



WORLD CUSTOMS ORGANIZATION  
ORGANISATION MONDIALE DES DOUAN

# SAFE

Framework of Standards  
to secure and facilitate global trade  
June 2012







# SAFE FRAMEWORK OF STANDARDS

At the June 2005 Annual Sessions of the World Customs Organization's Council in Brussels, Directors General of Customs representing the Members of the WCO adopted the SAFE Framework of Standards to Secure and Facilitate Global Trade by unanimous acclamation. This unique international instrument ushered in a safer world trade regime and also heralded the beginning of a new approach to the end-to-end management of goods moving across borders while recognizing the significance of a closer partnership between Customs and business. Since that time, work has progressed on updating and improving the SAFE Framework.

The 2007 version of the SAFE Framework principally incorporated into its text detailed provisions on the conditions and requirements for Customs and Authorized Economic Operators (AEO), initially developed in a separate document. This addition was driven by the perception that both Customs and its business partners would benefit from having all SAFE and AEO provisions readily available in a single comprehensive instrument.

In June 2010 the WCO issued its SAFE Package which brought together all WCO instruments and guidelines that support implementation of the SAFE Framework. The Package includes the SAFE Framework, the Integrated Supply Chain Management Guidelines, AEO Implementation Guidance, the AEO Compendium, Model AEO Appeal Procedures, AEO Benefits: A contribution from the WCO Private Sector Consultative Group, the Guidelines for the Purchase and Deployment of Scanning/NII Equipment, the SAFE Data Element Maintenance Mechanism, the Trade Recovery Guidelines, and FAQ for Small and Medium Enterprises. Guidelines For Developing A Mutual Recognition Arrangement/Agreement (MRA) and an AEO Template have now been added to the Package.

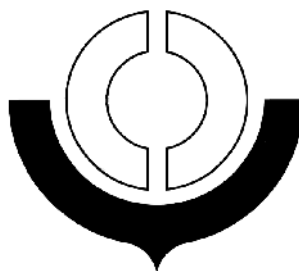
Continuing its mission to facilitate implementation, the June 2012 version of the SAFE Framework includes a new part 5 in respect of Co-ordinated Border Management, a new part 6 in respect of Trade Continuity and Resumption, moving the language on Mutual Recognition to a new part 7, moving the AEO Conditions, Requirements and Benefits to a new Annex III, moving the text of the CCC Resolution on the SAFE Framework to a new Annex IV and creating a new Annex I for Definitions, which also defines 'high risk cargo'.

Capacity building assistance under the WCO Columbus Programme remains a vital part of the SAFE implementation strategy, and WCO Members that have requested support are receiving it in a structured and on-going manner which will ensure sustainability in implementing the provisions and spirit of the SAFE Framework. Implementation is further supported by Customs and private sector working bodies established within the WCO Secretariat and working in close collaboration to maintain the relevance of the SAFE Framework in a changing trade environment.

As the SAFE Framework has developed, the importance of export controls, including controls on dual use goods, is now widely accepted by the international community. It goes without saying that it is a dynamic instrument that balances facilitation and control while ensuring the security of the global trade supply chain. This unique instrument remains a reference point for Customs and economic operators, and the WCO will continue to ensure its key role in realising the Organization's "Customs in the 21<sup>st</sup> Century" vision; meeting the needs of both Customs and international trade stakeholders.

**Kunio Mikuriya**  
Secretary General  
World Customs Organization

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WORLD CUSTOMS ORGANIZATION

## WCO SAFE FRAMEWORK OF STANDARDS

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## **1. Foreword**

### **1.1. Introduction**

International trade is an essential driver for economic prosperity. The global trading system is vulnerable to terrorist exploitation that would severely damage the entire global economy. As government organizations that control and administer the international movement of goods, Customs administrations are in a unique position to provide increased security to the global supply chain and to contribute to socio-economic development through revenue collection and trade facilitation.

There is a need for a World Customs Organization (WCO) endorsed strategy to secure the movement of global trade in a way that does not impede but, on the contrary, facilitates the movement of that trade. Securing the international trade supply chain is only one step in the overall process of strengthening and preparing Customs administrations for the 21<sup>st</sup> Century. Accordingly, to strengthen and go beyond existing programmes and practices, WCO Members have developed a regime that will enhance the security and facilitation of international trade. This is the WCO SAFE Framework of Standards to secure and facilitate global trade (hereafter referred to as the "SAFE Framework"). The SAFE Framework sets forth the principles and the standards and presents them for adoption as a minimal threshold of what must be done by WCO Members.

The reason that the WCO is the appropriate platform for this initiative is readily apparent. The WCO has the membership and thus the participation of Customs administrations representing 99 percent of global trade. Customs administrations have important powers that exist nowhere else in government - the authority to inspect cargo and goods shipped into, through and out of a country. Customs also have the authority to refuse entry or exit and the authority to expedite entry. Customs administrations require information about goods being imported, and often require information about goods exported. They can, with appropriate legislation, require that information to be provided in advance and electronically. Given the unique authorities and expertise, Customs can and should play a central role in the security and facilitation of global trade. However, a holistic approach is required to optimize the securing of the international trade supply chain while ensuring continued improvements in trade facilitation. Customs should therefore be encouraged to develop co-operative arrangements with other government agencies.

It is an unacceptable and an unnecessary burden to inspect every shipment. In fact, doing so would bring global trade to a halt. Consequently, modernized Customs administrations use automated systems to risk manage for a variety of issues. In this environment, Customs administrations should not burden the international trade community with different sets of requirements to secure and facilitate commerce, and there should be recognition of other international standards. There should be one set of international Customs standards developed by the WCO that do not duplicate or contradict other intergovernmental requirements.

The SAFE Framework also considers the critical elements of capacity building and requisite legislative authority. While certain aspects of this instrument can be implemented without capacity building, it is recognized that many administrations will need assistance to implement the standards. The SAFE Framework contemplates appropriate assistance with capacity building for those Customs administrations that adopt it.



## **1.2. Objectives and principles of the SAFE Framework**

The SAFE Framework aims to :

- Establish standards that provide supply chain security and facilitation at a global level to promote certainty and predictability.
- Enable integrated and harmonized supply chain management for all modes of transport.
- Enhance the role, functions and capabilities of Customs to meet the challenges and opportunities of the 21<sup>st</sup> Century.
- Strengthen co-operation between Customs administrations to improve their capability to detect high-risk consignments.
- Strengthen Customs/Business co-operation.
- Promote the seamless movement of goods through secure international trade supply chains.

## **1.3. Four Core Elements of the SAFE Framework**

The SAFE Framework consists of four core elements. *First*, it harmonizes the advance electronic cargo information requirements on inbound, outbound and transit shipments. *Second*, each country that joins the SAFE Framework commits to employing a consistent risk management approach to address security threats. *Third*, it requires that at the reasonable request of the receiving nation, based upon a comparable risk targeting methodology, the sending nation's Customs administration will perform an outbound inspection of high-risk cargo and/or transport conveyances, preferably using non-intrusive detection equipment such as large-scale X-ray machines and radiation detectors. *Fourth*, the SAFE Framework suggests benefits that Customs will provide to businesses that meet minimal supply chain security standards and best practices.

## **1.4. Two Pillars of the SAFE Framework**

The SAFE Framework, based on the previously described four core elements, rests on the twin pillars of Customs-to-Customs network arrangements and Customs-to-Business partnerships. The two-pillar strategy has many advantages. The pillars involve a set of standards that are consolidated to guarantee ease of understanding and rapid international implementation. Moreover, this instrument draws directly from existing WCO security and facilitation measures and programmes developed by Member administrations.



### 1.5. Capacity Building

Effective capacity building is an important element to ensure widespread adoption and implementation of the SAFE Framework. However, it is also recognized that parts of the instrument can be implemented immediately. To this end, strategies are required to enhance the capacity building provided to Members to enable implementation of the SAFE Framework. For capacity building to be successful, a foundation of political will and integrity must already exist. Thus, countries that demonstrate a commitment to implement the SAFE Framework and the necessary political will should be assisted by the WCO and a consortium of countries and other co-operating partners.

### 1.6. Implementation

In order for this instrument to be implemented, not only will capacity building be necessary, but also an understanding that a phased approach will be required. It is unreasonable to expect that every administration will be able to implement the SAFE Framework immediately. While the SAFE Framework is considered a minimum set of standards, it will be implemented at various stages in accordance with each administration's capacity and the necessary legislative authority. Further development of Implementation Plan will proceed as directed by the WCO Council.

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## **2. Benefits**

This SAFE Framework provides a consolidated platform which will enhance world trade, ensure better security against terrorism, and increase the contribution of Customs and trade partners to the economic and social well-being of nations. It will improve the ability of Customs to detect and deal with high-risk consignments and increase efficiencies in the administration of goods, thereby expediting the clearance and release of goods.

Adoption of the SAFE Framework brings the above mentioned benefits to governments, Customs administrations and the business community alike.

### **2.1. Governments**

One of the main objectives of the SAFE Framework is to secure and facilitate global trade. This will enable international trade to contribute to economic growth and development. This will help to secure trade against the threat of global terrorism and, at the same time, the SAFE Framework will enable Customs administrations to facilitate the movement of legitimate trade and improve and modernize Customs operations. This will, in turn, improve revenue collection and also the proper application of national laws and regulations. This instrument therefore supports economic and social protection, and will enable foreign direct investment.

The SAFE Framework also encourages the establishment of co-operative arrangements between Customs and other government agencies. There should be recognition of other already existing international standards. This will assist governments to ensure co-ordinated border management and control. By putting the necessary measures in place, the SAFE Framework also empowers governments to expand the mandate and responsibilities of Customs administrations in this area.

### **2.2. Customs**

One of the main thrusts of the SAFE Framework is to establish and enhance Customs-to-Customs network arrangements to promote the seamless movement of goods through secure international trade supply chains. These network arrangements will result, inter alia, in the exchange of timely and accurate information that will place Customs administrations in the position of managing risk on a more effective basis. Not only will this improve the ability of Customs to detect high-risk consignments, it will also enable Customs administrations to improve their controls along the international trade supply chain and make for better and more efficient allocation of Customs resources. The Customs-to-Customs network arrangements will strengthen co-operation between Customs administrations and enable administrations to carry out controls earlier in the supply chain, e.g. where the administration of an importing country requests the administration of the exporting country to undertake an examination on its behalf. The SAFE Framework also provides for the mutual recognition of controls under certain circumstances. The application of this instrument will enable Customs administrations to adopt a broader and more comprehensive view of the global supply chain and create the opportunity to eliminate duplication and multiple reporting requirements.



As stated above, the SAFE Framework will enable Customs administrations to cope with the challenges of the new international trading environment by putting the building blocks in place to undertake Customs reform and modernization. The SAFE Framework has also been structured in a flexible manner to enable Customs administrations to move at different speeds. This will enable Customs administrations to implement it in line with their own unique levels of development, conditions and requirements.

### **2.3. Business**

The SAFE Framework creates, amongst other things, the conditions for securing international trade, but also facilitates and promotes international trade. This encourages and makes it easier for buyers and sellers to move goods across borders. The SAFE Framework takes account of, and is based on, modern international production and distribution models.

Authorized Economic Operators (AEOs)<sup>1</sup> will reap benefits, such as faster processing of goods by Customs, e.g. through reduced examination rates. This, in turn, translates into savings in time and costs. One of the main tenets of the SAFE Framework is to create one set of international standards and this establishes uniformity and predictability. It also reduces multiple and complex reporting requirements.

These processes will ensure that AEOs see a benefit to their investment in good security systems and practices, including reduced risk-targeting assessments and inspections, and expedited processing of their goods.

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<sup>1</sup> Defined in Annex 1.



### **3. Pillar 1 – Customs-to-Customs : Introduction**

Customs administrations must work co-operatively with common and accepted standards to maximize the security and facilitation of the international trade supply chain as cargo shipments and transport conveyances move along the nodes of the global trading system. The Customs-to-Customs Pillar achieves this objective. It provides an effective mechanism for securing the international trade supply chain against the effects of terrorism and other forms of transnational crime.

Traditionally, Customs administrations inspect cargo and transport conveyances once it has arrived at their domestic ports. Today, there must be an ability to inspect and screen cargo and transport conveyances before it arrives. In view of their unique authority and expertise, Customs administrations contribute to both securing and facilitating global trade.

The central tenet of this pillar is the use of advance electronic information to identify high-risk cargo and transport conveyances. Using automated targeting tools, Customs administrations identify shipments that are high-risk as early as possible in the supply chain, at or before the port of departure.

Provision should be made for the automated exchange of information. Systems should therefore be based on harmonized messages and be interoperable.

To be effective and to ensure that the process does not slow down the movement of trade, Customs administrations should use modern technology to inspect high-risk shipments. This technology includes, but is not limited to, large-scale X-ray and gamma-ray machines and radiation detection devices. Maintaining cargo and container integrity by facilitating the use of modern technology is also a vital component of this pillar.

Drawing from, inter alia, the Revised Kyoto Convention, the Integrated Supply Chain Management (ISCM) Guidelines, and national programmes<sup>2</sup>, Customs administrations joining the SAFE Framework will standardize Pillar 1<sup>3</sup>.

In relation to trade continuity and resumption measures involving Customs cooperation, Customs administrations should work co-operatively with their international counterparts to develop mechanisms, plans and processes aimed towards maximizing the continuity and resumption of trade in the event of a disruption within the international supply chain, including the development of a plan of action and establishment of an effective communication mechanism<sup>4</sup>.

<sup>2</sup> In many cases the SAFE Framework, and in particular the technical specifications, are taken directly from these sources.

<sup>3</sup> The technical specifications for the Pillar 1 of the SAFE Framework are presented in 3.2 of this instrument.

<sup>4</sup> The details of trade continuity and resumption are presented in Part 6 of this instrument.



### **3.1. Customs-to-Customs Standards**

#### **Standard 1 – Integrated Supply Chain Management**

The Customs administration should follow integrated Customs control procedures as outlined in the WCO Customs Guidelines on Integrated Supply Chain Management (ISCM Guidelines)

#### **Standard 2 – Cargo Inspection Authority**

The Customs administration should have the authority to inspect cargo originating, exiting, transiting (including remaining on board), or being transhipped through a country.

