TE's distributor of scanner products in China at the time of these transactions, deliberately concealed that CARDC was the end user in its dealing with TE, despite its knowledge that CARDC was a restricted party. Specifically, Hong Kong Distributor No. 1 falsified and obfuscated end-user information in EUCs and concealed CARDC's true identity from TE personnel by consistently referring to it as "Mianyang" for years, apparently to conceal CARDC's true name. During visits to China by the Sensors China account manager, for example, Hong Kong Distributor No. 1 arranged meetings with CARDC in nearby hotels and never took the account manager to CARDC's business premises.
10. Notwithstanding Hong Kong Distributor No. 1's deception, TE should have known that CARDC was the true end user because references to CARDC or its full name appeared in reports sent by distributors to Sensors China sales personnel. Sensors China's customer care team, however, which is responsible

for screening TE customers, conducted restricted party screening on a transaction-by-transaction basis after receiving EUCs from distributors prior to delivering the products to the distributor. As a result, TE relied upon the falsified EUCs provided by Hong Kong Distributor No. 1.

11. TE's investigation identified 23 unauthorized/completed exports, reexports, or transfers of U.S.-origin, EAR99 items, valued at \$990,474.31, for ultimate delivery to CARDC between 2016 and 2019. The exported items included EAR99 pressure scanners for use in wind tunnels that can be utilized to analyze and model a variety of aerodynamic situations, from skyscrapers to aircraft to hypersonic missiles.
12. TE's investigation also identified two unauthorized exports of U.S.-origin, EAR99 items, specifically temperature scanners and pressure scanners, for ultimate delivery to NPU. The exports, valued at \$34,722.50, were made in 2016 and 2017. Although Hong Kong Distributor No. 1 identified the end user as "NPU North West Poly Tech University" and the Entity List included four aliases of NPU ("Northwestern Polytechnical University," "Northwestern Polytechnic University," "Northwest Polytechnical University," and "Northwest Polytechnic University"), TE's screening processes failed to flag the transactions.

WHEREAS, BIS and TE have entered into a Settlement Agreement pursuant to Section 766.18(a) of the Regulations, whereby they agreed to settle this matter in accordance with the terms and conditions set forth therein;

WHEREAS, TE admits committing the alleged conduct described in the Proposed Charging Letter; and

WHEREAS, I have approved of the terms of such Settlement Agreement;

IT IS THEREFORE ORDERED:

FIRST, TE shall be assessed a civil penalty in the amount of \$5,800,000, the payment of which shall be made to the U.S. Department of Commerce within 30 days of the date of this Order.

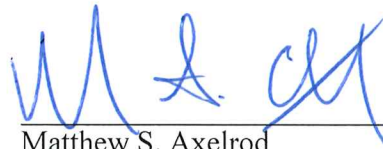
SECOND, that, pursuant to the Debt Collection Act of 1982, as amended (31 U.S.C. §§ 3701-3720E (2012)), the civil penalty owed under this Order accrues interest as more fully described in the attached Notice, and if payment is not made by the

due date specified herein, TE will be assessed, in addition to the full amount of the civil penalty and interest, a penalty charge and an administrative charge, as more fully described in the attached Notice.

THIRD, that the full and timely payment of the civil penalty in accordance with the payment schedule set forth above is hereby made a condition to the granting, restoration, or continuing validity of any export license, license exception, permission, or privilege granted, or to be granted, to TE. Accordingly, if TE should fail to pay the civil penalty in a full and timely manner, the undersigned may issue an order denying all of TE's export privileges under the Regulations for a period of one year from the date of failure to make such payment.

FOURTH, the Proposed Charging Letter, the Settlement Agreement, and this Order shall be made available to the public.

This Order, which constitutes the final agency action in this matter, is effective immediately.



Matthew S. Axelrod
Assistant Secretary of Commerce
for Export Enforcement

Issued this 15th day of August, 2024.

UNITED STATES DEPARTMENT OF COMMERCE
BUREAU OF INDUSTRY AND SECURITY
WASHINGTON, D.C. 20230

In the Matter of:

TE Connectivity Corporation
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Hong Kong

Respondent

SETTLEMENT AGREEMENT

This Settlement Agreement (“Agreement”) is made by and between TE Connectivity Corporation of Middletown, Pennsylvania and TE Connectivity HK Limited of Hong Kong (collectively “TE”), and the Bureau of Industry and Security, U.S. Department of Commerce (“BIS”) (collectively, the “Parties”), pursuant to Section 766.18(a) of the Export Administration Regulations (the “Regulations”).¹

WHEREAS, TE filed a voluntary self-disclosure with BIS’s Office of Export Enforcement in accordance with Section 764.5 of the Regulations concerning the

¹ The Regulations originally issued under the Export Administration Act of 1979, 50 U.S.C. §§ 4601-4623 (Supp. III 2015) (“EAA”), which lapsed on August 21, 2001. The President, through Executive Order 13222 of August 17, 2001 (3 C.F.R., 2001 Comp. 783 (2002)), which has been extended by successive Presidential Notices, including the Notice of August 8, 2018 (83 Fed. Reg. 39,871 (Aug. 13, 2018)), has continued the Regulations in full force and effect under the International Emergency Economic Powers Act (50 U.S.C. § 1701, *et seq.*) (2012) (“IEEPA”). On August 13, 2018, the President signed into law the John S. McCain National Defense Authorization Act for Fiscal Year 2019, which includes the Export Control Reform Act of 2018, 50 U.S.C. §§ 4801-4852 (“ECRA”). While Section 1766 of ECRA repeals the provisions of the EAA (except for three sections which are inapplicable here), Section 1768 of ECRA provides, in pertinent part, that all rules and regulations that were made or issued under the EAA, including as continued in effect pursuant to IEEPA, and were in effect as of ECRA’s date of enactment (August 13, 2018), shall continue in effect until modified, superseded, set aside, or revoked through action undertaken pursuant to the authority provided under ECRA.

