



World Customs  
Organization

# SAFE Framework of Standards

2021



# SAFE

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# SAFE FRAMEWORK OF STANDARDS

At the June 2005 World Customs Organization Council Sessions in Brussels, WCO Members adopted the SAFE Framework of Standards to Secure and Facilitate Global Trade. This unique international instrument ushered in modern supply chain security standards and 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.

The Framework has since been regularly updated to effectively address new and emerging developments in the international supply chain. Notable additions were provisions on Authorized Economic Operators (AEO), Coordinated Border Management and Trade Continuity and Resumption, Pillar 3 (Customs-to-Other Government and Inter-Government Agencies), and Pre-loading Advance Cargo Information (ACI) for air cargo.

The forces of globalization, innovation and technological changes continue driving enormous changes in the global supply chain. To further assist Members and stakeholders in building and enhancing a secure and facilitative international trade environment, the SAFE Framework has again been updated in 2021.

The 2021 version of the SAFE Framework: strengthens co-operation between Customs and Other Government Agencies; promotes smart security devices to optimize Customs control and effectively monitor the movement of goods in a real-time basis; and, includes baseline provisions on the development of regional Customs union AEO programmes and the implementation of mutual recognition.

The updated SAFE Framework further enhances data elements by aligning the dataset on air cargo security with the data elements specified in the WCO's Data Model and consolidates the reporting mechanisms on the implementation of the SAFE Framework.

Against the backdrop of the COVID-19 pandemic, to bolster the resilience and recovery of global supply chains, the "AEO Implementation and Validation Guidance" was developed by upgrading the three current documents "AEO Implementation Guidance", "AEO Template" and "Customs AEO Validator Guide". The new Guidance brings together the best practices, knowledge and lessons learned from Members in order to simplify the AEO implementation process and align the AEO requirements with Customs validation processes. It also introduces a suggested approach to virtual re-validations and the use of modern technologies to support business continuity and to ensure the resilience of the AEO programmes during a pandemic.

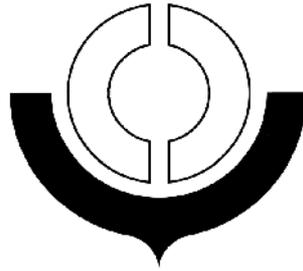
As capacity building assistance remains a vital part of the SAFE implementation strategy, the WCO will reinforce its capacity building efforts in meeting the needs of Customs and stakeholders in a structured and ongoing manner that will ensure harmonization and sustainable implementation of the Framework.

I am happy to present this new version of the SAFE Framework as an updated dynamic instrument that balances facilitation and control, while promoting the security of global trade supply chains. This unique instrument will continue to remain a reference point for Customs, other government agencies and economic operators.

I encourage all WCO Members and stakeholders to deepen the implementation the Framework and associated tools in an effective and harmonized manner, leveraging the collective lessons learned thus far and the new opportunities outlined in the 2021 SAFE Framework of Standards.

Kunio Mikuriya  
Secretary General  
World Customs Organization





WORLD CUSTOMS ORGANIZATION

## **WCO SAFE FRAMEWORK OF STANDARDS**

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## I. Introduction

Legitimate 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 and social well-being of nations. 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 should 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<sup>1</sup> 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.

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<sup>1</sup> Punta Cana Resolution on the Role of Customs in the Security Context



## 1. 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 21st Century.
- ✓ Strengthen co-operation between Customs administrations to improve their capability to detect high-risk consignments.
- ✓ Strengthen co-operation between Customs administrations, for example through exchange of information, mutual recognition of controls, mutual recognition of Authorized Economic Operators (AEOs)<sup>2</sup>, and mutual administrative assistance.
- ✓ Strengthen co-operation between Customs administrations and other Government agencies involved in international trade and security such as through Single Window.
- ✓ Strengthen Customs/Business co-operation.
- ✓ Promote the seamless movement of goods through secure international trade supply chains.

## 2. Five Core Elements of the SAFE Framework

The SAFE Framework consists of five 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. *Fifth*, it promotes close cooperation with other governmental agencies representing different regulatory areas, in order to keep societies safe and secure while facilitating the movement of goods.

## 3. Three Pillars of the SAFE Framework

The SAFE Framework, based on the previously described five core elements, rests on the three pillars of Customs-to-Customs network arrangements, Customs-to-Business partnerships and Customs-to-other Government Agencies co-operation. The three-pillar strategy has many advantages. The pillars involve a set of standards that are consolidated to guarantee ease of understanding and rapid international implementation.

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<sup>2</sup> Defined in Annex 1.



Moreover, this instrument draws directly from existing WCO security and facilitation measures and programmes developed by Member administrations.

#### **4. 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 Members and other co-operating partners.

#### **5. 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.

Administrations should report on the implementation of the SAFE Framework via the reporting mechanisms established by the WCO. A baseline inventory of SAFE implementation is required, as well as a diagnostic tool (based on the updated tools) to support Customs administrations in enhancing and improving SAFE implementation.

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## **II. Benefits**

This SAFE Framework provides a consolidated platform which will enhance world trade, ensure better security against terrorism and other forms of transnational crime, 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.

### **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, other forms of transnational crime 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 coordinated 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. 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.

### **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 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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### III. Pillar 1 – Customs-to-Customs

#### 1. 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>3</sup> Customs administrations joining the SAFE Framework will standardize Pillar 1<sup>4</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>5</sup>.

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<sup>3</sup> In many cases the SAFE Framework, and in particular the technical specifications, are taken directly from these sources.