#### **Standard 3 – Modern Technology in Inspection Equipment**

Non-intrusive inspection equipment and radiation detection equipment should be available and used for conducting inspections, where available and in accordance with risk assessment. This equipment is necessary to inspect high-risk cargo and/or transport conveyances quickly, without disrupting the flow of legitimate trade.

#### **Standard 4 – Risk-Management Systems**

The Customs administration should establish a risk-management system to identify potentially high-risk shipments and automate that system. The system should include a mechanism for validating threat assessments and targeting decisions and implementing best practices.

#### **Standard 5 - Selectivity, profiling and targeting**

Customs should use sophisticated methods to identify and target potentially high-risk cargo, including - but not limited to - advance electronic information about cargo shipments to and from a country before they depart or arrive; strategic intelligence; automated trade data; anomaly analysis; and the relative security of a trader's supply chain. For example, the Customs-Business Pillar certification and validation of point-of-origin security reduces the risk, and therefore, the targeting score.

#### **Standard 6 – Advance Electronic Information**

The Customs administration should require advance electronic information in time for adequate risk assessment to take place.

#### **Standard 7 – Targeting and Communication**

Customs administrations should provide for joint targeting and screening, the use of standardized sets of targeting criteria, and compatible communication and/or information exchange mechanisms; these elements will assist in the future development of a system of mutual recognition of controls.



### **Standard 8 – Performance Measures**

The Customs administration should maintain statistical reports that contain performance measures including, but not limited to, the number of shipments reviewed, the subset of high-risk shipments, examinations of high-risk shipments conducted, examinations of high-risk shipments by Non-intrusive inspection technology, examinations of high-risk shipments by Non-intrusive inspection and physical means, examinations of high-risk shipments by physical means only, Customs clearance times and positive and negative results. Those reports should be consolidated by the WCO.

### **Standard 9 – Security Assessments**

The Customs administration should work with other competent authorities to conduct security assessments involving the movement of goods in the international supply chain and to commit to resolving identified gaps expeditiously.

### **Standard 10 – Employee Integrity**

The Customs administration and other competent authorities should establish programmes to prevent lapses in employee integrity and to identify and combat breaches in integrity to the extent possible.

### **Standard 11 – Outbound Security Inspections**

The Customs administration should conduct outbound security inspection of high-risk cargo and/or transport conveyances at the reasonable request of the importing country.

## **3.2 Technical Specifications for Standards Implementation**

### **1. Standard 1 – Integrated Supply Chain Management**

**The Customs administration should follow integrated Customs control procedures as outlined in the World Customs Organization's (WCO) Customs Guidelines on Integrated Supply Chain Management (ISCM Guidelines).**

#### **1.1. Scope**

The implementation of the integrated Customs control procedures requires appropriate legal authority that will allow Customs administrations to request the advance electronic submission to Customs of data from the exporter and by the carrier (see the Annex) for security risk-assessment purposes. In addition, the integrated Customs control procedures involve cross-border co-operation between Customs administrations on risk assessment and Customs controls, to enhance the overall security and the release process, that require a legal basis.





Both of these requirements are supported by WCO-developed instruments: Guidelines for the Development of National Laws for the Collection and Transmission of Customs Information; the Model Bilateral Agreement; and the International Convention on Mutual Administrative Assistance in Customs Matters (Johannesburg Convention). As part of this co-operation, Customs administrations should agree on mutual recognition of control/inspection results and AEO programmes.

## 1.2. General control measures

### 1.2.1. Customs control

The Revised Kyoto Convention provides in the General Annex (Standard 6.1) that all goods, including means of transport, which enter or leave the Customs territory, shall be subject to Customs control. For the purpose of Standard 1, the integrity of the consignment has to be ensured from the time the goods are loaded into the container, or if not containerized, onto the means of transport until they have been released from Customs control at destination.

### 1.2. 2. Risk assessment

In the integrated Customs control chain, Customs control and risk assessment for security purposes is an ongoing and shared process commencing at the time when goods are being prepared for export by the exporter and, through ongoing verification of consignment integrity, avoiding unnecessary duplication of controls. To enable such mutual recognition of controls, Customs should agree on consistent control and risk management standards, the sharing of intelligence and risk profiles as well as the exchange of Customs data, taking into account the work which has been carried out within the context of the WCO Global Information and Intelligence Strategy. Such agreements should foresee the possibility of joint monitoring or quality control procedures to oversee the adherence to the standards.

### 1.2. 3. Controls at departure

The Customs office of departure must take all necessary action to enable the identification of the consignment and the detection of any unauthorized interference along the supply chain. In respect of maritime containerized consignments, any such screening or further action should be based on risk management principles and should be taken prior to loading the container onto the ship. The ISPS Code (b1 630- 37) outlines in broad terms the measures which should be taken by the port facility. In addition, the Customs administrations along the supply chain should agree to use an electronic messaging system to exchange Customs data, control results and arrival notifications, in particular for high-risk consignments. If necessary, Customs administrations should modify their enabling statutory authority, so that they can fully screen high-risk cargo.



#### 1.2.4. Sealing

In the interest of supply chain security and the integrated Customs control chain, in particular to ensure a fully secure movement from stuffing of the container to release from Customs control at destination, Customs should apply a seal integrity programme as detailed in the revised Guidelines to Chapter 6 of the General Annex to the Revised Kyoto Convention (see 3.3.). Such seal integrity programmes, based on the use of a high-security mechanical seal as prescribed in ISO 17712 at the point of stuffing, include procedures for recording the affixing, changing and verification of seal integrity at key points, such as modal change.

Additionally, Customs should facilitate the voluntary use of technologies to assist in ensuring the integrity of the container along the supply chain.

#### 1.2.5. Unique Consignment Reference (UCR)

Customs administrations should apply the WCO Recommendation on the UCR and its accompanying Guidelines

### 1.3. Submission of data

#### 1.3.1. Export Goods declaration

The exporter or his/her agent should submit an advance electronic export Goods declaration to the Customs at export prior to the goods being loaded onto the means of transport or into the container being used for their exportation. For security purposes the Customs should not require the advance export Goods declaration to contain more than the details listed in the Annex.

The exporters have to confirm to the carrier in writing, preferably electronically, that they have submitted an advance export Goods declaration to Customs. Where the export Goods declaration was an incomplete or simplified declaration, it may have to be followed up by a supplementary declaration for other purposes such as the collection of trade statistics at a later stage as stipulated by national law.

#### 1.3.2. Import Goods declaration

The importer or his/her agent should submit an advance electronic import Goods declaration to the Customs at import prior to arrival of the means of transport at the first Customs office or, for maritime container shipments, prior to loading. For security purposes, Customs should not require more than the details listed in the Annex. Where the import Goods declaration was an incomplete or simplified declaration, it may have to be followed up by a supplementary declaration for other purposes such as duty calculation or the collection of trade statistics at a later stage as stipulated by national law. The Authorized Supply Chain (see 1.4.2) provides the possibility to integrate the export and import information flows into one single declaration for export and import purposes, which is being shared between the Customs administrations concerned.



#### 1.3.3. Cargo declaration

The carrier or his/her agent should submit an advance electronic cargo declaration to the Customs at export and/or at import. For maritime containerized shipments, the advance electronic cargo declaration should be lodged prior to the goods/container being loaded onto the vessel. For all other modes and shipments, it should be lodged prior to arrival of the means of transport at the Customs office at export and/or import. For security purposes, Customs should not require more than the details listed in Annex II.

The advance cargo declaration may have to be followed by a supplementary cargo declaration as stipulated by national law.

#### 1.3.4. Vessel Stow Plan

Customs administrations may require the vessel operator, or “carrier”, to submit via electronic data exchange system advance vessel stow plans (VSPs) to the Customs at import prior to the arrival of the means of transport at the first Customs office. Vessels that are not transporting containers are exempt from providing a VSP. Since VSPs apply only to the maritime mode, the advance stow plans should be received via electronic data exchange system by the Customs office at import no later than 48 hours after the carrier’s departure from the last foreign port. For voyages less than 48 hours in duration, the VSP should be submitted prior to the vessel’s arrival at the first Customs office.

#### 1.3.5. Container Status Messages

Customs administrations, for maritime transport, may require the carrier to submit container status messages (CSM) to report terminal container movements and to report changes in the status of the containers. The CSM are required for all containers, including empty containers, destined to arrive within the limits of the Customs office at import no later than 24 hours after the message has been entered into the carrier’s system. There is no requirement that carriers create or collect any CSM that the carrier does not otherwise create or collect on its own and maintain in its electronic equipment tracking system. Of note, carriers are exempt from the CSM requirement for bulk and break bulk cargo.

#### 1.3.6. “No load”, “No unload” notification

Customs should establish a system whereby notifications will be issued only for those consignments which cannot be loaded or unloaded. Such notifications should be issued within a specified time following the submission of data required for risk assessment.

#### 1.3.7. Time limit

The exact time at which the Goods and Cargo declarations have to be lodged with the Customs administration at either export or import should be defined by national law after careful analysis of the geographical situation and the business processes applicable for the different modes of transport, and after consultation with the business sector and other



Customs administrations concerned. Customs should provide equal access to simplified arrangements to AEOs regardless of the mode of transport. However, in order to ensure a minimum level of consistency and without prejudice to specific situations, Customs should not require the advance declarations to be submitted more than :

*Maritime*

- Containerized cargo : 24 hours before loading at port of departure.
- Bulk/Break bulk : 24 hours before arrival at first port in the country of destination.

*Air*

- Short haul : At time of “Wheels Up” of aircraft.
- Long haul : 4 hours prior to arrival at the first port in the country of destination.

*Rail*

- 2 hours prior to arrival at the first port in country of destination.

*Road*

- 1 hour prior to arrival at the first port in country of destination.

#### 1.3.8. Exchange of information for high-risk consignments

As part of the integrated Customs control chain, Customs administrations along the supply chain must consider Customs-to-Customs data exchange, in particular for high-risk consignments, to support risk assessment and facilitate release. Such an electronic messaging system could include the exchange of notifications about the export transaction, including the control results, as well as a corresponding arrival notification.

National legislation must contain provisions to allow Customs to transmit information they collect for their purposes to other Customs administrations. If not, such provisions must be developed and enabled. The Guidelines for the Development of National Laws for the Collection and Transmission of Customs Information may be used as a basis to develop these provisions. In addition, existing WCO tools such as the Johannesburg Convention and the Model Bilateral Agreement may serve as a basis to exchange information on high-risk goods.

#### 1.3.9. WCO Data Model

Customs administrations should ensure that their respective IT systems are interoperable and are based on open standards. To this end, Customs should use the WCO Data Model, which defines a maximum set of data for the accomplishment of export and import formalities. The Data Model also defines the electronic message formats for relevant Cargo and Goods declarations. The WCO Data Model includes all the data elements listed in the Annex that may be required by way of advance information for security purposes



#### 1.4. Authorized Supply Chain

##### 1.4.1. Authorized Economic Operators

AEOs who meet criteria specified by the Customs (see 4.2.) should reasonably expect to participate in simplified and rapid release procedures on the provision of minimum information. The criteria include having an appropriate record of compliance with Customs requirements, a demonstrated commitment to supply chain security by being a participant in a Customs-Business partnership programme, a satisfactory system for managing their commercial records and financial viability. In order to enhance supply chain security and harmonization of Customs procedures Customs administrations should seek mutual recognition of AEO status between or among programmes.

##### 1.4.2. Authorized Supply Chain

The Authorized Supply Chain is a concept under which all participants in an international trade transaction are approved by Customs as observing specified standards in the secure handling of goods and relevant information. Consignments passing from origin to destination entirely within such a chain would benefit from an integrated cross-border simplified procedure, where only one simplified declaration with minimum information would be required for both export and import purposes.

#### 2. Standard 2 – Cargo Inspection Authority

**The Customs administration should have the authority to inspect cargo originating, exiting, transiting (including remaining on board), or being transhipped through a country.**

#### 3. Standard 3 – Modern Technology in Inspection Equipment

**Non-intrusive inspection equipment and radiation detection equipment should be available and used for conducting inspections, where available and in accordance with risk assessment. This equipment is necessary to inspect high-risk cargo and/or transport conveyances quickly, without disrupting the flow of legitimate trade.**

##### Modern technology

To assist its Members, the WCO maintains a Data Bank on Advanced Technology and has produced detailed Guidelines for the Purchase and Deployment of Scanning/NII equipment in the SAFE Package<sup>5</sup>.

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<sup>5</sup>SAFE Package incorporates all guidance material to facilitate the implementation of the SAFE Framework of Standards





#### 4. Standard 4 – Risk-Management Systems

**The Customs administration should establish a risk-management system to identify potentially high-risk cargo and/or transport conveyances and automate that system. The system should include a mechanism for validating threat assessments and targeting decisions and implementing best practices.**

##### 4.1. Automated selectivity systems

Customs administrations should develop automated systems based on international best practice that use risk management to identify cargo and/or transport conveyances that pose a potential risk to security and safety based on advance information and strategic intelligence. For containerized maritime cargo shipments, that ability should be applied uniformly before vessel loading.

##### 4.2. Risk management

Risk management is "the systematic application of management procedures and practices which provide Customs with the necessary information to address movements or consignments which present a risk".

##### 4.3. WCO Global Information and Intelligence Strategy

An effective risk-management regime has as an important component the collection of information, its processing and dissemination in support of Customs controls and operations. This intelligence function, coupled with Standardized Risk Assessments, which produce risk indicators for Customs targeting and screening of goods and conveyances, is contained in the WCO Global Information and Intelligence Strategy.

##### 4.4. References

The WCO Risk-Management Guide, the WCO Global Information and Intelligence Strategy, WCO Standardized Risk Assessment and General High-Risk Indicators are useful references for risk management (and assessment).

#### 5. Standard 5 - Selectivity, profiling and targeting

**Customs should use sophisticated methods to identify and target potentially high-risk cargo, including - but not limited to - advance electronic information about cargo shipments to and from a country before they depart or arrive; strategic intelligence; automated trade data; anomaly analysis; and the relative security of a trader's supply chain. For example, the Customs-Business Pillar certification and validation of point-of-origin security reduces the risk, and therefore, the targeting score.**



## 6. Standard 6 – Advance Electronic Information

**The Customs administration should require advance electronic information in time for adequate risk assessment to take place.**

### 6.1. Need for computerization

The advance electronic transmission of information to Customs requires the use of computerized Customs systems, including the use of electronic exchange of information at export and at import.

