



**Comments of the
Semiconductor Industry Association**

On

**The Interim Final Rule Entitled
“Expansion of End-User Controls To Cover Affiliates of Certain Listed Entities”**

90 Fed. Reg. 47201 (September 29, 2025)

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The Semiconductor Industry Association (SIA) submits these comments in response to the request from the Bureau of Industry and Security (BIS), Department of Commerce (Commerce), in the interim final rule (“IFR” or “Affiliates Rule”) entitled “Expansion of End-User Controls To Cover Affiliates of Certain Listed Entities,” 90 Fed. Reg. 47201, dated September 29, 2025.

As described in detail below, SIA recommends:

1. Avoiding unilateral controls that disadvantage U.S. industry vis-à-vis foreign competitors;
2. Allowing sufficient time for companies to implement the IFR; and
3. Providing guidance on several key compliance questions.

Part I contains introductory and background comments about SIA. Parts II and III contain comments about the IFR and related requests for BIS to consider. Part IV outlines SIA’s request to stay the IFR’s effective date.

Part I – Background on SIA

SIA has been the voice of the U.S. semiconductor industry for nearly half a century. Our member companies, representing more than 99 percent of the U.S. semiconductor industry by revenue as well as major non-U.S. chip firms, are engaged in the full range of research, design, manufacture, and back-end assembly, test, and packaging of semiconductors. Semiconductor technology was invented in America more than 65 years ago, and the U.S. remains the global leader in semiconductor technology and innovation, driving America’s economic strength, national security, and global competitiveness in a range of downstream industries. More information about SIA and the semiconductor industry is available at www.semiconductors.org.

SIA and our member companies understand export controls are necessary tools for safeguarding national security, including by preventing adversaries and malign actors

from leveraging American technologies to advance military capabilities and other activities counter to U.S. interests. However, as export controls are a tool increasingly used by other jurisdictions – in some cases targeting products critical to industrial supply chains but with only a tenuous nexus to national security – we ask policymakers to consider the potential impact on U.S. companies should such jurisdictions impose copycat controls.

Export controls should be targeted and carefully calibrated to be effective, minimize compliance burden, and avoid impairing commercial innovation, manufacturing, employment, and American leadership in critical technologies. In that vein, we appreciate the Trump Administration's policy, outlined in Executive Order 14192,¹ "to significantly reduce the private expenditures required to comply with Federal regulations to secure America's economic prosperity and national security."

Where export control regulation is deemed necessary to protect U.S. national security, the U.S. government should provide sufficient time for the private sector to adjust and build the necessary capabilities to comply with substantial rule changes. As we outline in detail below, given the consequential nature of the Affiliates Rule, we request at least an additional 60 days for companies – and preferably longer – to put in place the necessary mechanisms to comply with the IFR's requirements.

SIA has long been a partner of the U.S. government in providing constructive and substantive feedback to ensure semiconductor technology-related controls are crafted in a manner that enhances our national security and have straightforward compliance obligations. SIA member companies have extensive market and technical expertise to bring to bear.

As a general matter, we urge the Commerce Department and other key agencies involved in developing and implementing export control policy to establish mechanisms for facilitating meaningful engagement with the private sector in the policymaking process. To that end, we support review of the BIS Technical Advisory Committees (TACs) and updating the membership of the TACs.

Part II – General Comments

We appreciate the opportunity to provide the following comments and questions with respect to the Affiliates Rule.

II.A: The broad scope of the IFR's unilateral controls risks curtailing legitimate trade activity and undermining U.S. competitiveness with respect to foreign competitors.

¹ The White House, *Executive Order 14192: Unleashing Prosperity Through Deregulation*. Federal Register, vol. 90, no. 20., pp. 9065–9069. (January 31, 2025). <https://www.federalregister.gov/documents/2025/02/06/2025-02345/unleashing-prosperity-through-deregulation>.

Policymakers and industry experts have long recognized that wide-reaching, unilateral export controls have limited and diminishing effectiveness, and disadvantage U.S. industry. We expect this will be the case with the Affiliates Rule.