transactions at issue herein and has made investment in and improvement of its compliance program;

WHEREAS, BIS has notified TE of its intention to initiate an administrative proceeding against TE, pursuant to the Regulations;²

WHEREAS, BIS has issued a Proposed Charging Letter to TE that alleges that TE committed 79 violations of the Regulations, specifically:

GENERAL ALLEGATIONS

As described in further detail below, from on or about December 2015 through on or about October 2019, TE violated the Regulations on 79 occasions by exporting items subject to the EAR to parties on the BIS Entity List (“EL”) in China and/or by exporting items subject to the EAR for restricted unmanned aerial vehicle (“UAV”) end uses without the requisite license or other authorization from BIS. Specifically, one TE segment/unit made 36 unauthorized exports of U.S.-origin, EAR99 items,³ including space-grade and general-use wires, connectors, and clamps, to one EL party in China and 13 unauthorized exports of U.S.-origin, EAR99 items (printed circuit board connectors) to two other EL parties in China. This TE unit also made five unauthorized exports of U.S.-origin, EAR99 items (multi-use wire) to China for restricted end uses in UAV applications. In addition, a separate TE segment/unit made 25 unauthorized exports of U.S.-origin, EAR99 items (temperature and pressure scanners) to two EL parties in China.

Key Parties

A. TE Connectivity Corporation

Founded in 2007, TE is a publicly traded electronics company with offices all over the world. Headquartered in Switzerland, TE also has a significant executive management presence based in Berwyn, Pennsylvania. TE develops, manufactures, and sells connectors, sensors, antennas, wire, and other electronic components, which are purchased for integration into a wide range of items with varying applications. Such items and applications range from communications networks and consumer appliances /

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³ EAR99 is a designation for items subject to the EAR but not listed on the Commerce Control List. See Section 734.3(c) of the EAR.

electronics to aerospace, marine, and rail applications, as well as power grids and industrial machinery.

TE is organized into three primary segments: 1) Transportation Solutions; 2) Industrial Solutions; and 3) Communications Solutions. Each of these segments is further subdivided into business units, such as the Aerospace, Defense and Marine (“ADM”) unit, part of TE’s Industrial Solutions segment. The ADM unit markets TE products, primarily electronic components, for supply to original equipment manufacturers. These products are marketed by the ADM unit around the world, including China (“ADM China”). ADM China markets minor electronic components for a variety of commercial and unrestricted military end uses, primarily by marketing catalog items directly to customers in China or, more commonly, through third-party distributors operating in China.

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- Shanghai Academy of Spaceflight Technology, also known as the Shanghai Bureau of Space or the 8th Research Academy of China Aerospace Science and Technology Corporation (“CASC-8”);⁵
- Xi’an Research Institute of Navigation Technology, also known as the 20th Research Institute of China Electronic Technology Group Corp (“CETC-20”);⁶

⁴ 15 C.F.R. § 744.11(b).

⁵ CASC-8 was added to the EL on May 28, 1999. Since September 20, 2016, a license has been required to export any item subject to the EAR to CASC-8. *See* Revisions to the Entity List, 81 Fed. Reg. 64,696 (Sept. 20, 2016).

⁶ CETC-20 was added to the EL on May 14, 2001. Since September 20, 2016, a license has been required to export any item subject to the EAR to CETC-20. *See* Revisions to the Entity List, 81 Fed. Reg. 64,696 (Sept. 20, 2016).

- The Southwest Electronics Equipment Research Institute (“SWIEE”), also known as the 29th Research Institute of China Electronic Technology Group Corp. (“CETC-29”);⁷
- China Aerodynamics Research and Development Center (“CARDC”);⁸
- Northwestern Polytechnical University (“NPU”);⁹

STATEMENT OF CHARGES

Charges Related to ADM China Sales to Entity List Parties

Charges 1-36 15 C.F.R. § 764.2(e) – Acting with Knowledge of a Violation

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⁷ CETC-29 was added to the EL on August 1, 2014. Since August 1, 2014, a license has been required to export any item subject to the EAR to CETC-29. *See* Addition of Certain Persons to the Entity List, 79 Fed. Reg. 44,680 (August 1, 2014).

⁸ CARDC was added to the BIS EL on May 28, 1999. Since September 20, 2016, a license has been required to export any item subject to the EAR to CARDC. *See* Revisions to the Entity List, 81 Fed. Reg. 64,696 (Sept. 20, 2016).

⁹ NPU, a public university located in Xi’an, Shaanxi Province, China, was added to the Entity List on May 14, 2001. Since September 20, 2016, a license has been required to export, reexport, or transfer to NPU any item subject to the EAR. *See* Revisions to the Entity List, 81 Fed. Reg. 64,696 (Sept. 20, 2016).

the EAR required an export license pursuant to Section 744.11 and Supplement No. 4 to Part 744 of the Regulations.