### 6.2. Revised Kyoto Convention ICT Guidelines

Standards 7.1, 6.9, 3.21 and 3.18 of the General Annex to the Revised Kyoto Convention require Customs to apply Information and Communication Technologies (ICT) for Customs operations, including the use of e-commerce technologies. For this purpose, the WCO has prepared detailed Guidelines for the application of automation for Customs. These Kyoto ICT Guidelines should be referred to for the development of new, or enhancement of existing, Customs ICT systems. In addition, Customs administrations are recommended to refer to the WCO Customs Compendium on Customs Computerization.

### 6.3. Use of economic operators' systems

The ICT Guidelines also recommend the possibility to use economic operators' commercial systems and to audit them to satisfy Customs' requirements. In particular in the context of the Authorized Supply Chain, the possibility for Customs to have online access to the commercial systems of the parties involved, once any confidentiality or legal issues have been resolved, would provide enhanced access to authentic information and offer the possibility for far-reaching simplified procedures. Another example is Cargo Community Systems (CCS) where in ports or airports all parties involved in the transport chain have established an electronic system by which they exchange all relevant cargo and transport related data. Provided that these systems contain the necessary particulars for Customs purposes, Customs should consider participating in such systems and extracting the data required for their purposes.

### 6.4. Electronic data-exchange standards

The Kyoto Convention ICT Guidelines recommend to Customs to offer more than one solution for the electronic exchange of information. While EDI using the international standard UN/EDIFACT is still one of the preferred interchange options, Customs should also look at other options such as XML. Depending on the risks, expected volumes of transactions and types of business involved, even the use of e-mail and telefax could provide a suitable solution.



#### 6.5. WCO Data Model

Economic operators required to submit Cargo and Goods declarations to Customs based on the data sets of the WCO Data Model should use the electronic message specifications of the WCO Data Model.

#### 6.6. ICT Security

The use of ICT in general and electronic exchange of information over open networks in particular requires a detailed ICT security strategy. ICT security therefore has to be seen as an integral part of any Customs supply chain security strategy. To arrive at an effective and efficient IT security strategy, Customs have to undertake risk assessment. The Kyoto ICT Guidelines outline ways in which a comprehensive ICT security strategy can ensure the availability, integrity and confidentiality of the information and of IT systems and the information they handle, including, for example, the avoidance of repudiation at origin or receipt. There are many ways to implement ICT security, for which purpose reference is made to the Kyoto ICT Guidelines.

#### 6.7. Digital signatures

One essential ICT security element for a supply chain security strategy is related to digital signatures. Digital signatures, or Public Key Infrastructure arrangements, can play an important role in securing the electronic exchange of information. The integrated Customs control chain includes the possibility that traders can submit their declarations in advance to both the Customs administration at export and to the Customs administration at import. It would be beneficial if economic operators would also benefit from mutual recognition of digital certificates. This would allow the economic operator to sign all electronic messages to those Customs administrations having accepted to recognize this certificate. This cross-border recognition of digital certificates can help increase security but, at the same time, provide significant facilitation and simplification for the trader. For this purpose, Customs administrations are encouraged to apply the WCO Recommendation concerning the electronic transmission and authentication of Customs and other relevant regulatory information.

#### 6.8. Capacity building

Customs administrations requesting assistance in developing or acquiring the requisite automated systems will have to have the political will to implement the SAFE Framework.

#### 6.9. Data privacy and data protection

The exchange of data either among Customs administrations or with the private sector as requested by Customs should be initiated only after consultation between the government entities concerned about the necessary data privacy and data protection. Data privacy and data protection legislation is enacted in order to protect the individual's right to privacy, trade confidentiality and to allow individuals to have access to their personal data held to verify its accuracy.



In this respect, national legislation must contain provisions that specify that any data collected and or transmitted by Customs must be treated confidentially and securely and be sufficiently protected, and it must grant certain rights to natural or legal persons to whom the information pertains.

Similarly, data protection and confidentiality are addressed in existing WCO tools such as the Johannesburg Convention and the Model Bilateral Agreement.

## 7. Standard 7 – Targeting and Communication

**Customs administrations should provide for joint targeting and screening, the use of standardized sets of targeting criteria, and compatible communication and/or information exchange mechanisms; these elements will assist in the future development of a system of mutual recognition of controls.**

### 7.1. WCO Global Information and Intelligence Strategy

Chapter IV of the WCO Global Information and Intelligence Strategy has provisions for Standardized Risk Assessments. They are an important part of intelligence work and they produce risk-indicator products for Customs officers for the purpose of targeting and screening goods and conveyances.

### 7.2. WCO Standardized Risk Assessments document

The Standardized Risk Assessment document introduces five risk indicator clusters for Customs administrations. These specific clusters - The mode of transport; Revenue protection; Drugs and precursors; Security; and Other prohibitions and restrictions - set out standardized targeting criteria. The clusters are further divided into several risk indicator chapters which are updated regularly.

### 7.3. WCO General High-Risk Indicator document

The WCO General High-Risk Indicator document contains indicators which set out standardized sets of targeting criteria for Customs administrations to detect Customs infringements in a general manner. Headings for the document are : Details of the carriers manifest; Identification of high-risk country; Commodity and transportation factors that may indicate high-risk conditions; Known high-risk commodities used for concealment purposes; List of dangerous goods that may be potentially used in a terrorist attack; and Factors which may reflect high-risk, such as container, importer/exporter and shipper. These sets of indicators are also updated regularly.

### 7.4. WCO Handbook for Customs Officers on Risk Indicators - Factors for Intellectual Property Infringement

The Handbook contains a list of factors indicating a high risk for piracy and counterfeiting. These 17 risk indicators are intended to be a standardized set of targeting



criteria and to be used by front-line Customs officers to help them determine which shipments present a high risk of potential intellectual property rights violations.

#### 7.5. Legal considerations

Joint targeting and screening are activities that can be carried out by Customs administrations to increase their effectiveness in ensuring the security of shipments and in combating transborder organized crime. Rules and conditions for such joint efforts are normally established between Customs administrations. WCO tools such as the Johannesburg Convention and the Model Bilateral Agreement contain provisions that support such international or bilateral co-operation.

### 8. Standard 8 – Performance Measures

**The Customs administration should maintain statistical reports that contain performance measures including, but not limited to, the number of shipments reviewed, the subset of high-risk shipments, examinations of high-risk shipments conducted, examinations of high-risk shipments by Non-intrusive inspection technology, examinations of high-risk shipments by Non-intrusive inspection and physical means, examinations of high-risk shipments by physical means only, Customs clearance times and positive and negative results. Those reports should be consolidated by the WCO.**

#### Collection of data

Customs administrations will collect and apply data to performance measures to evaluate the impact and effectiveness of their adherence to the SAFE Framework. For this purpose, the WCO Time Release Study (TRS) is an appropriate instrument.

### 9. Standard 9 – Security Assessments

**The Customs administration should work with other competent authorities to conduct security assessments involving the movement of goods in the international supply chain and to commit to resolving identified gaps expeditiously.**

### 10. Standard 10 – Employee Integrity

**The Customs administration and other competent authorities should establish programmes to prevent lapses in employee integrity and to identify and combat breaches in integrity to the extent possible.**

#### 10.1. WCO Revised Arusha Declaration

The WCO Revised Arusha Declaration is the pre-eminent source of guidance for Customs administrations to install anti-corruption systems.





## 10.2. Training

Security and facilitation along the global supply chain require highly trained and motivated staff in the Customs administration, as well as in all other parties involved in the supply chain. Customs have to ensure that all levels of staff are regularly provided with the necessary training to build up and maintain the skills required to perform effective and efficient Customs controls and to operate in an electronic environment.

## 11. Standard 11 – Outbound Security Inspections

**The Customs administration should conduct outbound security inspection of high-risk cargo and/or transport conveyances at the reasonable request of the importing country.**

### 11.1. Examination on request

When a Customs administration, in applying risk assessment, has reason to believe that cargo and/or transport conveyances destined to any of its ports of entry may represent high risk, it can request the Customs administration of the outbound country to conduct an examination, preferably prior to loading (see 4.1).

### 11.2. Legal considerations

Among other administrative arrangements, WCO tools such as the Johannesburg Convention and the Model Bilateral Agreement make it possible for a Customs administration to request another Customs administration to carry out such an activity.

## 3.3 Seal Integrity for Secure Containers

### **Importance of specifying security relationships**

Greater clarity and consensus about the relationships among the parties in the movement of secure containerized goods, coupled with consistent application and enforcement of those relationships, will provide multiple benefits to all of those parties. These benefits include :

- Improved security against acts of terrorism that exploit the global trade in goods.
- Reduced risk of economic hardship caused by disruptions to or closures of trade in response to terrorist acts.
- Improved security against theft and diversion of cargo, with consequent reductions in direct losses and indirect costs, such as insurance.
- Improved security against illegal transport of materials such as narcotics and weapons, and of persons.
- Improved security against the illegal movement of “black market” and “grey market” trade goods.
- Reduced risk of evasion of duties and taxes.
- Increased confidence in international trading systems by current and potential shippers of goods.
- Facilitation dividends, such as a reduced number of examinations (reduced border times) and access to simplified procedures.



## Responsibilities along the chain of custody

### A. Cross-cutting responsibilities

There are responsibilities and principles that apply throughout the life cycle of a containerized shipment of goods. The emphasis is on the relationships among parties upon changes in the custody or possession of the container. That emphasis does not reduce and should not obscure the fundamental responsibility of the shipper for the safe and secure stuffing and sealing of the container. Each party in possession of the container has security responsibilities while cargo is entrusted to them, whether at rest at a node or while moving between nodes. Each party with data that needs to be filed with the government for Customs and security screening purposes has responsibilities. Those responsibilities include :

- Protecting the physical goods from tampering, theft, and damage.
- Providing appropriate information to government authorities in a timely and accurate manner for security screening purposes.
- Protecting the information related to the goods from tampering and unauthorized access. This responsibility applies equally to times before, during and after having custody of the goods.

Security seals are an integral part of the chain of custody. The proper grade and application of the security seal is addressed below. Security seals should be inspected by the receiving party at each change of custody for a cargo-laden container. Inspecting a seal requires visual check for signs of tampering, comparison of the seal's identification number with the cargo documentation, and noting the inspection in the appropriate documentation. If the seal is missing, or shows signs of tampering, or shows a different identification number than the cargo documentation, then a number of actions are necessary:

The receiving party must bring the discrepancy to the attention of the party tendering the container and the shipper. The receiving party must note the discrepancy on the cargo documentation. The receiving party should notify Customs or law enforcement agencies, in accordance with national legislation. Where no such notification requirements exist, the receiving party shall refuse custody of the container pending communication with the party tendering the container and until such discrepancies can be resolved. Once discrepancies have been resolved, the receiving party shall affix a security seal to the container and note the particulars, including the new seal number, on all pertinent cargo documentation.

Security seals may be changed on a container for legitimate reasons. Examples include inspections by an exporting Customs administration to verify compliance with export regulations; by a carrier to ensure safe blocking and bracing of the lading; by an importing Customs administration to confirm cargo declarations; and by law enforcement officials concerned with other regulatory or criminal issues.

If public or private officials should remove a security seal to inspect the lading, they will install a replacement in a manner that meets the requirements specified below, and



note the particulars of the action, including the new seal number, on the cargo documentation.

### **B. Stuffing site**

The shipper/consignor is responsible for securely stuffing the container and for the accurate and complete description of the cargo. The shipper is also responsible for affixing the cargo security seal immediately upon the conclusion of the stuffing process, and for preparing documentation for the shipment, including the seal number.

The cargo security seal should be compliant with the definition of high-security mechanical seals in ISO 17712. The seal should be applied to the container in a manner that avoids the vulnerability of the traditional container door handle seal location to surreptitious tampering. Among the acceptable ways to do this are alternative seal locations that prevent swivelling of an outer door locking cam or the use of equivalent tamper evident measures, such as cable seals across the door locking bars.

The land transport operator picks up the load. The transport operator receives the documentation, inspects the seal and notes the condition on the documentation, and departs with the load.

### **C. Intermediate terminal**

If the container movement is via an intermediate terminal, then the land transport operator transfers custody of the container to the terminal operator. The terminal operator receives the documentation, inspects the seal and notes the condition on the documentation. Normally, the terminal operator sends an electronic notification of receipt (status report) to other private parties to the shipment. The terminal operator prepares or stages the container for its next movement, which could be by road, rail or barge. Similar verification and documentation processes take place upon pickup or departure of the container from the intermediate terminal. It is rare that public sector agencies are involved in or informed about intermodal transfers at intermediate terminals.

### **D. Loading ocean terminal**

Upon arrival at the loading ocean terminal, the land transport operator transfers custody of the container to the terminal operator. The terminal operator receives the documentation and normally sends an electronic notification of receipt (status report) to other private parties to the shipment. The terminal operator prepares or stages the container for loading upon the ocean vessel.

The carrier or the ocean terminal as agent for the carrier inspects the condition of the seal, and notes it accordingly; this may be done at the ocean terminal gate or after entry to the terminal but before the container is loaded on the ship. Public agencies in the exporting nation review export documentation and undertake necessary export control and provide safety certifications. The Customs administrations that require advance information receive that information, review it, and either approve the container for loading (explicitly or tacitly) or issue “do not load” messages for containers that cannot be loaded pending further screening, including possible inspection.



For those countries that have export declaration and screening requirements, the carrier should require from the shipper documentation that the shipper has complied with the relevant requirements before loading the cargo for export. (The shipper/consignor is, however, responsible for compliance with all prevailing documentation and other pertinent export requirements.) Where applicable, the ocean carrier must file its manifest information to those importing Customs agencies that require such information. Shipments for which “do-not-load” messages have been issued should not be loaded onboard the vessel pending further screening.