Currently, there are more than 3,000 parties on the Entity List, 400 parties on the Military End User (MEU) List, and more than 13,000 parties on the Specially Designated Nationals (SDN) list across 15 sanctions programs under Export Administration Regulations (EAR) section 744.8. Under the IFR's new standard, license requirements now apply to foreign affiliates owned 50 percent or more by one or more listed restricted parties on the aforementioned lists. As a result, the Affiliates Rule effectively adds thousands – and possibly tens of thousands – of additional entities to the Department of Commerce's restricted parties' lists, capturing subsidiaries of foreign companies engaged in unrelated, non-sensitive business activities.

Under this approach, the Affiliates Rule will largely capture items classified as EAR99 or Anti-Terrorism controlled, where there is significant availability of foreign substitutes not subject to the EAR. These restrictions effectively prevent U.S. companies from selling otherwise low-controlled or uncontrolled consumer items to commercial customers with applications in a broad range of civilian sectors. As we noted in SIA comments² on an expansion to end-user controls proposed by the previous administration,

“allied governments do not have equivalent controls to the U.S. Entity List or U.S. end use and end user controls in Part 744 of the EAR. Thus even in cases where other countries have harmonized their technology-based export controls on specific items with the controls maintained by the United States, they generally have not imposed similar end-use or end-user controls....If competitors of U.S. industry are not bound to the same or similar end use/end user controls and support restrictions, the entities of concern targeted by [U.S. export controls] will backfill available supplies from foreign competitors not subject to U.S. export controls, undermining the effectiveness of the proposed controls.”

Where U.S. companies are restricted, foreign competitors will readily supply products without export licenses. It is in their rational economic self-interest to do so. The Affiliates Rule risks significantly curtailing U.S. companies' ability to conduct low-risk business transactions and imposes substantial compliance costs, eroding U.S. companies' market share in favor of foreign competitors.

We assess U.S. semiconductor companies will be significantly impacted, as the Affiliates Rule incentivizes foreign companies to remove American suppliers from global supply chains to avoid the costs of compliance with the IFR where foreign equivalent items are available. In addition, achieving global adoption of the full U.S. AI technology

² Comments of the Semiconductor Industry Association (SIA) on “End-Use and End-User Based Export Controls, Including U.S. Persons Activities Controls: Military and Intelligence End Uses and End Users”, 89 Fed. Reg. 60985. (July 29, 2024). <https://www.semiconductors.org/wp-content/uploads/2024/10/SIA-Comments-on-MEU-Proposed-Rules.pdf>.

stack, as called for in the Trump Administration's "AI Action Plan," will also be more challenging if U.S. companies are required to restrict exports to potentially tens of thousands of customers around the world.

II.B: The IFR's 50 percent ownership standard covers a fundamentally different scope of transactions than the Treasury Department's OFAC 50 percent standard.

In the IFR, BIS states the 50 percent ownership standard is "designed to be consistent" with the Treasury Department's Office of Foreign Assets Control (OFAC) 50 percent rule.³ While the IFR's 50 percent ownership standard mirrors OFAC's rule, the scope of transactions covered is fundamentally different.

Whereas OFAC's restrictions generally apply to U.S. persons' *transactions* with restricted parties or jurisdictions, BIS's controls apply to all *items* subject to the EAR, including those reexported, transferred in-country, and produced in third countries by foreign persons. This scope captures many commercial mass-market items readily available from foreign suppliers not subject to controls, even if only non-U.S. persons are involved. Many foreign companies that face the option of continually screening their customers' ownership against BIS's Entity and Military End-User Lists and the various SDN lists will likely design out, or otherwise avoid, items subject to the EAR.

II.C: The IFR should be revised based on specific diversion data.

Under the previous standard, BIS identified entities of concern based on specific and articulable facts that listed entities have been involved, are involved, or pose a significant risk of being involved in activities contrary to U.S. national security or foreign policy interests. In doing so, BIS utilized its resources and tools to enumerate specific entities on the designated lists, requiring U.S. companies to apply for licenses to maintain visibility and reduce risk involved in transacting with those specific entities.

However, the Affiliates Rule is not targeted in that it applies controls based on a presumption that a vast array of affiliates of any designated entity located anywhere in the world meet this standard. Such an approach will impose extensive restrictions on international trade beyond the necessary limits to prevent sensitive dual-use technologies from being acquired by entities of concern.