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Charges Related to ADM China Sales for UAV End Use

Charges 50-54 15 C.F.R. § 764.2(e) – Acting with Knowledge of a Violation

As described in further detail below, on five occasions between on or about December 2015 through on or about October 2017, TE engaged in conduct prohibited by the Regulations when it sold and exported to China¹⁰ items subject to the EAR and designated EAR99, specifically multi-use wires valued at \$34,508.60, with knowledge or reason to know, including awareness of a high probability, that these items were intended for UAV end uses, without the requisite license pursuant to Section 744.3 of EAR or other authorization from BIS.¹¹

Charges Related to Sensors China Sales to Entity List Parties

Charges 55-77 5 C.F.R. § 764.2(a) – Engaging in Prohibited Conduct

As described in further detail below, on 23 occasions between on or about October 2016 through on or about October 2019, TE engaged in conduct prohibited by the Regulations when it sold and exported items subject to the EAR and designated EAR99, including pressure scanners used in wind tunnels and valued at \$990,474.31, via a third-party distributor to CARDC without the requisite license or other authorization from BIS. At all relevant times, CARDC was on the Entity List and all items subject to the EAR

¹⁰ China is listed in Country Group D:4. See Supplement No. 1 to 15 C.F.R. Part 740.

¹¹ Section 744.3(a)(3) of the EAR reads in pertinent part that: *[i]n addition to the license requirements for items specified on the CCL, you may not export, reexport, or transfer (in-country) an item subject to the EAR without a license if, at the time of export, reexport or transfer (in-country) you know that the item: [w]ill be used in the design, "development," "production," operation, installation (including on-site installation), maintenance (checking), repair, overhaul, or refurbishing of any rocket systems or unmanned aerial vehicles in or by a country listed in Country Group D:4, but you are unable to determine: [t]he characteristics (i.e., range capabilities) of the rocket systems or unmanned aerial vehicles. (Emphasis added).*

required an export license pursuant to Section 744.11 and Supplement No. 4 to Part 744 of the Regulations.

Charges 78-79 5 C.F.R. § 764.2(a) – Engaging in Prohibited Conduct

As described in further detail below, on two occasions on or about January 27, 2017 and May 19, 2017, TE engaged in conduct prohibited by the Regulations when it sold and exported items subject to the EAR and designated EAR99, including temperature and pressure scanners valued at \$34,722.50, via a third-party distributor to NPU without the requisite license or other authorization from BIS. At all relevant times, NPU was on the Entity List and all items subject to the EAR required an export license pursuant to Section 744.11 and Supplement 4 to Part 744 of the Regulations.

BACKGROUND OF CHARGES

ADM China

1. In October 2017, TE initiated an investigation in response to allegations made to its internal compliance reporting system and legal office regarding ADM China's sales to restricted end users. According to the allegations, now-terminated ADM China salespersons worked to conceal the nature of these sales at the direction of a now-terminated ADM China Sales Director (the "ADM China Sales Director"). TE's investigation ultimately uncovered a pattern of active deception and concealment by these ADM China salespersons and certain third-party distributors in China, who used misleading end-use certificates ("EUCs") to circumvent TE's denied-party screening process to ensure that sales were approved, regardless of the ultimate end user or end use.
2. Specifically, in 2012, the ADM China Sales Director instructed the ADM China salespersons to refer to certain end users, such as state-owned Chinese military corporations, by numbers instead of their corporate names in an effort to conceal the true end users from TE's U.S.-based compliance personnel. ADM China salespersons shared these numbers with China-based distributors, who also used other methods of concealment to circumvent compliance screening, such as by using the names of other companies as a 'stand-in entity' to conceal the true end users or by combining orders for restricted end users with orders placed for legitimate customers. In some transactions, ADM China salespersons were on notice of the actual end users because the distributor named them in informal price inquiries or explicitly identified them in response to a request for information from ADM China. In certain cases, those end users were restricted parties designated on the Entity List.
3. The concealment efforts and use of stand-in parties were also repeatedly used for transactions that did not involve restricted end users or end uses to circumvent the U.S. compliance screening process. Specifically, ADM China salespersons provided distributors with end-user names and end-use descriptions that had

previously been approved by TE's U.S. trade compliance personnel. The distributors then used these on EUCs in an effort to ensure that transactions would be approved and processed quickly.

4. TE's internal investigation ultimately revealed the following: 36 shipments of space-grade and general-use wires, as well as standard connectors and clamps, valued at \$470,627.95, for CASC-8; 2) one shipment of printed circuit board connectors, valued at \$5,040, for CETC-20; and 3) 12 shipments of printed circuit board connectors, valued at \$211,900, for the Southwest Electronics Equipment Research Institute ("SWIEE"), also known as CETC-29.
5. ADM China salespersons also actively promoted TE products for UAV applications in China. Specifically, TE identified five shipments of multi-use wire to unidentified Chinese end users, valued at \$34,508.60, for UAV end uses.

Sensors China

6. In October 2019, TE also became aware of potentially improper sales made by one of Sensors China's distributors to a listed entity, specifically CARDC. The sales were reportedly undertaken via Hong Kong Distributor No. 1. Hong Kong Distributor No. 1 is registered in Hong Kong and has an affiliate in mainland China.
7. In an email with a Sensors China sales manager about a request for quote from an unknown company, Hong Kong Distributor No. 1 accidentally included information that suggested it had previously provided Sensors China with an inaccurate end-user name to conceal the true end user, CARDC, for an order. After realizing what it had shared, Hong Kong Distributor No. 1 wrote to two other Sensors China sales employees and asked them to help conceal the true end user. Instead of complying with that request, one of the Sensors China sales employees reported this to TE compliance personnel, which prompted an investigation.
8. Prior to October 2018, Sensors China's sales were managed by a sales team based in the United States. In October 2018, Sensors China transitioned the management of its China business to a sales team based in China as part of a TE business reorganization. Since that time, Sensors China's business has been managed directly by the China sales team. Prior to the transition, a U.S.-based Sensors China account manager and a U.S.-based Sensors China engineer managed the business unit's sales in China. Neither of those employees could speak, read, or otherwise understand Chinese.
9. Hong Kong Distributor No. 1, TE's distributor of scanner products in China at the time of these transactions, deliberately concealed that CARDC was the end user in its dealing with TE, despite its knowledge that CARDC was a restricted party. Specifically, Hong Kong Distributor No. 1 falsified and obfuscated end-user information in EUCs and concealed CARDC's true identity from TE personnel by

consistently referring to it as “Mianyang” for years, apparently to conceal CARDC’s true name. During visits to China by the Sensors China account manager, for example, Hong Kong Distributor No. 1 arranged meetings with CARDC in nearby hotels and never took the account manager to CARDC’s business premises.