#### **E. Transshipment terminal**

The transshipment terminal operator shall inspect the security seal between the off-loading and re-loading of the container. This requirement may be waived for transshipment terminals which have security plans that conform to the International Ship and Port Facility Security Code (ISPS Code produced by the International Maritime Organization).

#### **F. Off-loading ocean terminal**

The receiver/consignee usually arranges for a Customs broker to facilitate clearance of the shipment in the off-loading ocean terminal. Generally, this requires that the cargo owner provide documentation to the broker in advance of arrival.

The ocean carrier provides advance electronic cargo manifest information to the terminal operator and to the importing Customs administration as required. Customs may select containers for different levels of inspection immediately upon off-loading or later. Customs may inspect the condition of the seal and related documentation in addition to the cargo itself. If the container is to travel under Customs control to another location for clearance, then Customs at the off-loading terminal must affix a Customs seal to the container and note the documentation accordingly.

The receiver/consignee or Customs broker pays any duties and taxes due to Customs and arranges the Customs release of the shipment. Upon pickup for departure from the ocean terminal, the land transport operator inspects and notes the condition of the seal, and receives documentation from the terminal operator.

#### **G. Intermediate terminal**

The processes in intermediate terminals in the importing country are analogous to those in intermediate terminals in exporting countries.

#### **H. Unloading site**

Upon receipt of the container, the consignee or deconsolidator inspects the seal and notes any discrepancy on the documentation. The consignee unloads the container and verifies the count and condition of the lading against the documentation. If there is a shortage, damage, or an overage discrepancy, it is noted for claims or insurance purposes, and the shipment and its documentation are subject to audit and review. If there is an anomaly related to narcotics, contraband, stowaways or suspicious materials, the consignee Customs or another law enforcement agency must be informed.

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#### **4. Pillar 2 – Customs-to-Business : Introduction**

Each Customs administration will establish a partnership with the private sector in order to involve it in ensuring the safety and security of the international trade supply chain. The main focus of this pillar is the creation of an international system for identifying private businesses that offer a high degree of security guarantees in respect of their role in the supply chain. These business partners should receive tangible benefits in such partnerships in the form of expedited processing and other measures.

The following statement from the "High Level Guidelines for Co-operative Arrangements between WCO Members and Private Industry to Increase Supply Chain Security and Facilitate the Flow of International Trade" sums up the critical relationship between Customs and Business in adding another layer to the protection of international trade :

*"To the extent that Customs can rely on its partners in the trade community to evaluate and address threats to their own supply chain, the risk confronting Customs is reduced. Therefore, companies that demonstrate a verifiable willingness to enhance supply chain security will benefit. Minimizing risk in this way helps Customs in performing their security functions, and in facilitating legitimate trade."*

Such programmes push assessments on supply chain security further back into the supply chain by involving the private sector and by requiring increased security at the point of origin, e.g. the point of stuffing a container at a foreign manufacturer's loading docks, and as the container is moved from point to point through the supply chain.

This SAFE Framework sets forth the criteria by which businesses in the supply chain can obtain authorized status as a security partner. Such criteria address issues such as threat assessment, a security plan adapted to the assessed threats, a communication plan, procedural measures to prevent irregular or undocumented goods entering the international supply chain, physical security of buildings and premises used as loading or warehousing sites, security of cargo, means of transport, personnel vetting, and protection of information systems.

The priorities of validating or authorizing participants can be determined by a number of factors, including import volume, security-related anomalies, the strategic threat posed by certain geographic regions, or other risk-related information. Deciding which factors to emphasize will inevitably change based on evolving circumstances.

General agreement on the minimum benefits that Business partners can reap from the AEO status is also crucial. Benefits include quicker movement of low-risk cargo through Customs, improved security levels, optimized supply chain cost through security efficiencies, enhanced reputation for the organization, increased business opportunities, improved understanding of Customs requirements, and better communication between the AEO and the Customs administration.





Many businesses that function along the nodes of the international supply chain already must meet existing international security requirements and/or have internal security programmes in place that address concerns of Customs administrations. The systems within the Customs-to-Business Pillar of the SAFE Framework must be based on the quality accreditation of Customs routines that use information technology to facilitate the procedures commonly associated with cross-border trade and that offer special benefits to those importers, exporters, brokers, forwarders, carriers and other service providers that qualify.

Drawing from the number of innovative national AEO programmes, Customs administrations and international trade businesses joining the SAFE Framework will standardize Pillar 2<sup>6</sup>.

**In relation to trade continuity and resumption measures, governments should work co-operatively with the private sector, including Authorized Economic Operators, to develop mechanisms, plans and processes towards maximizing the continuity and resumption of trade in the event of a disruption within the international supply chain<sup>7</sup>.**

#### **4.1. Customs-To-Business Standards**

##### **Standard 1 – Partnership**

AEOs involved in the international trade supply chain will engage in a self-assessment process measured against pre-determined security standards and best practices to ensure that their internal policies and procedures provide adequate safeguards against compromise of their supply chains until cargo is released from Customs control at destination.

##### **Standard 2 – Security**

AEOs will incorporate pre-determined security best practices into their existing business practices.

##### **Standard 3 – Authorization**

The Customs administration, together with representatives from the trade community, will design validation processes or quality accreditation procedures that offer incentives to businesses through their status as AEOs.

##### **Standard 4 – Technology**

All parties will maintain cargo and container integrity by facilitating the use of modern technology.

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<sup>6</sup> The technical specifications for the Pillar 1 of the SAFE Framework are presented in 4.2 of this instrument.

<sup>7</sup> The details of trade continuity and resumption are presented in Part 6 of this instrument.



### **Standard 5 – Communication**

The Customs administration will regularly update Customs-Business partnership programmes to promote minimum security standards and supply chain security best practices.

### **Standard 6 – Facilitation**

The Customs administration will work co-operatively with AEOs to maximize security and facilitation of the international trade supply chain originating in or moving through its Customs territory.

## **4.2. Technical Specifications for Standards Implementation**

WCO Members and the private trade sectors recognize the dual importance of securing the supply chain while facilitating the flow of goods across borders. They also recognize that in working to effect improvements on one side of the equation, they derive benefits on the other as well. In this respect, attention is called to the “*SAFE Framework for Sector-Specific Co-operative Arrangements to Increase Supply Chain Security and Facilitate Trade*”, which could serve as a useful blueprint for such a system during the initial implementation phase of the SAFE Framework. The cornerstone of successful Customs-to-Business Partnerships relies on several critical factors, accompanied by a mutual respect for each other’s roles and responsibilities in this regard. While by no means exhaustive, the following overarching themes should guide the Customs-to-Business joint efforts : Partnership, Security, Authorization, Technology, Communication and Facilitation.

### **Standard 1 – Partnership**

**Authorized Economic Operators involved in the international trade supply chain will engage in a self-assessment process measured against pre-determined security standards and best practices to ensure that their internal policies and procedures provide adequate safeguards against compromise of their supply chains until cargo is released from Customs control at destination.**

A Customs-to-Business partnership programme should allow for the flexibility and customization of security plans based on the AEO’s business model.

The Customs administration and AEO should jointly determine and document the appropriate partnership security measures that will be implemented and maintained by the AEO.

The jointly produced Customs-to-Business partnership document should have written and verifiable processes to ensure, as far as possible, and in accordance with the AEO’s business model, that the AEO’s business partners, including manufacturers, product suppliers and vendors declare their intention to comply with the security standards set forth in the SAFE Framework.



Periodic reviews of the AEO's processes and security measures should be conducted (based on risk) and should be consistent with the security procedures set forth in the respective business security-related agreement.

## Standard 2 – Security

### **Authorized Economic Operators will incorporate pre-determined security best practices into their existing business practices.**

The AEO will implement security measures that assure the security of buildings as well as those that monitor and control exterior and interior perimeters and access controls that prohibit unauthorized access to facilities, conveyances, loading docks and cargo areas. Access control of facilities in the secure supply chain should incorporate managerial control over the issuance and adequate control of identification badges (employee, visitor, vendor, etc.) and other access devices, including keys, access cards, and other devices that allow for unfettered access to company property and assets.

Access control to facilities in the secure supply chain should incorporate prompt and thorough removal of a terminated employee's company-issued identification and access to premises and information systems.

Trade-sensitive data should be protected through use of necessary automated back-up capabilities, such as individually assigned password accounts that require periodic recertification, appropriate information system security training, and protection against unauthorized access to and misuse of information.

Personnel security programmes should incorporate screening of employees and prospective employees, as appropriate and as allowed for by national legislation. These programmes should include periodic background checks on employees working in security-sensitive positions, noting unusual changes in an employee's apparent social and economic situation.

In accordance with the AEO's business model, security programmes and measures should be in place to promote the integrity of a business partner's processes that are related to the transportation, handling and storage of cargo in the secure supply chain.

Procedures should be employed to ensure that all information used for cargo processing, both electronic and manual, is legible, timely, accurate, and protected against alteration, loss or introduction of erroneous data. The AEO and Customs will ensure the confidentiality of commercial and security-sensitive information. Information provided should be used solely for the purposes for which it was provided.

An AEO shipping or receiving cargo should reconcile it with the appropriate shipping documentation. The AEO shall ensure that cargo information received from



business partners is reported accurately and in a timely manner. Persons delivering or receiving cargo must be identified before cargo is received or released.

The AEO should conduct specific training to assist employees in maintaining cargo integrity, recognizing potential internal threats to security and protecting access controls. The AEO should make employees aware of the procedures the company has in place to identify and report suspicious incidents.

### Standard 3 – Authorization

**The Customs administration, together with representatives from the trade community, will design validation processes or quality accreditation procedures that offer incentives to businesses through their status as Authorized Economic Operators. These processes will ensure that they see a benefit to their investment in good security systems and practices, including reduced risk-targeting assessments and inspections, and expedited processing of their goods.**

The Customs administration should co-operate (by various means) with business partners to determine joint benefits to be derived by collective participation in the secure supply chain.

The Customs administration should be receptive to the concerns of the AEO and its authorized representatives and determine, in consultation with them, a formalized method of communication that ensures that issues are properly received, addressed and resolved.

The Customs administration should document the tangible benefits that the administration expects to provide (within its jurisdiction) to fully engaged business partners in the secure supply chain. These benefits should be measured and reported, and should keep pace with obligations as Customs phase in national programmes.

Customs administrations should seek mutual recognition of AEO status between or among programmes to enhance the benefits offered to their respective AEOs.

The Customs administration should, where appropriate, seek or amend provisions and implement procedures to expedite the processing for consumption or export of shipments that are determined to be in a low-risk category for security concerns.

The Customs administration will derive benefits through the enhanced security of goods in the international supply chain, where improved intelligence processes, risk-assessment capabilities and better targeting of high-risk consignments will lead to optimized use of resources.

The Customs administration, as well as AEOs, will derive benefits from the use of self-assessment and verification.



#### Standard 4 – Technology

**All parties will maintain cargo and container integrity by facilitating the use of modern technology.**

AEOs should conform, at a minimum, to the current requirements as set forth in various international agreements, including, but not limited to, the 1972 Customs Container Convention and the Customs Convention on International Transport of Goods under Cover of TIR Carnets (TIR Convention, 1975).

Customs administrations should encourage and facilitate, through appropriate incremental incentives, the voluntary use by AEOs of more advanced technologies beyond mechanical sealing for establishing and monitoring container and cargo integrity, as well as reporting unauthorized interference with container and cargo.

AEOs should have documented procedures that set forth their internal policy regarding the affixing and processing of cargo and containers that employ high-security seals and/or other devices that are designed to prevent tampering with cargo.

The Customs administration should have documented procedures that set forth its seal verification regime, as well as its operational procedures for addressing discrepancies.

The Customs administration and the AEO should maintain an open dialogue on areas of common concern to collectively benefit from advancements in industry standards and container integrity technologies, as well as mutual operational readiness as related to identified instances of security seal breach.

#### Standard 5 – Communication

**The Customs administration will regularly update Customs-Business partnership programmes to promote minimum security standards and supply chain security best practices.**

Customs should establish, in consultation with an AEO or its representatives, procedures to be followed in the event of queries or suspected Customs offences, including providing the AEO or its agents with contact information where appropriate Customs officials can be contacted in an emergency.

Customs should engage in regular consultation, at both the national and local level, with all parties involved in the international supply chain to discuss matters of mutual interest including Customs regulations, and procedures and requirements for premises and consignment security.

The AEO should be responsive to Customs co-ordination of the above-described outreach efforts and contribute to a dialogue that provides meaningful insight to ensure that the Programme remains relevant and well-grounded in minimum security standards that benefit both partners.



### Standard 6 – Facilitation

**The Customs administration will work co-operatively with AEOs to maximize security and facilitation of the international trade supply chain originating in or moving through its Customs territory.**

The Customs administration should seek or amend provisions and implement procedures that consolidate and streamline the submission of required information for Customs-related clearance to both facilitate trade and identify high-risk cargo for appropriate action.<sup>8</sup>

The Customs administration should establish mechanisms to allow for business partners to comment on proposed amendments and modifications that significantly affect their role in securing the supply chain.

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<sup>8</sup> The Revised Kyoto Convention offers a global model through which this can be accomplished.





## **5. Co-ordinated Border Management**

Coordinated Border Management (CBM) strengthens the ability of a multitude of border based agencies to secure and facilitate global trade. Governments should develop co-operative arrangements among their agencies (such as Customs, transport ministries, national police, immigration authorities, border guard, and other entities as appropriate on a Member-to-Member basis) that are involved in international trade and security. Governments should also work with the border agencies of foreign governments in order to maximize the harmonization of border control functions. The implementation of such co-operative arrangements could address border issues such as national and international cooperation and co-ordination and the adoption of international standards.

In relation to trade continuity and resumption measures, and in order to continue trade in the event of a disruptive incident, it is important that Customs Administrations work with other government entities and the private sector to identify their respective roles and responsibilities. Mechanisms and plans should be developed in advance based on those responsibilities and updated as necessary.

CBM also stands as a “building block” within the WCO’s *Customs in the 21<sup>st</sup> Century: Enhancing Growth and Development through Trade Facilitation and Border Security* document, approved by the Council in June 2008.