A more effective approach would be to identify parties on the restricted lists that demonstrably pose diversion risks and assess how to ensure foreign suppliers do not undercut U.S. restrictions, including by aligning export control approaches with allies and partners. In particular, BIS should focus on evidence of diversion of controlled items to a listed entity's affiliate companies. BIS could then consider narrowing the Affiliate Rule's scope to apply only to certain entities on the Entity List, using a footnote or other

³ U.S. Department of the Treasury, *Publication of Revised Guidance on Entities Owned by Persons Whose Property and Interests in Property Are Blocked*. Federal Register, vol. 79 no. 157, p. 47726. (August 14, 2014). <https://www.federalregister.gov/documents/2014/08/14/2014-19252/publication-of-revised-guidance-on-entities-owned-by-persons-whose-property-and-interests-in>.

such identifier, based on evidence of the specific entity's involvement or significant risk of involvement in diverting such items to its affiliates in violation of U.S. export control law. In contrast, the IFR's provision that allows for certain exceptions on a case-by-case basis risks further burdening BIS resources without considering the IFR's broad impact on unrelated, non-sensitive trade relationships readily undercut by foreign suppliers.

II.D: The IFR places significant additional compliance burden on industry, necessitating additional time for industry to implement effective compliance revisions.

One of the rationales for the Affiliates Rule is to support BIS's enforcement and compliance efforts to prevent listed entities from diverting items to evade export controls. However, the IFR shifts an important government function and significant operational burden – namely, assessing the risk of diversion – to industry, requiring companies to determine whether an entity is 50 percent or more owned by a listed or unlisted party subject to the Affiliates Rule based upon their ownership.

This ownership determination is often complex, opaque, and time-consuming, necessitating enhanced internal compliance protocols and extensive employee training across global operations. In fact, the IFR does not provide examples clarifying the application of the 50 percent ownership aggregation rule in cases involving complex, multi-tiered corporate structures. As a result, industry does not have examples against which to benchmark and reference as it builds internal compliance mechanisms and guidance to implement the IFR's requirements. Given the IFR's immediate effective date, BIS does not provide industry adequate time to adjust to and address implementation and compliance hurdles, including the following:

- **Screening Tools:** SIA member companies rely on third-party screening partners to help navigate these nuanced ownership structures and ensure accurate, timely compliance. However, many third-party screening partners use different data sets, which can lead to a disparity in ownership determinations and highlights that inconsistencies in data pose a significant compliance risk. This will cause uneven compliance between companies. In addition, a gap in screening capabilities will impact compliance with the IFR's "rule of most restrictiveness," which applies to an entity owned 50 percent or more by multiple entities on the Entity, MEU, or SDN Lists. Affiliates subject to controls based on aggregate ownership by multiple designated entities are still unlikely to be available in current screening tools, undermining industry's ability to comply with the IFR's immediate effective date. Differences in research methods, data accessibility, and other resources, particularly for entities located in countries of concern, across third-party vendors reinforces industry's concerns that the IFR's ownership aggregation rule is likely to complicate compliance efforts. Delaying the IFR's effective date will provide vendors and exporters with necessary time to reconfigure their software systems to comply with the new rule. Furthermore, we encourage the U.S. government to take a more inclusive approach in working with these screening partners, potentially through formal consultation or technical

guidance, to ensure industry has access to the most accurate and practical tools available to effectively implement and comply with the IFR. For example, BIS could work with screening vendors to ensure the vendors' lists are aligned across providers, so that industry can comply based on a consistent list.

- **Military End User (MEU) List:** Requiring industry to assess whether unlisted foreign affiliates are MEUs is particularly problematic. The U.S. government is much better positioned to identify MEUs and should not further delegate this national security determination to industry. Recognizing industry currently has this military end user assessment responsibility, expanding it substantially in the Affiliates Rule increases the likelihood of inconsistent determinations and creates potentially dangerous obligations for the U.S. individuals and companies involved in conducting due diligence, especially in jurisdictions where conducting such due diligence may be considered unlawful espionage activities. BIS should continue to list MEUs and seek alignment from other supplier governments to avoid disparate interpretations and inconsistent applications under the IFR.

II.E. The IFR's due diligence requirements on customer ownership structures will require frequent re-screening and increase the likelihood of inconsistent practice.