10. Notwithstanding Hong Kong Distributor No. 1’s deception, TE should have known that CARDC was the true end user because references to CARDC or its full name appeared in reports sent by distributors to Sensors China sales personnel. Sensors China’s customer care team, however, which is responsible for screening TE customers, conducted restricted party screening on a transaction-by-transaction basis after receiving EUCs from distributors prior to delivering the products to the distributor. As a result, TE relied upon the falsified EUCs provided by Hong Kong Distributor No. 1.
11. TE’s investigation identified 23 unauthorized/completed exports, reexports, or transfers of U.S.-origin, EAR99 items, valued at \$990,474.31, for ultimate delivery to CARDC between 2016 and 2019. The exported items included EAR99 pressure scanners for use in wind tunnels that can be utilized to analyze and model a variety of aerodynamic situations, from skyscrapers to aircraft to hypersonic missiles.
12. TE’s investigation also identified two unauthorized exports of U.S.-origin, EAR99 items, specifically temperature scanners and pressure scanners, for ultimate delivery to NPU. The exports, valued at \$34,722.50, were made in 2016 and 2017. Although Hong Kong Distributor No. 1 identified the end user as “NPU North West Poly Tech University” and the Entity List included four aliases of NPU (“Northwestern Polytechnical University,” “Northwestern Polytechnic University,” “Northwest Polytechnical University,” and “Northwest Polytechnic University”), TE’s screening processes failed to flag the transactions.

WHEREAS, TE has reviewed the Proposed Charging Letter and is aware of the allegations made against it and the administrative sanctions that could be imposed against it if the allegations are found to be true;

WHEREAS, TE fully understands the terms of this Agreement and the Order (“Order”) that the Assistant Secretary of Commerce for Export Enforcement, or appropriate designee, will issue if he approves this Agreement as the final resolution of this matter;

WHEREAS, TE enters into this Agreement voluntarily and with full knowledge of its rights, after having consulted with counsel;

WHEREAS, TE states that no promises or representations have been made to it other than the agreements and considerations herein expressed;

WHEREAS, TE admits committing the alleged conduct described in the Proposed Charging Letter; and

WHEREAS, TE agrees to be bound by the Order, if issued;

NOW THEREFORE, the Parties hereby agree, for purposes of this Settlement Agreement, as follows:

1. BIS has jurisdiction over TE, under the Regulations, in connection with the matters alleged in the Proposed Charging Letter.
2. The following sanctions shall be imposed against TE:
 - a. TE shall be assessed a civil penalty in the amount of \$5,800,000, the payment of which shall be made to the U.S. Department of Commerce within 30 days of the date of the Order. Payment shall be made in the manner specified in the attached instructions.
 - b. The full and timely payment of the civil penalty agreed to in Paragraph 2.a, above are hereby made a condition to the granting, restoration, or continuing validity of any export license, license exception, permission, or privilege granted, or to be granted, to TE. Failure to make full and timely payment of the civil penalty may result in the denial of all of TE's export privileges under the Regulations for one year from the date of the failure to make such payment.

3. Subject to the approval of this Agreement pursuant to Paragraph 7 hereof, TE hereby waives all rights to further procedural steps in this matter (except the procedural steps set forth in Sections 766.17(c) and 766.18(c) of the Regulations with respect to the possible activation of suspended sanctions due to a violation of this Agreement or the Order, if issued), including, without limitation, any right to: (a) an administrative hearing regarding the allegations in any charging letter; (b) request a refund of any civil penalty paid pursuant to this Agreement and the Order, if issued; and (c) seek judicial review or otherwise contest the validity of this Agreement or the Order, if issued. TE also waives and will not assert any Statute of Limitations defense, and the Statute of Limitations will be tolled, in connection with any violation of the Act or the Regulations arising out of the transactions identified in the Proposed Charging Letter or in connection with collection of the civil penalty or enforcement of this Agreement and the Order, if issued, from the date of the Order, until TE pays in full the civil penalty agreed to in Paragraph 2.a of this Agreement..

4. BIS agrees that upon full and timely payment of the civil penalty as set forth in Paragraph 2.a above, BIS will not initiate any further administrative proceeding against TE in connection with any violation of the Regulations arising out of the transactions specifically detailed in the Proposed Charging Letter.

5. This Agreement is for settlement purposes only. Therefore, if this Agreement is not accepted and the Order is not issued by the Assistant Secretary of Commerce for Export Enforcement, or appropriate designee, pursuant to Section 766.18(a) of the Regulations, no Party may use this Agreement in any administrative or

judicial proceeding and the Parties shall not be bound by the terms contained in this Agreement in any subsequent administrative or judicial proceeding.

6. No agreement, understanding, representation or interpretation not contained in this Agreement may be used to vary or otherwise affect the terms of this Agreement or the Order, if issued; nor shall this Agreement serve to bind, constrain, or otherwise limit any action by any other agency or department of the U.S. Government with respect to the facts and circumstances addressed herein.