### **5.1 Government Agency Co-ordination**

**Governments should develop cooperative arrangements and protocols among their agencies that are involved in international trade and security.**

These government agencies should include, but not be limited to, those which may have regulatory authority over passengers, goods and conveyances that move across borders as well as supporting technical and physical infrastructure. It is understood that within this effort, new organizational arrangements should be made in order to realize the benefits of CBM and bridge the gap between the diverse approaches to border management that potentially exist between and among government agencies.

Governments should identify the appropriate agency to take the lead or coordination role. For example, Customs administrations are usually best placed to process goods and passengers at points of entry.

Governments should consider alignment of functions and authorities amongst agencies in order to operate in a more efficient manner, avoid duplication, secure and facilitate trade, and engage in effective risk management.



## **5.2 Cross-Border Management**

**Governments should work with the border agencies of foreign governments in order to maximize the harmonization of border control functions.**

Such harmonization might require the signing of memorandums of understanding, Customs Mutual Assistance Agreements, or other arrangements in order to achieve co-ordinated cross-border functions. One example of this is the creation of “One Stop Border Posts,” wherein designated land-border ports of entry engage in physical inspection or advanced information risk management activities on only one occasion, rather than twice by both the export and import Governments.

## **5.3 Single Window**

**Governments should develop co-operative arrangements, nationally and internationally, between Customs and other Government agencies involved in international trade in order to facilitate the seamless transfer of international trade data (Single Window environment) and to exchange risk intelligence.**

This would allow the trader to electronically submit the required information once to a single designated authority, preferably Customs. In this context, Customs should seek close integration with commercial processes and information flows in the global supply chain, for example by making use of commercial documentation such as the invoice and the purchase order as the export and import declarations.

Governments should be guided by international standards as it relates to establishment, promotion and adoption of a single window environment, such as UN/CEFACT Recommendations on establishing an International Trade Single Window.

## **6. Trade Continuity and Resumption**

**Governments should work with their agencies and the private sector, as well as other governments, to develop mechanisms, plans, and processes toward maximizing the continuity and resumption of trade in the event of disruption of and within the international supply chain.**

In order to continue trade in the event of a disruptive incident, different agencies will have different roles and responsibilities. It is important that Customs Administrations work with other government agencies and the private sector to identify their respective roles and responsibilities. Mechanisms and plans should be developed based on those responsibilities, and updated as necessary.

Customs administrations will work co-operatively with each other and with Authorized Economic Operators and other businesses to develop mechanisms for information sharing. This supports business and governmental priorities for cargo movement and processing in the event of disruption of and within the international supply chain. Cooperation among all relevant stakeholders will enable rapid trade recovery in a holistic and coordinated manner.



Guidelines for coordination among Customs administrations together with relevant public and private sector stakeholders on the issue of trade recovery are included in the WCO Trade Recovery Guidelines in the SAFE Package. Further technical guidance can be found in section L - Crisis Management and Incident Recovery of the AEO requirements.

## **7. Mutual Recognition**

The Resolution on the SAFE Framework calls on those WCO Members and Customs or Economic Unions, which have notified the WCO of their affirmative intention to implement the SAFE Framework, to do so as soon as practicable in accordance with the WCO Members or Customs or Economic Union capacity. Further, it calls upon Customs administrations to work with each other to develop mechanisms for mutual recognition of AEO validations, authorizations and Customs control results, the provision of associated trade facilitation benefits, and other mechanisms that may be needed to eliminate or reduce redundant or duplicated validation and authorization efforts.

Mutual recognition is a broad concept whereby an action or decision taken or an authorization that has been properly granted by one Customs administration is recognized and accepted by another Customs administration. The standardized approach to AEO authorization provides a solid platform for long-term development of international systems of mutual recognition of AEO status at bilateral, sub-regional, regional and, in the future, global levels.

In order for a system of mutual recognition to work it is essential that :

- The AEO programs are compatible and conform to the standards and principles set out in the SAFE Framework
- There be an agreed set of common standards that include sufficiently robust “action” provisions for both Customs and AEOs;
- Standards are applied in a uniform manner so that one Customs administration may have confidence in the authorization of another;
- If the certification process is delegated to a designated authority by an authorizing Customs administration, there shall be an agreed upon mechanism and standards for that authority;
- Legislation to enable the implementation of a mutual recognition system is in place.

In the context of the SAFE Framework, mutual recognition relates to three distinct areas :



- **Pillar 2, Standard 3** - Authorization : Customs should agree on mutual recognition of AEO status.
- **Pillar 1, Standard 6** - Advance Electronic Information : Economic operators should also benefit from mutual recognition of digital certificates, allowing the economic operator to submit all electronic messages to those Customs administrations having agreed to recognize this certificate.
- **Pillar 1, Standard 7** - Targeting and Communication : Customs should provide for joint targeting and screening, the use of standardized sets of targeting criteria, and compatible communication and/or information exchange mechanisms; these elements will assist in the future development of a system of mutual recognition of controls.

Mutual recognition can be a means to avoid duplication of security controls and can greatly contribute to the facilitation and control of goods moving in the international supply chain. This portion of the document examines options for establishment of mutual recognition. However, it is recognized that decisions on mutual recognition will be made by individual Customs administrations and/or unions.

### **Mutual Recognition of Authorized Economic Operators**

Guidance is provided for administrations to introduce the mutual recognition concept in Annex III of this instrument. A model application and authorization form is also provided in the Process Outline for Business (Annex III). These arrangements provide an excellent foundation for the eventual development of an international system of mutual recognition. It must be acknowledged that a global system of mutual recognition of AEO status will require some time to accomplish and, in this respect, it is noted that just as it has been suggested by WCO Members and the Secretariat that the SAFE Framework be implemented in a progressively “phased approach”, so too should be the expectations for the future application of mutual recognition of Customs systems of control for partnership programmes. Bilateral, sub-regional or regional initiatives are being developed as useful stepping stones toward such a global system.

### **Mutual Recognition of Customs Controls**

This is an area which presents a challenge to Customs administrations. Although there is a history of mutual administrative assistance and information sharing regarding Customs infractions, the requirements of the SAFE Framework covering the more routine sharing of information and control results are relatively new.

In the SAFE Framework, the elements which may contribute towards a system of mutual recognition of controls cover a wide range of Customs activities, such as the WCO Global Information and Intelligence Strategy, WCO Standardized Risk Assessments, WCO General High Risk Indicator Document and the WCO Handbook for Customs Officers on Risk Indicators. Further, the Johannesburg Convention and



Model Bilateral Agreement contain provisions which can support joint screening activities.

### **Role for the WCO**

The Resolution on the SAFE Framework recognizes the value of periodic evaluation meetings. Such meetings could provide a platform for advancing mutual recognition of AEO status as well as control results and digital certificates. The Policy Commission encourages Members to actively participate in such meetings and provide reports of pilot projects and progress made towards the goal of mutual recognition. It may well be desirable for the WCO to participate in selected pilot projects. Such projects could assist the learning process and identify practical problems for analysis and discussion. The WCO Secretariat could then develop appropriate guidance materials to assist implementation.

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## **DEFINITIONS**

### **AUTHORIZED ECONOMIC OPERATOR**

AEO is a party involved in the international movement of goods in whatever function that has been approved by or on behalf of a national Customs administration as complying with WCO or equivalent supply chain security standards. AEOs may include manufacturers, importers, exporters, brokers, carriers, consolidators, intermediaries, ports, airports, terminal operators, integrated operators, warehouses, distributors and freight forwarders.

### **HIGH RISK CARGO**

High risk cargo is that for which there is inadequate information or reason to deem it as low-risk, that tactical intelligence indicates as high risk, or that a risk-scoring assessment methodology based on security-related data elements identifies as high risk.

### **SHIPMENT OR TRANSPORT CONVEYANCE**

It includes a maritime cargo container, aircraft container, truck trailer or rail car.

### **SCANNING**

Scanning means capturing information (which may include images or radiation signatures) relating to goods and means of transport by utilising non-intrusive detection equipment.

### **SCREENING**

Screening means evaluation of information and intelligence relating to goods and means of transport in a risk assessment process (manual, automated or otherwise).



**ANNEX II TO THE SAFE FRAMEWORK OF STANDARDS**  
**Data Elements**

No	WCO ID	Name	Description	Goods Dec	Cargo Dec	VSP	CSM
1a	R032	Exporter, coded	To identify the name and address of party who makes, or on whose behalf the export declaration is made, and who is the owner of the goods or has similar rights of disposal over them at the time when the declaration is accepted.	x			
1b	R031	Exporter - name	Name [and address] of party who makes - or on whose behalf - the export declaration - is made - and who is the owner of the goods or has similar right of disposal over them at the time when the declaration is accepted.	x			
2a	R021	Consignor, coded	To identify the party consigning goods as stipulated in the transport contract by the party ordering transport.	x			
2b	R020	Consignor - name	Name [and address] of the party consigning goods as stipulated in the transport contract by the party ordering transport.	x			
3a	R012	Carrier identification	To identify a party providing the transport of goods between named points.	x	x	x	
3b	R011	Carrier - name	Name [and address] of party providing the transport of goods between named points.	x	x	x	
4a	R038	Importer, coded	Identifier of party who makes - or on whose behalf a Customs clearing agent or other authorised person makes - an import declaration. This may include a person who has possession of the goods or to whom the goods are consigned.	x			
4b	R037	Importer- name	Name [and address] of party who makes-or on whose behalf a Customs clearing agent or other authorized person makes- an import declaration. This may include a person who has possession of the goods or to whom the goods are consigned.	x			
5a	R015	Consignee, coded	Identifier of party to which goods are consigned.	x			

No	WCO ID	Name	Description	Goods Dec	Cargo Dec	VSP	CSM
5b	R014	Consignee, name	Name [and address] of party to which goods are consigned.	x			
6a	R046	Notify party, coded	Identification of a party to be notified.	x			
6b	R045	Notify party, if no code	Name [and address] of party to be notified.	x			
7	R027	Deliver to Party	Name and address of the party to which goods are to be delivered. Address, region and/or country as required by national legislation or according to national requirements.	x			
8	064	Country(ies) of routing, coded	Identification of a country through which goods or passengers are routed between the country of original departure and final destination.	x	x		
9a	R004	Agent, coded	Identification of a party authorised to act on behalf of another party.	x			
9b	R003	Agent - name	Name and address of a party authorised to act on behalf of another party.	x			
10a	145*	Commodity classification	The non-commercial categorization of a commodity by a standard-setting organization.	x		x	
10b	137	Description of goods	Plain language description of the nature of a goods item sufficient to identify it for cross-border regulatory purposes such as customs, phytosanitary, statistical or transport purposes.	x			
11	145*	Commodity classification - UNDG Number (Dangerous Goods Code), If applicable.	The non-commercial categorization of a commodity by a standard-setting organization.	x			
12a	141	Type of packages identification, coded	Code specifying the type of package of an item.	x			
12b	144	Number of packages	Number of individual items packaged in such a way that they cannot be divided without first undoing the packing.	x			
13	131	Total gross weight (incl Measure unit qualifier)	Weight (mass) of goods including packaging but excluding the carrier's equipment for a declaration.	x			

No	WCO ID	Name	Description	Goods Dec	Cargo Dec	VSP	CSM
14a	159	Equipment Identification number	Marks (letters and/or numbers) which identify equipment e.g. unit load device.	x	x	x	x
14b	152	Equipment size and type identification	Code specifying the characteristics, i.e. size and type of a piece of transport equipment.	x	x	x	
15	165	Seal number	The identification number of a seal affixed to a piece of transport equipment.	x	x		
16	109 and 135	Total invoice amount (incl. currency, coded)	Total of all invoice amounts declared in a single declaration.	x			
17	016	UCR	Unique number assigned to goods being subject to cross border transactions.	x	x		
18a	R010	Buyer, coded	Identifier of a party to which merchandise or services are sold.	x			
18b	R009	Buyer - name	Name [and address] of a party to which merchandise or services are sold.	x			
19a	R051	Seller, coded	Identifier of the party selling merchandise or services to a buyer.	x			
19b	R050	Seller - name	Name [and address] of a party selling merchandise or services to a buyer	x			
20a	R042	Manufacturer	Name [and address] of party which manufactures goods.	x			
20b	R043	Manufacturer - coded	Identifier of party which manufactures goods	x			
21a	R024	Vanning Party	Name [and address] of the party at whose physical location the goods are loaded into the transport equipment.	x			
21b	R025	Vanning Party - coded	The identifier for the party at whose physical location the goods are loaded into the transport equipment.	x			
22a	R018	Consolidator - name	Name [and address] of the freight forwarder combining individual smaller consignments into a single larger shipment (in a consolidation process) that is sent to a counterpart who mirrors the consolidator's activity by dividing the consolidated	x			

No	WCO ID	Name	Description	Goods Dec	Cargo Dec	VSP	CSM
			consignment into its original components.				
22b	R019	Consolidator, coded	Identification of the freight forwarder combining individual smaller consignments into a single larger shipment (in a consolidation process) that is sent to a counterpart who mirrors the consolidator's activity by dividing the consolidated consignment into its original components.	x			
23	063	Country of Origin, coded	To identify the country in which the goods have been produced or manufactured, according to criteria laid down for the application of the Customs tariff or quantitative restrictions, or any measure related to trade.	x			
24a	L010	Place of loading, coded	To identify a seaport, airport, freight terminal, rail station or other place at which goods are loaded onto the means of transport being used for their carriage.		x	x	
24b	L009	Place of loading	Name of a seaport, airport, freight terminal, rail station or other place at which goods are loaded onto the means of transport being used for their carriage.		x	x	
25a	T005	Identification of means of transport crossing the border	Name to identify the means of transport used in crossing the border.		x	x	x
25b	T014	Nationality of means of transport crossing the border, coded	Nationality of the active means of transport used in crossing the border, coded.		x		x
26	149	Conveyance reference number	To identify a journey of a means of transport, for example voyage number, flight number, trip number.		x	x	
27	098	Transport charges method of payment, coded	Code specifying the payment method for transport charges.		x		
28	G005	Office of exit, coded	To identify the regulatory office at which the goods leave or are intended to leave the customs territory of dispatch.		x		