The Affiliates Rule effectively limits companies from exporting if they cannot verify the ownership structure of their customers. To provide for consistent implementation by industry, BIS should provide guidance on reasonable timeframes for exporters to re-screen their customers.

II.F: The IFR will substantially increase the licensing burden on BIS and create further uncertainty for industry.

The IFR comes at a time when BIS has significantly slowed and, in some cases, temporarily halted processing export license applications to certain markets. SIA members have licenses worth billions of dollars pending review and are concerned that the increase in additional licenses required by the Affiliates Rule will lead to further delays and gridlock in the export license process. SIA continues to support calls to increase funding and resources for BIS, including to improve licensing review capacity and reduce backlogs.

Part III – Comments Related to Specific Provisions in the IFR

The comments below address specific implementation issues to facilitate industry compliance with the current rule. Notwithstanding these comments, however, SIA recommends deferring the effective date and revising the IFR to make it more effective.

Comment III.A: Additional guidance and clarification are needed on the joint venture (JV) criteria in the Temporary General License for non-listed foreign affiliates of listed entities at TGL(g)(1)(ii) in Supplement No. 1 to Part 736.

The IFR introduces a new, but limited, Temporary General License (TGL) that provides authorization that expires on December 1, 2025, for certain specified transactions, mostly involving allied and partners countries (countries in EAR Country Group A:5 and A:6) or joint ventures with a party headquartered in the United States or an allied and partner country. While we appreciate BIS's inclusion of the TGL to avoid an immediate disruption of commerce both within the United States and to trusted partners, we believe clarity is needed on the definition of "joint venture" at TGL (g)(1)(ii), particularly whether the standard commercial law definition applies.

As drafted, the exact scope of activities that constitute a joint venture is unclear. Does BIS intend to only refer to contractual arrangements between parties that confer tangible benefit(s) and goods? How would the TGL apply to ordinary business transactions such as joint research and development agreements? This lack of clarity may result in legitimate business transactions authorized under the TGL to be otherwise abandoned.

In addition, public information to substantiate JV relationships is often unavailable, which creates further uncertainty for our companies when considering the application of the TGL. SIA recommends BIS include guidance in a final rule, or issue an FAQ, on the practical application and evidentiary requirements for this aspect of the TGL.

Comment III.B: The IFR does not account for the effect of ownership structure changes by a covered entity and how an exporter should assess such ownership changes.

The IFR's implications differ significantly from direct Entity List designations. While a listed entity remains restricted until delisted, an entity covered by this IFR can potentially avoid restrictions by changing its ownership structure. Language in updated FAQ #23 warns that even when the IFR's criteria are not met, General Prohibition (GP) 10 still applies whenever there is "knowledge" that a company – affiliated or not – is acting as an "agent, a front, or a shell company" for a listed entity to facilitate unauthorized transactions.⁴ As a result, the GP 10 provision functions as a catch-all prohibition if an exporter knows or has reason to know an export control violation has occurred irrespective of an ownership change.

We recommend BIS provide guidance on how exporters should assess such ownership changes. For example, ownership change should be evaluated against several criteria, including company certification, corporate reporting, and public statements and contractual clauses requiring compliance with the EAR.

⁴ U.S. Bureau of Industry and Security, *Entity List FAQs*, FAQ #23 (Last Updated September 29, 2025). <https://www.bis.gov/media/documents/entity-list-faqs.pdf>.

Comment III.C: BIS should provide guidance on what constitutes “significant minority ownership.”

The IFR states, “BIS is also informing the public that foreign parties with significant minority ownership by, or other significant ties to (e.g., overlapping board membership or other indicia of control), an Entity List entity, an MEU List entity, or an SDN subject to § 744.8(a)(1) present a Red Flag of potential diversion risk to the listed entity.” The term “significant minority ownership” is unclear and lacks an objective definition. Additionally, the term “significant minority ownership” is not in OFAC’s 50 percent rule, meaning there is no precedent for how cases involving “significant minority ownership” will be reviewed and enforced, particularly if BIS is expecting industry to undertake additional due diligence and potentially apply for a license in those instances.⁵

Moreover, FAQ #43 states the Affiliates Rule speaks “only to ownership and not control,” but that foreign parties with significant minority ownership, or other significant ties, present a Red Flag of potential diversion risk.⁶ Accordingly, we recommend that BIS provide guidance that the term “significant minority ownership” means objective criteria to evaluate from the Committee on Foreign Investment in the United States (CFIUS) process, including dominant minority ownership of the most restrictive listed party, board representation or proxy votes, and special shares or arrangements for minority shareholders to act in concert. We also recommend that BIS clarify whether significant non-ownership relationships (e.g., strategic partnerships) fall within the rule’s scope.