7. This Agreement shall become binding on the Parties only if the Assistant Secretary of Commerce for Export Enforcement, or appropriate designee, approves it by issuing the Order, which will have the same force and effect as a decision and order issued after a full administrative hearing on the record.

8. BIS will make the Proposed Charging Letter, this Agreement, and the Order, if issued, available to the public.

9. Each signatory affirms that he/she has authority to enter into this Settlement Agreement and to bind his/her respective party to the terms and conditions set forth herein.

BUREAU OF INDUSTRY AND SECURITY
U.S. DEPARTMENT OF COMMERCE



John Sonderman
Director of Export Enforcement

Date: 8/13/2024

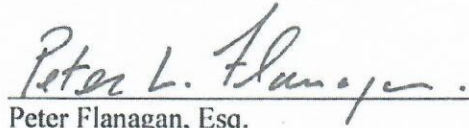
TE CONNECTIVITY CORPORATION
TE CONNECTIVITY HK LIMITED

DocuSigned by:
Russell Piraino
2BABECBA907543A

Russ Piraino
Vice President, General Counsel
Industrial Solutions

Date: 8/12/2024 | 8:27 AM PDT

Reviewed and approved by:



Peter Flanagan, Esq.
Eric Sandberg-Zakian, Esq.
Covington & Burling LLP
Counsel for TE

Date: 8/13/2024

PROPOSED CHARGING LETTER

U.S. CERTIFIED MAIL- RETURN RECEIPT REQUESTED

TE Connectivity Corporation
2800 Fulling Mill Road
Middletown, PA 17057

TE Connectivity HK Limited
18/F Kowloon Commerce Ctr TWR1
51 Kwai Cheong Road
Kwai Chung, New Territories
Hong Kong

Attention: Russ Piraino, Vice President, General Counsel, Industrial Solutions

Dear Mr. Piraino,

The Bureau of Industry and Security, U.S. Department of Commerce (“BIS”), has reason to believe that TE Connectivity Corporation of Middletown, Pennsylvania and TE Connectivity HK Limited of Hong Kong (collectively “TE”) have committed 79 violations of the Export Administration Regulations (the “Regulations” or “EAR”).¹ Specifically, BIS alleges and charges the following:²

GENERAL ALLEGATIONS

As described in further detail below, from on or about December 2015 through on or about October 2019, TE violated the Regulations on 79 occasions by exporting items subject to the EAR to parties on the BIS Entity List (“EL”) in China and/or by exporting items subject to the EAR for restricted unmanned aerial vehicle (“UAV”) end uses

¹ The Regulations originally issued under the Export Administration Act of 1979, 50 U.S.C. §§ 4601-4623 (Supp. III 2015) (“EAA”), which lapsed on August 21, 2001. The President, through Executive Order 13222 of August 17, 2001 (3 C.F.R., 2001 Comp. 783 (2002)), which has been extended by successive Presidential Notices, including the Notice of August 8, 2018 (83 Fed. Reg. 39,871 (Aug. 13, 2018)), has continued the Regulations in full force and effect under the International Emergency Economic Powers Act (50 U.S.C. § 1701, *et seq.*) (2012) (“IEEPA”). On August 13, 2018, the President signed into law the John S. McCain National Defense Authorization Act for Fiscal Year 2019, which includes the Export Control Reform Act of 2018, 50 U.S.C. §§ 4801-4852 (“ECRA”). While Section 1766 of ECRA repeals the provisions of the EAA (except for three sections which are inapplicable here), Section 1768 of ECRA provides, in pertinent part, that all rules and regulations that were made or issued under the EAA, including as continued in effect pursuant to IEEPA, and were in effect as of ECRA’s date of enactment (August 13, 2018), shall continue in effect until modified, superseded, set aside, or revoked through action undertaken pursuant to the authority provided under ECRA.

² The Regulations are currently codified in the Code of Federal Regulations (the “Code”) at 15 C.F.R. Parts 730-774 (2024). The regulations governing the violations at issue, which occurred between 2015 – 2019, are found in the 2015 – 2019 versions of the Code (15 C.F.R. Parts 730-774 (2015 – 2019)). The 2024 Regulations govern the procedures that apply to this matter.

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without the requisite license or other authorization from BIS. Specifically, one TE segment/unit made 36 unauthorized exports of U.S.-origin, EAR99 items,³ including space-grade and general-use wires, connectors, and clamps, to one EL party in China and 13 unauthorized exports of U.S.-origin, EAR99 items (printed circuit board connectors) to two other EL parties in China. This TE unit also made five unauthorized exports of U.S.-origin, EAR99 items (multi-use wire) to China for restricted end uses in UAV applications. In addition, a separate TE segment/unit made 25 unauthorized exports of U.S.-origin, EAR99 items (temperature and pressure scanners) to two EL parties in China.

Key Parties

A. TE Connectivity Corporation

Founded in 2007, TE is a publicly traded electronics company with offices all over the world. Headquartered in Switzerland, TE also has a significant executive management presence based in Berwyn, Pennsylvania. TE develops, manufactures, and sells connectors, sensors, antennas, wire, and other electronic components, which are purchased for integration into a wide range of items with varying applications. Such items and applications range from communications networks and consumer appliances / electronics to aerospace, marine, and rail applications, as well as power grids and industrial machinery.

TE is organized into three primary segments: 1) Transportation Solutions; 2) Industrial Solutions; and 3) Communications Solutions. Each of these segments is further subdivided into business units, such as the Aerospace, Defense and Marine (“ADM”) unit, part of TE’s Industrial Solutions segment. The ADM unit markets TE products, primarily electronic components, for supply to original equipment manufacturers. These products are marketed by the ADM unit around the world, including China (“ADM China”). ADM China markets minor electronic components for a variety of commercial and unrestricted military end uses, primarily by marketing catalog items directly to customers in China or, more commonly, through third-party distributors operating in China.