No	WCO ID	Name	Description	Goods Dec	Cargo Dec	VSP	CSM
29	085	First port of arrival, coded	To identify the first arrival location. This would be a port for sea, airport for air and border post for land crossing.		x		
30	172	Date and time of arrival at first port of arrival in Customs territory,	Date and time / scheduled date and time of arrival of means of transport at (for air) first airport, (land) arrival at first border post and (sea) arrival at first port, coded.		x		
31	138	Brief cargo description	Plain language description of the cargo of a means of transport, in general terms only.		x		
32	R044	Container Operator, coded	To identify the party owning, operating or controlling the transport equipment, for example container.			x	
33	L041	Stow Position coded	The equipment location on the conveyance.			x	
34	337	Commodity classification type	A qualifier to describe the commodity classification, e.g. Harmonized Tariff Schedule (HTS), Export Control Classification Code (ECCC), UNDG Code list, International Code of Zoological Nomenclature (ICZN)			x	
35a	L012	Place of Discharge	Name of the seaport, airport, freight terminal, rail station or other place at which the goods (cargo) are unloaded from the means of transport having been used for their carriage.			x	
35b	L013	Place of Discharge, coded	To identify a sea port, airport, freight terminal, rail station or other place at which the goods are unloaded from the means of transport having been used for their carriage.			x	
36	351	Container status code	A code indicating the status of the container				x
37	380	Status date and time	Date and time on which a specified event becomes effective				x
38	154	Transport equipment loaded status	Code specifying how full s piece of transport is.				x

No	WCO ID	Name	Description	Goods Dec	Cargo Dec	VSP	CSM
39	Various	Location where the event took place	UNEDIFACT Codelist 8249				x

**Note 1:** The text version of the data element may be provided, if the coded data element is not available.

**\*Note 2:** Data element 145 (Commodity Classification) is required to be reported along with Data element 337 (Commodity classification type, which is a qualifier to describe the commodity classification, e.g. Harmonized Tariff Schedule (HTS), Export Control Classification Code (ECCC), UNDG Code list, International Code of Zoological Nomenclature (ICZN)

**Qualifiers for Data Element 337:**

**For reporting Sr No. 10a, use UN/EDIFACT Code qualifier:** HS - *Harmonised system*: The item number is part of, or is generated in the context of the Harmonised Commodity Description and Coding System (Harmonised System), as developed and maintained by the WCO.

**For reporting Sr. No. 11, use UN/EDIFACT code qualifier:** SSO *United Nations Dangerous Goods List* : A UN code used to classify and identify dangerous goods.

**Note 3:** It is recognized that VSP and CSM are of an operational nature. Electronic submission of the VSP may be accomplished using a spreadsheet sent via email (electronic mail) or another approved format, as determined practical and appropriate through consultations with affected stakeholders. The CSM can only be provided when available in the carrier's operating system and in the form used by the carrier.

**Note 4:** VSP and CSM data elements are only for sea mode

**Events for which Container Status Messages (CSMs) are required:**

	UNEDIFACT CODELIST 8249 – Equipment Status Code		
	Code	Equipment Status	Description
1	18	Booking Confirmed	Notification of the confirmation of booking of a transport equipment.
2	19	Inspected at terminal gate	Notification that a transport equipment has undergone a terminal gate inspection.
3a	20	Arrived at offloading location	Notification that a transport equipment arrived at the offloading location.
3b	21	Departed from loading location	Notification that a transport equipment departed from the loading location.
4a	22	Loaded	Notification that a transport equipment has been loaded.
4b	23	Unloaded	Notification that a transport equipment has been unloaded.
5a	20	Arrived at offloading location	Notification that a transport equipment arrived at the offloading location.
5b	21	Departed from loading location	Notification that a transport equipment departed from the loading location.
6	24	Intra-terminal movement	Notification that a transport equipment has been subject to an intra-terminal movement.
7a	25	Stuffing ordered	Notification that a transport equipment has been ordered to be stuffed.
7b	26	Stripping ordered	Notification that a transport equipment has been ordered to be stripped.
8a	27	Stuffing confirmed	Notification that a transport equipment has been confirmed as stuffed.
8b	28	Stripping confirmed	Notification that a transport equipment has been confirmed as stripped.
9	29	Sent for heavy repair	Notification that a transport equipment has been sent for heavy repair.



## **AEO Conditions, Requirements and Benefits**

The WCO has designed standards to secure and to facilitate the ever-growing flow of goods in international commerce. These standards are set forth in the SAFE Framework, which was adopted by the WCO Council at its 2005 Sessions. A vast majority of WCO Member administrations have expressed the intention to begin the process of implementing the SAFE Framework provisions. In recognition of the urgency of launching this new programme without undue delay, the Council adopted the basic SAFE Framework document which provides the broad overarching principles concerning security and facilitation of the global supply chain.

The SAFE Framework incorporates the concept of the AEO and provides baseline technical guidance for the implementation of AEO programmes at the global level between WCO Members and the international trade community. It is designed to serve as a starting point for national AEO programme implementation and supports the effective application of the standards that are outlined in Pillar II (Customs-to-Business Partnerships) of the SAFE Framework. This guidance will provide for long-term application of meaningful standards that will apply to both Customs and AEOs at the global level. These core international standards shall form a “baseline” that must be followed by all parties engaged in this effort.

Customs administrations recognize that the international trade supply chain is not a discrete identifiable entity. Rather, it is a series of ad hoc constructs comprised of players representing varied trade industry segments. Some “supply chains” possess a degree of permanence in that the same cast may play recurring roles on a long-term basis on behalf of a regular importer of goods into a given country. In other “supply chains”, participants either change frequently or are assembled for the purpose of executing a single import transaction. Regardless of either the regularity or the temporal nature of any particular supply chain, Customs does appreciate that it does not own any portion of the trade supply chain. The global supply chain is “owned” by the multitudes in the private sector who operate as part of any chain. It is for this reason that the support and participation of private sector business interests is fundamental to the success of the SAFE Framework concept.

To achieve the ultimate security and facilitation goals of the SAFE Framework, Customs administrations must adopt a transparent and forthcoming attitude in the area of Customs operations that can be further modernized, adjusted and improved to the benefit of the international trade community. In this sense, Customs should proactively consider ways in which they can, based on their current or projected resources, assist the trade in completing their business in the most effective way possible. The international trade and transport communities have experience and knowledge that can benefit Customs administrations in the management of their facilitation and security responsibilities. The private sector should take advantage of this opportunity to forge new and appropriate alliances with Customs, to assist Customs administrations with their security-related mandates.

In order to garner and keep private sector support, it is necessary that there be a clear statement concerning what is entailed in being an AEO. There must be a common understanding of the conditions and requirements of AEO status, which should be specifically enumerated in detail in national AEO programmes. Even more fundamentally, as a first step, there must be clear presentation of the tangible benefits to be realized by participation in the SAFE Framework programme. An appreciation by the private sector of the benefits which may be provided by WCO Member Customs administrations, as well as the benefits of active participation in efforts to

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strengthen global supply chain security, is a critical element in the private sector being able to justify the additional costs incurred in the process of enhancing existing security measures. Clear and tangible benefits will help provide a needed incentive to business.

It is clear that WCO Members will face certain challenges in starting up AEO programmes in their national Customs administrations, but one thing is certain - now is the time to raise the global profile of Customs as a major player in securing the economic and physical well-being of the nations they serve by protecting the flow of trade throughout the global supply chain. To the extent that WCO Members can develop flexible approaches to AEO programme development, they will be better able to manage growth and necessary amendments to nationally developed AEO programmes. This document should serve as the baseline platform to accomplish this.

Finally, it should be acknowledged that a global system of mutual recognition of AEOs will require some time to accomplish and, in this respect, it has been suggested by WCO Members and the Secretariat that the SAFE Framework be implemented in a progressively “phased approach”, so too should be the expectations for the future application of mutual recognition of Customs’ systems of control for AEO programmes. Customs and business partners stand to gain additional effectiveness in both the security and facilitation of the international supply chain, provided they capture the momentum of the SAFE Framework and take affirmative action to implement its provisions as soon as practicable.

### **Definitions**

**Third party validator** : any manner of outside (non-Customs) entity that is employed to assist a Customs administration in the accomplishment of security risk assessment reviews and related validation procedures. The authority of a Customs administration to grant AEO status and applicable benefit levels shall not be delegated to a third party validator.

**Validation** : procedure whereby the supply chain of an AEO, and all relevant processes employed by them to reach that status, are subject to full and transparent review by a Customs administration and/or a Customs-designated third party validator, which may have been specifically deployed by Customs to assist in the actual validation efforts.

**Authorization** : recognition of AEO status in an AEO programme, based on a structured methodology that includes such processes as review of an applicant’s submitted documentation, physical worksite assets and security processes, in order to determine compliance with the core international standards of the SAFE Framework.

**Phased approach** : step-by-step implementation of the SAFE Framework by an administration in accordance with its capacity and with the objective to achieve mutual recognition of AEO status.

### **Conditions and Requirements for Customs and the Authorized Economic Operator**

The SAFE Framework recognizes the complexity of international supply chains and endorses the application and implementation of security measures based upon risk analysis. Therefore, the SAFE Framework allows for flexibility and the customization of security plans based on an AEO’s business model. Certain Customs-identified best security standards and best practices are discussed below. These are the standards, practices and procedures which members of the trade



business community aspiring to AEO status are expected to adopt into routine usage, based on risk assessment and AEO business models. Also presented are the expectations for Customs administrations and business. Both are grouped under titled sub-categories.

Customs administrations should not burden the international trade community with different sets of requirements to secure and facilitate international commerce. There should be one set of international Customs standards developed by the WCO that do not duplicate or contradict other recognized intergovernmental security requirements.

Verifiable compliance with security requirements and standards set by other intergovernmental organizations, such as International Maritime Organization (IMO), UN Economic Commission for Europe (UNECE), and International Civil Aviation Organization (ICAO), may constitute partial or complete compliance with applicable Customs-identified best security standards and best practices set forth below, to the extent the requirements are identical or comparable.

#### **A. Demonstrated Compliance with Customs Requirements**

Customs shall take into account the demonstrated compliance history of a prospective AEO when considering the request for AEO status.

**This element requires that :**

##### **The AEO :**

- a. not have committed, over a period determined by the national AEO programme, an infringement/offence as defined in national legislation, which would preclude designation as an AEO;
- b. if established for less than the period mentioned in “a”, be judged on the basis of available records and information during the application process;
- c. or its designee have a demonstrated record of compliance within the same time period, mentioned in “a”.

#### **B. Satisfactory System for Management of Commercial Records**

The AEO shall maintain timely, accurate, complete and verifiable records relating to import and export. Maintenance of verifiable commercial records is an essential element in the security of the international trade supply chain.

**This element requires that :**

##### **The AEO :**

- a. maintain records systems which permit Customs to conduct any required audit of cargo movements relating both to import and export;
- b. give Customs full access to necessary records, subject to the requirements of national legislation;

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- c. have internal records access and control systems which are satisfactory to the approving Customs administration;
- d. appropriately maintain and make available to Customs any authorizations, powers of attorney and licences relevant to the importation or exportation of merchandise;
- e. within any limitations provided in national legislation, properly archive records for later production to Customs;
- f. employ adequate information technology security measures which will protect against access by unauthorized persons.

### **C. Financial Viability**

Financial viability of the AEO is an important indicator of an ability to maintain and improve upon measures to secure the supply chain.

**This element requires that :**

#### **The AEO :**

- a. have a good financial standing which is sufficient to fulfill its commitments with due regard to the characteristics of the type of business activity.

### **D. Consultation, Co-operation and Communication**

Customs, other competent authorities and the AEO, at all levels, international, national and local, should consult regularly on matters of mutual interest, including supply chain security and facilitation measures, in a manner which will not jeopardize enforcement activities. The results of this consultation should contribute to Customs development and maintenance of its risk management strategy.

**This element requires that :**

#### **The AEO :**

- a. provide clearly identified and readily accessible local points of contact or a corporate contact that can arrange immediate access to a local contact for all matters identified as being of compliance and enforcement interest to Customs (cargo bookings, cargo tracking, employee information, etc.);
- b. individually or, as appropriate, via an industry association, engage in an open and continuing mutual exchange of information with Customs, exclusive of information that cannot be released due to law enforcement sensitivities, legal basis or other precedent;
- c. through particular mechanisms set forth in the national AEO programme, notify an appropriate Customs official of any unusual or suspicious cargo documentation or abnormal requests for information on shipments;
- d. through particular mechanisms set forth in the national AEO programme, provide timely notification to Customs and any other relevant authorities when employees discover illegal, suspicious or unaccounted for cargo. Such cargo should be secured, as

appropriate.

**Customs :**

- a. establish, in consultation with an AEO or its agents, procedures to be followed in the event of queries or suspected Customs offences;
- b. when appropriate and practical, engage in regular consultation at both the national and local level with all parties involved in the international supply chain to discuss matters of mutual interest, including Customs regulations, procedures and requirements for premises and cargo security;
- c. upon request of the AEO, provide specific feedback on the performance of the AEO in addressing security issues related to the international supply chain;
- d. provide the AEO or its agents with telephone numbers where appropriate Customs officials can be contacted.

**E. Education, Training and Awareness**

Customs and AEOs shall develop mechanisms for the education and training of personnel regarding security policies, recognition of deviations from those policies and understanding what actions must be taken in response to security lapses.

**This element requires that :**

**The AEO :**

- a. make every reasonable effort, as logically based on its business model, to educate its personnel, and where appropriate its trading partners, with regard to the risks associated with movements of goods in the international trade supply chain;
- b. provide educational material, expert guidance and appropriate training on the identification of potentially suspect cargo to all relevant personnel involved in the supply chain, such as, security personnel, cargo-handling and cargo-documentation personnel, as well as employees in the shipping and receiving areas to the extent they are within the AEO's control;
- c. keep adequate records of educational methods, guidance provided and training efforts undertaken to document the delivery of such programmes;
- d. make employees aware of the procedures the AEO has in place to identify and report suspicious incidents;
- e. conduct specific training to assist employees in maintaining cargo integrity, recognizing potential internal threats to security and protecting access controls;
- f. upon request and if practicable, make Customs familiar with relevant internal information and security systems and processes, and assist Customs in appropriate training in search methods for those premises, conveyances and business operations the AEO controls.