BIS should also consider revising FAQ #43 in its FAQ list to advise “caution,” as does OFAC, when dealing with entities over which one or more listed entities exercise control, but of which they do not own 50 percent or more in the aggregate.⁷

Comment III.D: BIS should clarify the license requirements and policies for listed entities that are covered affiliates.

The IFR seeks to address the potential risk of items diverted by unlisted affiliates to restricted entities. However, as noted above, the IFR does not provide any actual examples of such activity. While the IFR does not modify any existing Entity List entries, it states that the restrictions apply to “any foreign entity that is owned directly or indirectly, individually or in aggregate, 50 percent or more by one or more listed entities or unlisted entities subject to Entity List license requirements or other Entity List restrictions based upon their ownership.” This text appears to modify, without revising relevant Entity List entries, those entries by applying their parent company’s Entity List license requirements and policies.

⁵ Office of Foreign Assets Control, “Revised Guidance on Entities Owned by Persons Whose Property and Interests in Property Are Blocked.” (August 14, 2014). <https://www.federalregister.gov/documents/2014/08/14/2014-19252/publication-of-revised-guidance-on-entities-owned-by-persons-whose-property-and-interests-in>.

⁶ U.S. Bureau of Industry and Security, *Entity List FAQs*, FAQ #43 (Last Updated September 29, 2025). <https://www.bis.gov/media/documents/entity-list-faqs.pdf>.

⁷ U.S. Department of the Treasury, *Frequently Asked Questions*, FAQ #398. (Last Updated August 11, 2020). <https://ofac.treasury.gov/faqs/398>.

SIA recommends section 744.11(a)(1) be revised to apply only to foreign **unlisted** entities. The interagency End User Review Committee has already determined the appropriate scope of restrictions for all parties on the Entity List. If BIS now believes any of those parties should be subject to any more restrictive requirements and/or policy, the relevant Entity List entry should be revised accordingly.

Part IV – Request to Stay the IFR’s Effective Date

The Affiliates Rule imposes significantly higher screening and review obligations on companies to trace and calculate cumulative ownership stakes – direct and indirect – by restricted parties across potentially opaque, multi-layered corporate structures. The IFR largely shifts this burden of information collection and review to industry, and, in some cases, compliance obligations may extend beyond exporters to freight forwarders and financial institutions. This represents a substantial expansion of compliance responsibility and coordination across transaction parties.⁸

Many in industry, in turn, will also need to invest in more comprehensive diligence tools at a time when many third-party diligence providers are themselves working to update their screening technologies to reflect ownership interest covered by the Affiliates Rule. Such a change in technical capabilities and software offerings will take time to develop and deploy, while at the same time requiring industry to determine when these tools provide the coverage needed and their teams are trained to evaluate screening against the IFR’s 50 percent threshold. Lastly, even in instances when SIA member companies can use advanced screening platforms, they will face obstacles to learning about ownership in jurisdictions where such information is opaque, frequently unreported, or deliberately concealed.

As a result, given the significance of the IFR and the complexities presented for company compliance outlined in Parts II and III, we request BIS issue at least a 60-day delay in the IFR’s effective date. This will ensure the Affiliates Rule aligns with Section 102 Paragraph 7 of the Export Control Reform Act (ECRA), which states the U.S. export control system must be “transparent, predictable, and timely.”⁹

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Thank you for the opportunity to comment on the IFR. SIA looks forward to continued partnership with BIS and other agencies in providing support and feedback regarding export control policy, particularly with respect to semiconductors.

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⁸ *Id.* at footnote 6, FAQ #29.

⁹ Export Control Reform Act of 2018, 50 U.S.C. § 4811(7) (2018).