The Sensors unit, which is part of TE’s Transportation Solutions segment, also markets TE products around the world, including China (“Sensors China”). These products have a wide range of uses, including automotive, industrial, medical, appliance, transportation, and civil aerospace. Sensors China primarily sells off-the-shelf, catalog items both directly and through third-party distributors to its customers. These products provide a variety of measurement capabilities, such as pressure, temperature, speed, position, vibration, humidity, and fluid properties.

³ EAR99 is a designation for items subject to the EAR but not listed on the Commerce Control List. See Section 734.3(c) of the EAR.

B. Entity List Parties

The Entity List, which is set forth in Supplement No. 4 to Part 744 of the Regulations, identifies entities that are subject to additional export, reexport, and transfer restrictions because “there is reasonable cause to believe, based on specific and articulable facts, that the entity has been involved, is involved, or poses a significant risk of being or becoming involved in activities that are contrary to the national security or foreign policy interests of the United States.”⁴ As noted above, on 74 occasions, TE violated the Regulations by exporting items subject to the EAR to one of the following parties on the EL:

- Shanghai Academy of Spaceflight Technology, also known as the Shanghai Bureau of Space or the 8th Research Academy of China Aerospace Science and Technology Corporation (“CASC-8”);⁵
- Xi’an Research Institute of Navigation Technology, also known as the 20th Research Institute of China Electronic Technology Group Corp (“CETC-20”);⁶
- The Southwest Electronics Equipment Research Institute (“SWIEE”), also known as the 29th Research Institute of China Electronic Technology Group Corp. (“CETC-29”);⁷
- China Aerodynamics Research and Development Center (“CARDC”);⁸
- Northwestern Polytechnical University (“NPU”);⁹

⁴ 15 C.F.R. § 744.11(b).

⁵ CASC-8 was added to the EL on May 28, 1999. Since September 20, 2016, a license has been required to export any item subject to the EAR to CASC-8. *See* Revisions to the Entity List, 81 Fed. Reg. 64,696 (Sept. 20, 2016).

⁶ CETC-20 was added to the EL on May 14, 2001. Since September 20, 2016, a license has been required to export any item subject to the EAR to CETC-20. *See* Revisions to the Entity List, 81 Fed. Reg. 64,696 (Sept. 20, 2016).

⁷ CETC-29 was added to the EL on August 1, 2014. Since August 1, 2014, a license has been required to export any item subject to the EAR to CETC-29. *See* Addition of Certain Persons to the Entity List, 79 Fed. Reg. 44,680 (August 1, 2014).

⁸ CARDC was added to the BIS EL on May 28, 1999. Since September 20, 2016, a license has been required to export any item subject to the EAR to CARDC. *See* Revisions to the Entity List, 81 Fed. Reg. 64,696 (Sept. 20, 2016).

⁹ NPU, a public university located in Xi’an, Shaanxi Province, China, was added to the Entity List on May 14, 2001. Since September 20, 2016, a license has been required to export, reexport, or transfer to NPU any item subject to the EAR. *See* Revisions to the Entity List, 81 Fed. Reg. 64,696 (Sept. 20, 2016).

STATEMENT OF CHARGES

Charges Related to ADM China Sales to Entity List Parties

Charges 1-36 15 C.F.R. § 764.2(e) – Acting with Knowledge of a Violation

As described in further detail below, between on or about December 2016 through on or about December 2017, TE engaged in conduct prohibited by the Regulations on 36 occasions when it sold and exported items subject to the EAR and designated EAR99, including space-grade and general-use wires, standard connectors and clamps, valued at \$470,627.95, with knowledge or reason to know, including awareness of a high probability, that these items were intended for export to CASC-8, without the requisite license or other authorization from BIS. At all relevant times, CASC-8 was on the Entity List and all items subject to the EAR required an export license pursuant to Section 744.11 and Supplement No. 4 to Part 744 of the Regulations.

Charge 37 15 C.F.R. § 764.2(e) – Acting with Knowledge of a Violation

As described in further detail below, on or about January 4, 2017, TE engaged in conduct prohibited by the Regulations when it sold and exported items subject to the EAR and designated EAR99, specifically printed circuit board connectors valued at \$5,040, with knowledge or reason to know, including awareness of a high probability, that these items were intended for export to CETC-20, without the requisite license or other authorization from BIS. At all relevant times, CETC-20 was on the Entity List and all items subject to the EAR required an export license pursuant to Section 744.11 and Supplement No. 4 to Part 744 of the Regulations.

Charges 38-49 15 C.F.R. § 764.2(e) – Acting with Knowledge of a Violation

As described in further detail below, between on or about December 2015 through on or about August 2017, TE engaged in conduct prohibited by the Regulations on 12 occasions when it sold and exported items subject to the EAR and designated EAR99, specifically printed circuit board connectors valued at \$211,900, with knowledge or reason to know, including awareness of a high probability, that these items were intended for export to CETC-29, without the requisite license or other authorization from BIS. At all relevant times, CETC-29 was on the Entity List and all items subject to the EAR required an export license pursuant to Section 744.11 and Supplement No. 4 to Part 744 of the Regulations.