**Customs :**

- a. undertake efforts to educate affected Customs personnel with regard to the risks associated with movements of goods in the international trade supply chain, in co-operation with AEOs;
- b. make educational material and expert guidance on the identification of potentially suspect cargo available to all relevant Customs security personnel;
- c. notify the AEO's designated contact person of the procedures the Customs administration has in place to identify and respond to suspicious incidents;
- d. conduct specific training to assist personnel in maintaining cargo integrity, recognizing potential threats to security and protecting access controls;
- e. upon request and if practicable, make an AEO familiar with relevant Customs information and processes, in order to assist in appropriate training and research;
- f. upon request and if practicable, assist the initiatives of the AEO in development and implementation of voluntary company guidelines, security standards, best practices, training, authorization schemes and materials, etc., calculated to raise security awareness and assist in taking measures to minimize security risks;
- g. upon request and if practicable, make educational material and expert guidance on the identification of potentially suspect cargo available to all relevant personnel in an AEO, including for example persons associated with security, cargo handling and cargo documentation. Such guidance should include awareness of risks such as are documented in the WCO Risk Management Guidelines;
- h. assist, upon request and if practicable, the AEO in recognizing potential threats to security from a Customs perspective.

**F. Information Exchange, Access and Confidentiality**

Customs and AEOs, as part of an overall comprehensive strategy to secure sensitive information, shall develop or enhance the means by which entrusted information is protected against misuse and unauthorized alteration.

**This element requires that :**

**The AEO and Customs :**

- a. ensure the confidentiality of commercial and security sensitive information and that information provided be used solely for the purposes for which it was provided;
- b. actively pursue the full and timely implementation of electronic data exchange capability amongst all relevant parties of information used to release merchandise/cargo subject to appropriate data privacy laws. Continued reliance upon documents and hand signatures shall be discouraged;
- c. employ the use of international standards developed regarding electronic data

structure, timing for submission and message content. Data elements required for security reasons should be compatible with the AEO's then-existing business practices and limitations and should not require more than the security-related data elements set forth in the SAFE Framework;

- d. work co-operatively toward realizing the commitment of the AEO for the submission and use of advance electronic information for risk assessment purposes.

**The AEO :**

- a. in the case of AEO importers, have appropriate procedures in place to ensure that all information used in the clearing of merchandise/cargo is legible, complete and accurate and protected against the exchange, loss or introduction of erroneous information. Similarly, that AEO carriers have procedures in place to ensure the information in the carrier's cargo manifest accurately reflects the information provided to the carrier by the shipper or its agent, and is filed with Customs in a timely manner;
- b. have a documented information security policy and procedures and/or security-related controls, such as firewalls, passwords, etc., in place to protect the AEO's electronic systems from unauthorized access;
- c. have procedures and back-up capabilities in place to protect against the loss of information.

**Customs :**

- a. familiarize the appropriate AEO staff with relevant requirements of Customs electronic communication systems, and establish specific reporting systems for last-minute consignments and amendments;
- b. as far as possible, promote the adoption by governments of a single window system and procedures which allow for the single transmission to a sole designated point by international supply chain participants, including AEOs, of all relevant transport and cargo data. This transmission to a single designated governmental authority for all official control and release purposes implies a single notification of release;
- c. consider not requiring an AEO to provide paper documents and hand signatures in addition to or in lieu of an electronic transmission. Customs authorities unable to accept data electronically might, for example, accept digital documents, i.e. documents created in a standard format from electronic data, for example, UNeDOCS<sup>1</sup>, submitted by AEOs in lieu of "original" paper documents;
- d. at all times maintain control and jurisdiction over all electronic data provided by AEOs to Customs and establish an effective record retention policy and procedure to ensure the proper destruction of all copies of such data as appropriate, as well as having procedures and back-up capabilities in place to protect against the loss of or unauthorized access to information.

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<sup>1</sup> UN electronic Trade Documents aim to become the world electronic trade document standard under UN auspices.

## **G. Cargo Security**

Customs and AEOs shall establish and/or bolster measures to ensure that the integrity of cargo is maintained and that access controls are at the highest appropriate level, as well as establishing routine procedures that contribute to the security of cargo.

**This element requires that :**

### **The AEO :**

- a. develop and maintain a security policy manual or other tangible guidance by making relevant reference to the security-related guidelines issued by the WCO which contains detailed guidelines on procedures to be followed to preserve the integrity of cargo while in its custody;
- b. ensure that it and/or its business partners in the supply chain with sealing responsibilities have written procedures in place to properly seal and maintain the integrity of the shipment or transport conveyance while in its custody;
- c. ensure that it and/or its business partners employ the use of seals that meet or exceed the then-existing ISO Standard;
- d. ensure that written procedures are developed and utilized that stipulate how seals are to be controlled and affixed to cargo and transport conveyances , to include procedures for recognizing and reporting compromised seals, cargo and/or transport conveyances to the Customs administration or the appropriate foreign authority;
- e. for integrity purposes, ensure that only designated personnel distribute seals and safeguard their appropriate and legitimate use;
- f. have procedures for inspecting the structure of the transport conveyance including the reliability of the access controls. When appropriate to the type of conveyance a seven-point inspection process is recommended :
  - Front wall
  - Left side
  - Right side
  - Floor
  - Ceiling/roof
  - Inside/outside doors
  - Outside/undercarriage;
- g. regularly examine, through particular mechanisms set forth in the national AEO programme, its security and control procedures to ensure that it is difficult for unauthorized persons to gain access to cargo or for authorized persons to manipulate, move or handle it improperly;
- h. store cargo and transport conveyances in its custody in secure areas and have procedures in place for reporting detected unauthorized entry to cargo and transport conveyance storage areas to appropriate law enforcement officials;

- i. verify the identity of the carrier collecting or delivering cargo and transport conveyances where existing business processes permit and, in the case of there being no such authority, take action to promptly achieve such mandate;
- j. where feasible, compare the cargo with its description on the documents or electronic information to be submitted to Customs for consistency;
- k. establish procedures to manage and control cargo within the cargo storage facility;
- l. establish procedures to positively control all cargo being removed from the storage facility;
- m. establish procedures to manage, secure and control all cargo in its custody during transport and while loading into or unloading from a transport conveyance.

#### **Customs :**

- a. where Customs deems it appropriate and legal, and as may be further outlined in a national AEO programme, in recognition of the fact that it may be necessary to examine cargo covertly, invite a representative of the AEO controlling the cargo to be present in the event that cargo is physically inspected or removed for inspection. In the event the AEO is unable to be present for whatever reason, the AEO with responsibility for the security of the cargo should be notified of such an inspection as soon as possible after the event in case of subsequent liability claims.

### **H. Conveyance Security**

Customs and AEOs shall jointly work toward the establishment of effective control regimes, where not already provided for by other national or international regulatory mandate, to ensure that transport conveyances are capable of being effectively secured and maintained.

#### **This element requires that :**

##### **The AEO :**

- a. ensure, to the extent and scope of its authority and responsibility, that all transport conveyances used for the transportation of cargo within its supply chain are capable of being effectively secured;
- b. secure transport conveyances within its supply chain, to the extent and scope of its ability and responsibility, when left unattended, and check for security breaches upon return;
- c. ensure, to the extent and scope of its authority and responsibility, that all operators of conveyances used for the transportation of cargo are trained to maintain the security of the transport conveyance and the cargo at all times while in its custody;
- d. require operators, as specifically detailed in national AEO programmes, to report any actual or suspicious incident to designated security department staff of both the AEO and Customs for further investigation, as well as to maintain records of these reports, which should be available to Customs, as legal and necessary;
- e. consider potential places of concealment of illegal goods on transport conveyances,

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ensure that these places are regularly inspected, and secure all internal and external compartments and panels, as appropriate. Records are to be made and maintained following such inspections, indicating the areas inspected;

- f. notify Customs, or other relevant body, of any unusual, suspicious or actual breach of transport conveyance security.

### **Customs :**

- a. advise operators of transport conveyances of potential places of concealment of illegal goods in transport conveyances, where appropriate and legal, as based on their Customs perspective and expertise;
- b. investigate notification of any unusual, suspicious or actual breach of transport conveyance security.

## **I. Premises Security**

Customs, after taking into account the views of AEOs and their necessary compliance with mandatory international standards, shall establish the requirements for the implementation of meaningful Customs-specific security enhancement protocols that secure buildings, as well as ensure the monitoring and controlling of exterior and interior perimeters.

### **This element requires that :**

### **The AEO :**

- a. in accordance with its business model and risk analysis, implement security measures and procedures to secure buildings, as well as monitor and control exterior and interior perimeters and prohibit unauthorized access to facilities, transport conveyances, loading docks and cargo areas that may reasonably affect the security of its areas of responsibility in the supply chain. If access control is not possible, increased precautions in other security aspects may be needed. Premises security should include the following, as appropriate and based on risk :
  - Buildings must be constructed of materials that resist unlawful entry.
  - The integrity of structures must be maintained by periodic inspection and repair.
  - All external and internal windows, gates and fences must be secured with locking devices or alternative access monitoring or control measures.
  - Management or security personnel must control the issuance of all locks and keys.
  - Adequate lighting must be provided inside and outside the facility including the following areas: entrances and exits, cargo handling and storage areas, fence lines and parking areas.
  - Gates through which vehicles and/or personnel enter or exit must be manned, monitored or otherwise controlled. The AEO should assure that vehicles requiring access to restricted facilities are parked in approved and controlled areas, and that their license plate numbers are furnished to Customs upon request.



- Only properly identified and authorized persons, vehicles and goods are permitted to access the facilities.
  - Appropriate peripheral and perimeter barriers.
  - Access to document or cargo storage areas is restricted and there are procedures to challenge unauthorized or unidentified persons.
  - There should be appropriate security systems, such as, theft alarm and/or access control systems.
  - Restricted areas should be clearly identified.
- b. as required or upon request, provide Customs with access to security monitoring systems that are utilized for premises security.

**Customs :**

- a. aside from any legal right to access certain locations and related information, seek partnership arrangements with AEOs that provide for access to security monitoring systems and not be denied access to information necessary for a Customs administration to carry out enforcement activities;
- b. permit AEOs to implement alternative means of compliance to satisfy specific security requirements not practical or compatible with a particular AEO's business model to the extent the alternative means provide the same or equivalent security benefits.

**J. Personnel Security**

Customs and AEOs shall, based on their authorities and competencies, screen the background of prospective employees to the extent legally possible. In addition, they shall prohibit unauthorized access to facilities, transport conveyances, loading docks and cargo areas that may reasonably affect the security of those areas in the supply chain under their responsibility.

**This element requires that :**

**The AEO :**

- a. take all reasonable precautions when recruiting new staff to verify that they are not previously convicted of security-related, Customs or other criminal offences, to the extent permitted by national legislation;
- b. conduct periodic or for cause background checks on employees working in security sensitive positions;
- c. have employee identification procedures, and require that all employees carry proper company issued identification that uniquely identifies the individual employee and organization;

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- d. have procedures in place to identify, record and deal with unauthorized or unidentified persons, such as photo identification and sign-in registers for visitors and vendors at all points of entry;
- e. have procedures in place to expeditiously remove identification, premises and information systems access for employees whose employment has been terminated.

#### **Customs :**

- a. have identification procedures, and require that all officers carry proper identification that uniquely identifies the individual officer and the organization he/she represents;
- b. as necessary, ensure that persons operating access controls are able to independently verify the identification produced by a Customs officer;
- c. have procedures in place to expeditiously remove identification, premises and information systems access for employees/officers whose employment has been terminated;
- d. subject to national legislation, seek agreements with AEOs that provide for access to information about specified personnel, including sub-contractors, working at AEO facilities for prolonged periods.

### **K. Trading Partner Security**

Customs shall establish AEO requirements and mechanisms whereby the security of the global supply chain can be bolstered through the commitment of trading partners to voluntarily increase their security measures.

#### **This element requires that :**

#### **The AEO :**

- a. if necessary, when entering into negotiated contractual arrangements with a trading partner, encourage the other contracting party to assess and enhance its supply chain security and, to the extent practical for its business model, include such language in those contractual arrangements. In addition, the AEO is to retain documentation in support of this aspect to demonstrate its efforts to ensure that its trading partners are meeting these requirements and make this information available to Customs upon request;
- b. review relevant commercial information relating to the other contracting party before entering into contractual relations.

### **L. Crisis Management and Incident Recovery**

In order to minimize the impact of a disaster or terrorist incident, crisis management and recovery procedures should include advance planning and establishment of processes to operate in such extraordinary circumstances.

**This element requires that :**

**The AEO and Customs :**

- a. develop and document, in conjunction with the appropriate authorities, where advisable or necessary, contingency plans for emergency security situations and for disaster or terrorist incident recovery;
- b. include periodic training of employees and testing of emergency contingency plans.

**M. Measurement, Analyses and Improvement**

The AEO and Customs should plan and implement monitoring, measurement, analysis and improvement processes in order to :

- assess consistency with these guidelines;
- ensure integrity and adequacy of the security management system;
- identify potential areas for improving the security management system in order to enhance supply chain security.

**This element requires that :**

**The AEO :**

- a. regularly undertake, as specifically outlined in the national AEO programme, assessments of the security risks in its operations and take appropriate measures to mitigate those risks;
- b. establish and conduct regular self-assessments of its security management system;
- c. fully document the self-assessment procedure and the responsible parties;
- d. include in the review assessment results, feedback from the designated parties and recommendations for possible enhancements to be incorporated in a plan for the forthcoming period to ensure continued adequacy of the security management system.

**Benefits to the Authorized Economic Operator**

The SAFE Framework is premised upon four core elements, the last of these relating to benefits that Customs will provide to businesses meeting minimum supply chain security standards and best practices (see 1.3). Further, the SAFE Framework offers certain specific examples for consideration (see 3.3). Ultimately, effective implementation of the SAFE Framework will best be realized by striking a balance between trade security and trade facilitation. Tangible benefits for AEOs are a measure of such balance.

