



1919 S. Eads St.
Arlington, VA 22202
703-907-7600
CTA.tech

October 29, 2025

Hon. Jeffrey Kessler
Under Secretary of Commerce for Industry and Security
U.S. Department of Commerce
1401 Constitution Avenue NW
Washington, DC 20230

**Re: Expansion of End-User Controls to Cover Affiliates of Certain Listed Entities
(Docket No. 250509-0083; RIN 0694-AK11)**

Dear Under Secretary Kessler,

The Consumer Technology Association (CTA) is pleased to comment to the Bureau of Industry and Security (BIS) on its interim final rule (IFR) on the Expansion of End-User Controls to Cover Affiliates of Certain Listed Entities (“Affiliates Rule” or “rule”).¹

I. Introduction

CTA represents the more than \$537 billion U.S. consumer technology industry, which supports more than 18 million U.S. jobs. Our members include over 1200 companies from every facet of the consumer technology industry, including manufacturers, distributors, developers, retailers, and integrators, with 80 percent of CTA members being start-ups or small and mid-sized companies. CTA also owns and produces CES®, with over 1000 speakers, which showcases and serves as a forum for discussion of global policies, technology, trade and investment, and other innovation. Over 142,000 people attended CES 2025, with over 57,000 from outside the United States.

CTA appreciates the importance of export controls to U.S. national security, including by safeguarding sensitive technologies and preventing diversion to unauthorized end-users. However, the Affiliates Rule as currently drafted is unworkable and should be redrafted. The rule has imposed significant burdens on companies due to the compressed implementation timeline and potential unintended impacts on U.S. exports and supply chain integrity.

¹ Federal Register, *Expansion of End-User Controls to Cover Affiliates of Certain Listed Entities*, (September 30, 2025), <https://www.federalregister.gov/documents/2025/09/30/2025-19001/expansion-of-end-user-controls-to-cover-affiliates-of-certain-listed-entities>

II. Burden on Companies and Compliance Challenges

The Affiliates Rule departs from longstanding BIS practice. Rather than relying on the U.S. government to identify entities of concern, the rule requires companies themselves to determine whether foreign affiliates are subject to export restrictions based on direct or indirect ownership by listed entities. This responsibility extends not only to majority owned entities but to aggregated ownership stakes across multiple listed parties.

This framework imposes substantial operational and legal burdens on companies:

1. **Complex Ownership Assessments** – Exporters must analyze corporate structures across multiple jurisdictions, some of which may have limited transparency. Determining indirect ownership, aggregate holdings, or overlapping control relationships is a resource-intensive process. Mistakes or gaps in information could result in inadvertent violations and severe enforcement consequences.
2. **Risk-Based Compliance Programs** – While BIS encourages a risk-based compliance approach, companies will face uncertainty about what constitutes an adequate program under this rule. Establishing internal controls, conducting enhanced due diligence, and documenting judgments regarding affiliate ownership will require major investment in personnel, systems, and training. Smaller and mid-sized companies may face particular challenges, as they often lack the legal and compliance infrastructure of larger multinationals.
3. **Inconsistent Decision-Making** – Because the rule relies on company-level assessments, divergent interpretations of ownership data or risk signals may emerge. Disparate compliance decisions across companies and even within different divisions of the same company could create inconsistencies that undermine the intended national security objectives. In practice, this could lead to confusion among trading partners, delays in commercial transactions, and potentially counterproductive outcomes.
4. **Strict Liability Exposure** – The rule maintains strict liability for exporters, reexporters, and transferors, even when good-faith efforts are made to comply. This heightens the stakes for companies attempting to navigate complex ownership structures without clear guidance or official determinations from BIS.

III. Compressed Timeline and Sudden Implementation

The IFR became effective immediately upon publication on September 30, 2025. This sudden implementation leaves little time for companies to adjust compliance programs, conduct due diligence, or train staff. Even the very limited temporary general license (TGL) offers only partial relief for 60 days and excludes certain high-risk jurisdictions.

The immediate effect of the rule has significant consequences:

- **License Backlogs** – The sudden expansion of entities requiring licenses risks overwhelming BIS processing capacity. Companies may face substantial delays in obtaining necessary authorizations, effectively pausing commercial activity.
- **Operational Disruption** – U.S. companies with longstanding partnerships and supply chain arrangements may be forced to halt shipments while verifying ownership information or waiting for license approvals, potentially disrupting production schedules and customer commitments.
- **Resource Intensiveness** – Companies must divert significant compliance, legal, and operational resources to meet the new obligations on short notice. For companies managing high volumes of global trade, the combination of immediate implementation and broad ownership assessment requirements can create a near-impossible compliance environment.

IV. Broader Impacts on U.S. Exports and Competitiveness

While the rule seeks to mitigate diversion risk, it may unintentionally hinder U.S. exports and weaken competitiveness:

1. **Global Supply Chain Disruption** – The requirement to assess ownership across foreign affiliates may slow transactions and introduce uncertainty for trading partners. In some cases, foreign companies may proactively replace U.S. suppliers with alternatives from other countries to avoid compliance risks, undermining U.S. market share.
2. **Potential for Over-Caution** – Companies may adopt conservative approaches, such as halting sales to affiliates with incomplete ownership information, to avoid strict liability exposure. Such caution could reduce the flow of legitimate exports and create gaps in the global adoption of U.S. technologies.
3. **Administrative and Compliance Costs** – The expanded due diligence requirements increase compliance costs substantially. Companies must invest in internal data collection, reporting, and documentation processes to demonstrate good-faith compliance. These costs could disproportionately affect smaller technology firms, potentially slowing innovation and market participation.

V. Need for Redrafting and Additional Guidance

CTA urges BIS to redraft the Affiliates Rule to address its current unworkability. A redrafted rule should clearly define terms, establish realistic compliance expectations, and include

mechanisms for official determinations by BIS rather than placing full responsibility on private entities.

In addition, CTA recommends that BIS:

- Provide detailed guidance on due diligence and documentation standards.
- Extend the Temporary General License or create a phased implementation timeline.
- Engage in structured consultations with industry to ensure that future revisions balance national security objectives with practical compliance.

VI. Conclusion

CTA believes that the Affiliates Rule, as implemented, creates an unworkable compliance framework that imposes disproportionate burdens on U.S. companies, introduces uncertainty, and risks slowing exports. By placing the primary compliance responsibility on companies and enforcing immediate applicability, the rule creates operational and legal challenges that could inadvertently undermine national security objectives.

CTA therefore calls for the Affiliates Rule to be redrafted in close coordination with industry stakeholders. A revised, phased, and clearly guided approach would better align with national security objectives while ensuring that U.S. companies can comply effectively without jeopardizing innovation, trade, or supply chain resilience.

Sincerely,



Ed Brzytwa
Vice President of International Trade
Consumer Technology Association



Michael Petricone
Senior Vice President of Government Affairs
Consumer Technology Association