Charges Related to ADM China Sales for UAV End Use

Charges 50-54 15 C.F.R. § 764.2(e) – Acting with Knowledge of a Violation

As described in further detail below, on five occasions between on or about December 2015 through on or about October 2017, TE engaged in conduct prohibited by the

Regulations when it sold and exported to China¹⁰ items subject to the EAR and designated EAR99, specifically multi-use wires valued at \$34,508.60, with knowledge or reason to know, including awareness of a high probability, that these items were intended for UAV end uses, without the requisite license pursuant to Section 744.3 of EAR or other authorization from BIS.¹¹

Charges Related to Sensors China Sales to Entity List Parties

Charges 55-77 5 C.F.R. § 764.2(a) – Engaging in Prohibited Conduct

As described in further detail below, on 23 occasions between on or about October 2016 through on or about October 2019, TE engaged in conduct prohibited by the Regulations when it sold and exported items subject to the EAR and designated EAR99, including pressure scanners used in wind tunnels and valued at \$990,474.31, via a third-party distributor to CARDC without the requisite license or other authorization from BIS. At all relevant times, CARDC was on the Entity List and all items subject to the EAR required an export license pursuant to Section 744.11 and Supplement No. 4 to Part 744 of the Regulations.

Charges 78-79 5 C.F.R. § 764.2(a) – Engaging in Prohibited Conduct

As described in further detail below, on two occasions on or about January 27, 2017 and May 19, 2017, TE engaged in conduct prohibited by the Regulations when it sold and exported items subject to the EAR and designated EAR99, including temperature and pressure scanners valued at \$34,722.50, via a third-party distributor to NPU without the requisite license or other authorization from BIS. At all relevant times, NPU was on the Entity List and all items subject to the EAR required an export license pursuant to Section 744.11 and Supplement 4 to Part 744 of the Regulations.

BACKGROUND OF CHARGES

ADM China

1. In October 2017, TE initiated an investigation in response to allegations made to its internal compliance reporting system and legal office regarding ADM China's sales to restricted end users. According to the allegations, now-terminated ADM

¹⁰ China is listed in Country Group D:4. See Supplement No. 1 to 15 C.F.R. Part 740.

¹¹ Section 744.3(a)(3) of the EAR reads in pertinent part that: *[i]n addition to the license requirements for items specified on the CCL, you may not export, reexport, or transfer (in-country) an item subject to the EAR without a license if, at the time of export, reexport or transfer (in-country) you know that the item: [w]ill be used in the design, "development," "production," operation, installation (including on-site installation), maintenance (checking), repair, overhaul, or refurbishing of any rocket systems or unmanned aerial vehicles in or by a country listed in Country Group D:4, but you are unable to determine: [t]he characteristics (i.e., range capabilities) of the rocket systems or unmanned aerial vehicles.* (Emphasis added).

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- China salespersons worked to conceal the nature of these sales at the direction of a now-terminated ADM China Sales Director (the “ADM China Sales Director”). TE’s investigation ultimately uncovered a pattern of active deception and concealment by these ADM China salespersons and certain third-party distributors in China, who used misleading end-use certificates (“EUCs”) to circumvent TE’s denied-party screening process to ensure that sales were approved, regardless of the ultimate end user or end use.
2. Specifically, in 2012, the ADM China Sales Director instructed the ADM China salespersons to refer to certain end users, such as state-owned Chinese military corporations, by numbers instead of their corporate names in an effort to conceal the true end users from TE’s U.S.-based compliance personnel. ADM China salespersons shared these numbers with China-based distributors, who also used other methods of concealment to circumvent compliance screening, such as by using the names of other companies as a ‘stand-in entity’ to conceal the true end users or by combining orders for restricted end users with orders placed for legitimate customers. In some transactions, ADM China salespersons were on notice of the actual end users because the distributor named them in informal price inquiries or explicitly identified them in response to a request for information from ADM China. In certain cases, those end users were restricted parties designated on the Entity List.
 3. The concealment efforts and use of stand-in parties were also repeatedly used for transactions that did not involve restricted end users or end uses to circumvent the U.S. compliance screening process. Specifically, ADM China salespersons provided distributors with end-user names and end-use descriptions that had previously been approved by TE’s U.S. trade compliance personnel. The distributors then used these on EUCs in an effort to ensure that transactions would be approved and processed quickly.
 4. TE’s internal investigation ultimately revealed the following: 36 shipments of space-grade and general-use wires, as well as standard connectors and clamps, valued at \$470,627.95, for CASC-8; 2) one shipment of printed circuit board connectors, valued at \$5,040, for CETC-20; and 3) 12 shipments of printed circuit board connectors, valued at \$211,900, for the Southwest Electronics Equipment Research Institute (“SWIEE”), also known as CETC-29.
 5. ADM China salespersons also actively promoted TE products for UAV applications in China. Specifically, TE identified five shipments of multi-use wire to unidentified Chinese end users, valued at \$34,508.60, for UAV end uses.

Sensors China

6. In October 2019, TE also became aware of potentially improper sales made by one of Sensors China’s distributors to a listed entity, specifically CARDC. The sales were reportedly undertaken via Hong Kong Distributor No. 1. Hong Kong

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Distributor No. 1 is registered in Hong Kong and has an affiliate in mainland China.