Due to possible limitations imposed by national legislation, any benefits within Customs control must necessarily be defined and offered by individual Members. Pillar 2, Standard 3 of the SAFE Framework provides that such benefits be tangible and documented. These benefits should be enhancements above and beyond the normal procedures utilized when

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working with non-AEOs and not result in a loss of access to normal procedures already in place.

The ultimate goal of the SAFE Framework is implementation of a core set of WCO international standards. These international standards may be supplemented by national requirements. An attempt should be made to keep benefits apace with requirements as SAFE participants implement these programmes. It is important that benefits be allowed to evolve during implementation. Capacity building being offered to Members should address their ability to deliver benefits, such as facilitation mechanisms for lower risk cargo, and the enhancement of global supply chain security.

Benefits should be meaningful, measurable and reportable. The examples of benefits included in this section are separated into categories and offered for consideration by administrations. These do not establish a required set of benefits that all administrations must offer - they are an indicative list of example benefits that are subject to specific Customs consideration, offering and approval. These examples are drawn from several sources including WCO studies, Conventions, certain operational programmes of WCO Member administrations, the regulations of the European Union, and input from the trade community.

#### **A. Measures to expedite cargo release, reduce transit time and lower storage costs :**

1. A reduced data set for cargo release;
2. Expedited processing and release of shipments;
3. Minimum number of cargo security inspections;
4. Priority use of Non-intrusive inspection techniques when examination is required;
5. Reduction of certain fees or charges for AEOs in good standing;
6. Keeping Customs offices open on a continuous basis when a tangible need for such coverage has been specifically identified.

#### **B. Providing access to information of value to AEO participants :**

1. Names and contact information for other AEO participants, with the consent of those participants;
2. List of all countries adopting the SAFE Framework;
3. List of recognized security standards and best practices.

#### **C. Special measures relating to periods of trade disruption or elevated threat level :**

1. Accord priority processing by Customs during period of elevated threat conditions;
2. Priority processing following an incident requiring the closing and re-opening of ports and/or borders;
3. Priority in exporting to affected countries after an incident.

#### **D. First consideration for participation in any new cargo processing programmes:**

1. Account-based processing rather than transaction-by-transaction clearance of accounts;
2. Simplified post-entry or post-clearance programmes;

3. Eligibility for self-audit or reduced audit programmes;
4. Expedited processes to resolve post-entry or post-clearance inquiries;
5. Favourable mitigation relief from Customs assessments of liquidated damages or non-criminal administrative penalties, except for fraud;
6. Increased paperless processing of commercial shipments for both export and import;
7. Priority response to requests for rulings from national Customs authorities;
8. Eligibility for remote Customs clearance procedures;
9. Ability to file a corrective action or disclosure prior to the initiation of a Customs non-criminal administrative penalty procedure, except for fraud;
10. No penalties or liquidated damages imposed for late payment of duties, with only interest accruing.

### **Validation and Authorization Procedures**

The SAFE Framework contains the mandate for design of validation and authorization procedures. The SAFE Framework, Pillar 2, Standard 3 (Customs-to-Business Partnerships), provides as follows.

The Customs administration, together with representatives from the trade community, will design validation processes or quality accreditation [authorization] procedures that offer incentives to businesses through their status as AEOs.

Since the obligation for design of these procedures lies with the individual WCO Members agreeing to implement the SAFE Framework, the goal of these validation and authorization provisions is to provide guidance and possible direction to WCO Members.

Customs administrations should design and implement authorization and validation procedures that conform to the standards described in the SAFE Framework, taking into account the good practices established in existing national Customs/Business supply chain security management programmes. The authorization process should take into account the different levels of compliance that an AEO might achieve. The core standards are set forth in this Annex. The implementation process should include incentive-based benefits and should take into account the differences in risk rating with regard to the various activities and roles undertaken within the international trade supply chain.

This “Validation and Authorization Procedures” portion divided into major topic areas with discussion text and specific requirements. An outline of a possible process to manage an AEO application is described in this Annex.

### **Application and Authorization**

The AEO will commit itself to an application and authorization process with its national Customs administration to implement supply chain security standards as set out in the SAFE Framework. These standards must be incorporated into the AEO's business practices and procedures. It will establish a self-assessment process to manage and monitor performance. In order to execute effective self-assessment, the AEO shall appoint an individual within its management structure to be responsible for all supply chain security measures with regard to a specific national AEO programme. This nominated person shall also be responsible for communication with the Customs administration regarding the AEO approval system and

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maintenance of the standards. Authorization will be granted by the national Customs administration after validation of the fulfillment of AEO conditions and requirements.

The systems and procedures which govern the establishment and maintenance of AEO status are, by reference, incorporated into this document in their entirety.

The conditions and requirements established in this Annex must be fulfilled within prescribed time limits determined by the authorizing Customs administration. The time periods may vary according to the particular role being played by the applicant and other specifications that will be determined by the complexity and nature of the trade being undertaken.

The AEO authorization will be valid until suspended, revoked or withdrawn for a material failure to abide by the terms and conditions of the authorization. National AEO programmes need to include a means of appeal against decisions by Customs administrations regarding AEO authorization including denial, suspension, revocation or withdrawal.

All standards and programmes implementing the SAFE Framework shall be voluntary, and Customs administrations shall not require that non-AEOs participate.

Customs administrations shall respond to an AEO application within a reasonable period of time to be established in the national AEO programme. The AEO programme may also include provisions regarding single AEO applications from groups of related companies.

#### **Validation Procedure**

The security procedures and Customs-identified best practices contained in the SAFE Framework require a validation process to be undertaken by Customs. While Customs shall retain ultimate authority for accrediting an AEO and for suspending or revoking such authorization, it may decide to designate third party validators to perform the assessment of an AEO applicant's compliance with the SAFE Framework security standards and best practices and/or for validating such compliance. Third party validators should possess appropriate experience in certification systems, knowledge of the supply chain security standards, sufficient and appropriate knowledge of operations of the various economic and business sectors and have appropriate resources for conducting timely validations. Use of third party validators should not inhibit mutual recognition by Customs administrations of AEO authorizations under individual national AEO programmes. The AEO should still have the option to request validation by the Customs administration directly.

Customs administrations should not burden the international trade community with different sets of requirements to secure and facilitate commerce.

The Customs administration or the designated third party validator will ensure that personnel designated to carry out the validation procedure are trained and qualified.

Any information obtained in the course of the validation procedure and within the scope of the AEO Authorization is confidential between the Customs administration and/or the designated third party validator and the individual AEO and may be used solely for the purpose for which it was provided.

A system of feedback and gradual improvement should be built into the authorization and validation arrangements made by the Customs administrations and AEO.

This monitoring process may consist of audits based on risk or cause and, where appropriate, random spot checks by Customs or the designated third party validator, if applicable. The AEO will also maintain, and have available for inspection, necessary documentation as set out in the national AEO programme's AEO authorization requirements on the security procedures being undertaken or utilized by the AEO.

### **Review and Maintenance**

Regular communication and joint reviews between Customs and AEO will be carried out in order to maintain the level of compliance and, where feasible, to identify possible measures to enhance the level of security. Such reviews will assist AEOs in making amendments to their security programme as soon as possible and will provide the Customs administration with a mechanism for maintaining the operating standard of an AEO.

As part of the authorization process and in order to assure regular communication and facilitate the validation process, the AEO may, in conformance with the criteria set out in the national AEO programme, be requested by the Customs administration to complete periodic reports capturing the information that the AEO should provide according to the security standards set out in this Annex.

In order to establish and maintain an effective AEO authorization programme, Customs administrations may find it useful to hold regular seminars to discuss the development of their national AEO programme, to identify and address common problems, and to share good practices.

### **Future Developments**

The standardized approach to AEO authorization provides a solid platform for development of international systems of mutual recognition of AEO status at bilateral, sub-regional, regional and, in the future, global levels. Such systems will involve a WCO Member Customs administration recognizing the AEO authorization system in another WCO Member with an operational AEO programme as being equivalent to its own. This will afford the AEO the same benefits and therefore improve predictability and efficiency of operation in all countries applying the AEO standards.

### **Process outline for business involved in the handling of cargo within the international trade supply chain**

1. The Applicant and Customs should acknowledge that this is a voluntary programme and agree to implement core requirements pertaining to the role of an AEO as described in the SAFE Framework.
2. The Applicant shall implement, in conformance with its business model and risk analysis, the systems, procedures, conditions and requirements established in this Annex.
3. The Applicant and Customs shall work cooperatively toward realizing the commitment

of the Applicant for the submission and use of advance electronic information for risk assessment purposes.

4. Customs administrations will consider the following indicative list of quality criteria when reviewing applications from businesses wishing to become accredited as AEOs:
  - Compliance record with Customs and other relevant enforcement authorities
  - Adherence to relevant laws and regulations
  - Evidence of having been established in accordance with national laws
  - Information indicating permanency of business premises
  - Evidence of existing quality assurance systems
  - Absence of criminal convictions of a relevant nature amongst senior personnel
  - Evidence of adequate company controls on staff, premises, equipment and other assets.
5. The Customs administration must validate that the applicant satisfies all SAFE Framework requirements relating to AEO status before authorization will be granted. The Customs administration may designate a third party validator to perform the assessment of compliance with the security standards and best practices. However, decisions regarding authorization and validation will in such instances remain the purview of the Customs administration. The Customs administration and the designated third party validator, if applicable, shall complete validation within a reasonable period of time.
6. Any information obtained in the course of the validation procedure and within the scope of the Authorization is confidential between the Customs administration and the individual AEO and may be used solely for the purpose for which it was provided.
7. Upon the validation of the AEO's successful implementation of required measures, the Applicant shall be duly authorized as an AEO by the national Customs administration.
8. The validation process will be performed by designated officials of an authorizing Customs administration or by representatives of a designated third party validator and shall be based on internationally recognized principles of audit and inspection.
9. The Applicant should maintain the records specified in the applicable national Customs laws and regulations concerning commercial transactions relating to goods being traded in the international trade supply chain and agrees to make these available to the Customs administration for the purpose of validation and periodic audit.
10. The integrity of systems and procedures being applied under the Authorization should be verified by periodic reviews conducted by the Customs administration or on its behalf, regular communication between designated officials and, where appropriate, random spot checks and visits.
11. The AEO authorization will be valid unless it is revoked, withdrawn or suspended for a material failure to abide by the terms and conditions of the Authorization.



Examples of when authorization may be revoked, withdrawn or suspended :

- If the applicant or AEO does not abide by the terms and conditions of the authorization;
  - If the company and/or its officers fail to observe criminal or civil laws governing the conduct of such companies, and/or the nature of pending or unresolved legal proceedings involving those parties would preclude direct involvement with Customs administrations;
  - If the company fails to make available to the Customs administration the appropriate documentation and/or information access concerning personnel, company premises, equipment and assets as provided in Annex II.
12. The authorization validation and monitoring processes can be adjusted at the discretion of the national Customs administration, especially if changes occur in either the risk rating of the trade in which the Applicant is engaged, or the performance of the Applicant. However, any such adjustment should only be done after having solicited input from the AEO and affording it the opportunity to review and comment on the reasons presented by the Customs administration.



**RESOLUTION OF THE CUSTOMS CO-OPERATION COUNCIL ON THE FRAMEWORK  
OF STANDARDS TO SECURE AND FACILITATE GLOBAL TRADE**

**(JUNE 2005)**

**THE CUSTOMS CO-OPERATION COUNCIL<sup>1</sup>,**

**Recognizing** that the implementation of the principles contained in the WCO Framework of Standards will be an important step in enhancing security of the international trade supply chain and lead to a greater facilitation of legitimate trade;

**Noting** the increased concern with respect to acts of international terrorism and organized crime and the importance and vulnerability of global trade;

**Considering** that Customs administrations contribute to the economic and social development of nations through the collection of revenue, and that implementing the Framework of Standards will also be equally important in this regard;

**Taking into account** the Resolutions of the Customs Co-operation Council on Security and Facilitation of the International Trade Supply Chain (June 2002) and Global Security and Facilitation Measures concerning the International Trade Supply Chain (June 2004), and IMO Conference Resolution No. 9 on the enhancement of security in co-operation with the WCO;

**Believing** in the need for Customs administrations to implement standards regarding integrated Customs procedures and in the need for co-operation between Customs administrations and business;

**Noting** that Members and Customs or Economic Unions may need to consider modifications to their legal or other provisions to support the implementation of the WCO Framework of Standards.

**RESOLVES :**

1. To adopt the Framework of Standards to Secure and Facilitate Global Trade.
2. That the Members of the Council and Customs or Economic Unions should :
  - 2.1. implement as soon as possible in accordance with each administration's capacity and necessary legislative authority the principles, standards and other provisions contained in the WCO Framework of Standards;
  - 2.2. encourage any necessary improvements in Customs capability and integrity to provide a comprehensive framework for global trade security;

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<sup>1</sup> Customs Co-operation Council is the official name of the World Customs Organization (WCO).

- 2.3. identify the required sustainable capacity building measures including the modifications to national legal and administrative rules and procedures, where appropriate, and pursue their realization to enable a comprehensive implementation of the provisions of the Framework of Standards;
  - 2.4. foresee the provision of technical assistance in order to encourage the implementation of the Framework of Standards;
  - 2.5. submit to the WCO an indicative timetable for implementation of the Framework of Standards suitable to their capacities;
  - 2.6. endeavour to secure the full co-operation of business in the implementation of the Framework of Standards;
  - 2.7. participate in periodic evaluation meetings to assess progress towards implementation;
  - 2.8. provide to the WCO periodic reports on progress towards implementation of the Framework, to be discussed during each evaluation meeting; and
  - 2.9. consider the use of benchmarking methods to evaluate each Member's own implementation process.
3. That Members and Customs or Economic Unions should notify the WCO of their intention to implement the Framework of Standards. The WCO will transmit this information to the Customs administrations of all Members and to those Customs or Economic Unions which have notified the WCO.
  4. That those Members and Customs or Economic Unions which have notified the WCO of their intention to implement the Framework of Standards should work with each other to develop mechanisms for mutual recognition of Authorized Economic Operator validations and accreditations and Customs control results, and other mechanisms that may be needed to eliminate or reduce redundant or duplicated validation and accreditation efforts.

**P. GORDHAN,**  
*Chairperson*

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