

FAQ: Understanding the BIS 50% Rule and Its Impact on Third-Party Screening

1. What is the BIS 50% Rule?

The BIS 50% Rule, officially titled “**Expansion of End-User Controls to Cover Affiliates of Certain Listed Entities**” (also referred to as the *Affiliates Rule*), is an **interim final rule** issued by the U.S. Department of Commerce’s Bureau of Industry and Security (BIS) on **September 29, 2025**.

It expands U.S. export controls under the Export Administration Regulations (EAR) by extending restrictions to **foreign entities that are majority-owned (50% or more, directly or indirectly)** by one or more listed parties.

Following a new **U.S.–China economic and trade agreement**, the **White House announced a one-year suspension** of the implementation of the BIS 50% Rule starting **November 10, 2025**. The suspension is temporary and does **not repeal** the rule; BIS will review implementation during this period as negotiations continue.

2. Why was this rule introduced?

BIS introduced the rule to close a long-standing loophole that allowed restricted entities to evade controls through subsidiaries, affiliates, or other complex ownership structures. The goal is to prevent the diversion of sensitive U.S. technologies to countries such as China, Russia, and Iran and to align with the U.S. Treasury Department’s **OFAC 50% Rule**, which already treats majority-owned subsidiaries of sanctioned entities as sanctioned.

3. Which lists does the rule apply to?

The BIS 50% Rule applies to:

- The **Entity List** (Supplement No. 4 to Part 744)
- The **Military End-User (MEU) List** (Supplement No. 7 to Part 744)
- Certain foreign persons identified under **EAR § 744.8(a)(1)**

It does **not** apply to all SDNs on OFAC’s lists, the Unverified List, or unlisted military end users.

4. Who is impacted?

The rule affects any **foreign entity** that is majority-owned by one or more listed parties, even if the entity itself is not named on restricted party lists. U.S.-incorporated entities are not covered, even if majority-owned by a listed party.

Industries particularly affected include aerospace, defense, telecommunications, semiconductors, artificial intelligence, and robotics.

5. How does the rule change third-party screening requirements?

Screening by name alone is no longer sufficient. Organizations now have an affirmative duty to determine the **ownership structure** of all third parties, including:

- Customers
- Suppliers
- Distributors
- Partners

Additional due diligence is required to identify **ultimate beneficial owners (UBOs)**, controlling interests, and indirect ownership by listed parties.

6. What due diligence steps should companies take?

Organizations should:

1. Maintain ownership-based screening even during the suspension period.
2. Map corporate structures to identify controlling interests and indirect ownership.
3. Monitor mergers, acquisitions, and investments involving listed or high-risk entities.
4. Revise internal compliance policies to reflect the temporary suspension while maintaining documentation standards.
5. Escalate opaque or high-risk relationships for deeper investigation.
6. Ensure access to reliable ownership intelligence and maintain audit-ready documentation of screening and escalation decisions.

7. Does the Consolidated Screening List (CSL) provide complete coverage?

No. Because affiliates covered by the new rule are **not separately listed**, the CSL is insufficient on its own. Companies must supplement CSL screening with **ownership verification and third-party intelligence** to ensure comprehensive compliance.

8. Are there any exceptions or temporary measures?

Yes.

- The rule applies only to **foreign entities**, not U.S. entities.
- The **Temporary General License (TGL)** allowing certain transactions with restricted affiliates until **December 1, 2025**, remains in place pending further BIS guidance.
- As of **November 2025**, the **White House has suspended implementation of the rule for one year (effective November 10, 2025)** as part of the U.S.–China trade agreement.
- Companies may still request exclusions via the **End-User Review Committee (ERC)** for specific circumstances.

9. How does the BIS 50% Rule align with other global regimes?

The BIS 50% Rule mirrors similar ownership-based restrictions in other jurisdictions, including the **EU** and **UK**. Global compliance programs should therefore apply a consistent, ownership-based approach across markets to avoid regulatory gaps and ensure alignment across **BIS, OFAC, EU, and UK** frameworks.

10. What are the biggest practical challenges in implementing ownership-based screening?

Tracing indirect ownership can be difficult in jurisdictions with **opaque registries** or incomplete beneficial ownership data. Complex corporate structures, trusts, and state-linked enterprises may obscure control. Companies should rely on verified third-party data and **escalation workflows** to resolve uncertainties and document decision-making.

11. How can Ethixbase360 support compliance under the BIS 50% Rule?

Ethixbase360 provides end-to-end solutions for ownership transparency and export control compliance:

- **Entity verification and corporate linkage:** Quickly map corporate structures and relationships.
- **Ultimate Beneficial Ownership (UBO) intelligence:** Identify direct and indirect ownership and control.
- **Automated screening:** Screen entities and their owners against sanctions and watchlists, including optional adverse media and state ownership checks.
- **Enhanced or Collaborative Due Diligence:** Escalate incomplete or opaque cases for multilingual research or direct verification.
- **Integrated workflow and audit trail:** Ensure decisions are documented and audit-ready.

12. What is the key takeaway?

The one-year suspension of the BIS 50% Rule provides short-term operational relief but does not eliminate long-term regulatory risk. The rule remains under review, and enforcement may resume after November 2026.

Compliance teams should continue **ownership-based due diligence** and maintain documentation readiness to adapt quickly when implementation resumes or related ownership-based measures are reinstated.



About Ethixbase360

Ethixbase360 empowers confident third-party risk management through smart automation, expert-led due diligence, and responsive support. Our platform provides a single, connected view of global third-party risk, with insight and audit readiness built in. Designed to flex with risk and change, it adapts to shifting regulations and priorities, giving organizations control and the ability to respond at pace. Its proven configurability is backed by expert teams who bring human intelligence to every decision. Covering Anti-Bribery and Corruption, Modern Slavery, Human Rights, and Cyber, Ethixbase360 helps organizations stay resilient and agile, enabling faster decisions, greater value chain transparency, and clarity in an increasingly complex risk landscape. To learn more visit www.ethixbase360.com.

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