7. In an email with a Sensors China sales manager about a request for quote from an unknown company, Hong Kong Distributor No. 1 accidentally included information that suggested it had previously provided Sensors China with an inaccurate end-user name to conceal the true end user, CARDC, for an order. After realizing what it had shared, Hong Kong Distributor No. 1 wrote to two other Sensors China sales employees and asked them to help conceal the true end user. Instead of complying with that request, one of the Sensors China sales employees reported this to TE compliance personnel, which prompted an investigation.
8. Prior to October 2018, Sensors China's sales were managed by a sales team based in the United States. In October 2018, Sensors China transitioned the management of its China business to a sales team based in China as part of a TE business reorganization. Since that time, Sensors China's business has been managed directly by the China sales team. Prior to the transition, a U.S.-based Sensors China account manager and a U.S.-based Sensors China engineer managed the business unit's sales in China. Neither of those employees could speak, read, or otherwise understand Chinese.
9. Hong Kong Distributor No. 1, TE's distributor of scanner products in China at the time of these transactions, deliberately concealed that CARDC was the end user in its dealing with TE, despite its knowledge that CARDC was a restricted party. Specifically, Hong Kong Distributor No. 1 falsified and obfuscated end-user information in EUCs and concealed CARDC's true identity from TE personnel by consistently referring to it as "Mianyang" for years, apparently to conceal CARDC's true name. During visits to China by the Sensors China account manager, for example, Hong Kong Distributor No. 1 arranged meetings with CARDC in nearby hotels and never took the account manager to CARDC's business premises.
10. Notwithstanding Hong Kong Distributor No. 1's deception, TE should have known that CARDC was the true end user because references to CARDC or its full name appeared in reports sent by distributors to Sensors China sales personnel. Sensors China's customer care team, however, which is responsible for screening TE customers, conducted restricted party screening on a transaction-by-transaction basis after receiving EUCs from distributors prior to delivering the products to the distributor. As a result, TE relied upon the falsified EUCs provided by Hong Kong Distributor No. 1.
11. TE's investigation identified 23 unauthorized/completed exports, reexports, or transfers of U.S.-origin, EAR99 items, valued at \$990,474.31, for ultimate delivery to CARDC between 2016 and 2019. The exported items included EAR99 pressure scanners for use in wind tunnels that can be utilized to analyze

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and model a variety of aerodynamic situations, from skyscrapers to aircraft to hypersonic missiles.

12. TE’s investigation also identified two unauthorized exports of U.S.-origin, EAR99 items, specifically temperature scanners and pressure scanners, for ultimate delivery to NPU. The exports, valued at \$34,722.50, were made in 2016 and 2017. Although Hong Kong Distributor No. 1 identified the end user as “NPU North West Poly Tech University” and the Entity List included four aliases of NPU (“Northwestern Polytechnical University,” “Northwestern Polytechnic University,” “Northwest Polytechnical University,” and “Northwest Polytechnic University”), TE’s screening processes failed to flag the transactions.

* * * * *

Accordingly, TE is hereby notified that an administrative proceeding is instituted against it pursuant to Part 766 of the Regulations for the purpose of obtaining an order imposing administrative sanctions¹², including, but not limited to any or all of the following:

- The maximum civil penalty allowed by law of up to the greater of \$364,992 per violation,¹³ or twice the value of the transaction that is the basis of the violation;
- Denial of export privileges;
- Exclusion from practice before BIS; and/or
- Any other liability, sanction, or penalty available under law.

If TE fails to answer the charges contained in this letter within 30 days after being served with notice of issuance of this letter, that failure will be treated as a default. *See* 15 C.F.R. §§ 766.6 and 766.7. If TE defaults, the Administrative Law Judge may find the charges alleged in this letter are true without a hearing or further notice to TE. The Under Secretary of Commerce for Industry and Security may then impose up to the maximum penalty for the charges in this letter.

TE is further notified that it is entitled to an agency hearing on the record if it files a written demand for one with its answer. *See* 15 C.F.R. § 766.6. TE is also entitled to be

¹² For violations that occurred prior to August 13, 2018, the date of enactment of ECRA, the potential sanctions are provided for in IEEPA. In situations involving alleged violations that occurred on or after August 13, 2018, the potential sanctions are specified in Section 1750(c) of ECRA.

¹³ *See* 15 C.F.R. §§ 6.3(c)(4), 6.3(c)(6), 6.4. This amount is subject to annual increases pursuant to the Federal Civil Penalties Inflation Adjustment Act Improvements Act of 2015, Sec. 701 of Public Law 114-74, enacted on November 2, 2015. *See* 88 Fed. Reg. 89,300 (Dec. 27, 2023) (adjusting for inflation the maximum civil monetary penalty under ECRA from \$353,534 to \$364,992, and under IEEPA, which applies for violations occurring prior to August 13, 2018, from \$356,579 to \$368,136, effective January 15, 2024); note 1, *supra*.

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represented by counsel or other authorized representative who has power of attorney to represent it. *See* 15 C.F.R. §§ 766.3(a) and 766.4.

The Regulations provide for settlement without a hearing. *See* 15 C.F.R. § 766.18. Should TE have a proposal to settle this case, TE should transmit it to the attorney representing BIS named below.

TE is further notified that under the Small Business Regulatory Enforcement Flexibility Act, TE may be eligible for assistance from the Office of the National Ombudsman of the Small Business Administration in this matter. To determine eligibility and get more information, please see: <http://www.sba.gov/ombudsman/>.

The U.S. Coast Guard is providing administrative law judge services in connection with the matters set forth in this letter. Accordingly, TE's answer must be filed in accordance with the instructions in Section 766.5(a) of the Regulations with:

U.S. Coast Guard ALJ Docketing Center
40 S. Gay Street
Baltimore, Maryland 21202-4022

In addition, a copy of TE's answer must be served on BIS at the following address:

Chief Counsel for Industry and Security
Attention: Gregory Michelsen
Room H-3839
14th Street and Constitution Avenue, N.W.
Washington, D.C. 20230

Greg Michelsen is the attorney representing BIS in this case; any communications that TE may wish to have concerning this matter should occur through him. He may be contacted by email at gmichelsen@doc.gov.

Sincerely,

John Sonderman
Director
Office of Export Enforcement