<sup>4</sup> The technical specifications for the Pillar 1 of the SAFE Framework are presented in para 2 of Section III of this instrument.

<sup>5</sup> The details of trade continuity and resumption are presented in Section VI of this instrument.



## 2. Standards and Technical Specifications for Implementation

### 2.1 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).**

#### 2.1.1. Scope

The implementation of the integrated Customs control procedures requires appropriate legal authority that will allow Customs administrations to request the submission of advance electronic information (AEI) to Customs of data from the exporter, importer and by the carrier for security risk-assessment purposes. The AEI data requirements for security risk-assessment purposes should not exceed the data elements listed in Annex II. If Members identify a need to add to the data elements listed in Annex II this should be addressed by the SAFE Working Group, utilizing the established SAFE Data Elements Maintenance Mechanism to identify the security need and data solution proposed.

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.

#### 2.1.2. General control measures

##### i. 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.

In case of goods to or from landlocked countries, Customs involved should encourage the implementation of transit measures within their remit that enable the facilitation of trade flows without compromising the supply chain security from origin to destination.

##### ii. 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 (GIIS). Such agreements should foresee the possibility of joint monitoring or quality control procedures to oversee the adherence to the standards.

iii. 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.

iv. 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 smart security devices or high-security mechanical seals 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 including smart security devices to assist in ensuring the monitoring and/or integrity of the container along the supply chain.

In this respect the WCO Council Recommendation Concerning Customs Formalities in Connection with the Temporary Admission of Container Security Devices; reproduced in the SAFE Package, provides the basis for facilitation of the temporary admission of these devices

v. Unique Consignment Reference (UCR)

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

2.1.3. Submission of data

i. 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 II.

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.

#### ii. 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 II. 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 2.1.6) 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.

#### iii. 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 the 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 the Annex II.

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

#### iv. Pre-loading data submission for air cargo security

Customs in cooperation with other appropriate authorities may apply an additional layer of security risk assessment for air cargo and postal item by requiring an entity in the air cargo supply chain such as, but not limited to, the carrier, freight forwarder, integrator, postal operator or their agent to submit a pre-loading data set as specified in Annex III.

The provision of the data and the communication of the resulting risk assessment should be provided as early as possible to minimize any unnecessary disruption of normal trading practices including the process of loading an aircraft.

Customs, in cooperation with the appropriate authorities, should involve all relevant private sector stakeholders and follow the Joint WCO-ICAO Guiding Principles for Pre-loading



Advance Cargo Information (PLACI)<sup>6</sup> as set out in the SAFE Package when considering and implementing a PLACI regime.

v. Advance data submission on postal items

Customs administrations should consult with postal operators to ensure that electronic information on postal items will be submitted to Customs administrations in advance of the arrival/pre-loading of the items.

vi. Data quality

Data quality remains a challenge for both Customs administrations and the private sector. Improvement of data quality in the context of SAFE, underpins the concept of balancing improved supply chain security and greater trade facilitation. Automation is one of the fundamental keys to improving data quality and its implementation should be a priority goal for all stakeholders. Additionally, the WCO Council has adopted a Recommendation on the Guiding Principles for Data Quality (June 2015)<sup>7</sup>. The WCO has also developed a list of acceptable and unacceptable goods descriptions that provides consistent language which can help to improve data quality.”

vii. 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.

viii. 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.

ix. Air cargo security risk mitigation

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<sup>6</sup> [http://www.wcoomd.org/-/media/wco/public/global/pdf/topics/facilitation/instruments-and-tools/tools/joint-wco-icao-brochure/icao-and-wco-joint-guiding-principles-on-placi\\_new-wco\\_en.pdf?la=en](http://www.wcoomd.org/-/media/wco/public/global/pdf/topics/facilitation/instruments-and-tools/tools/joint-wco-icao-brochure/icao-and-wco-joint-guiding-principles-on-placi_new-wco_en.pdf?la=en)

<sup>7</sup> <http://www.wcoomd.org/-/media/wco/public/global/pdf/about-us/legal-instruments/recommendations/facilitation/transport/recommendation-data-quality-en.pdf?la=en>



To mitigate risk to aviation security, Customs in cooperation with civil aviation authorities and other appropriate authorities should establish a system to communicate in a timely manner a requirement to address high risk in the following way where applicable:

- Requirement to submit additional information
- Requirement for confirmation of screening as defined in Annex 17 of the Convention on International Civil Aviation also known as Chicago Convention<sup>8</sup>
- Requirement to apply specific additional screening, and
- “Do Not Load” (DNL) notification in case of imminent threat

x. “Do Not Load” (DNL) notification

Customs should establish a system whereby notifications not duplicative of those in para vii above will be issued only for those consignments which cannot be loaded. Such notifications should be issued within a specified time following the submission of data required for risk assessment.

xi. 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 the country of destination.

**Road**

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

xii. Time Limit for Pre-loading air cargo

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<sup>8</sup> Screening means the application of technical or other means which are intended to identify and/or detect weapons, explosives or other dangerous devices, articles, or substances which may be used to commit an act of unlawful interference.



In case of pre-loading data submission as specified in para iv, the data should be submitted as soon as the information becomes available but no later than prior to loading onto the aircraft.

#### 2.1.4. 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 the 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.

#### 2.1.5. 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 II that may be required by way of advance information for security purposes.

#### 2.1.6. Authorized Supply Chain

##### i. Authorized Economic Operators

AEOs who meet criteria specified by the Customs (see Annex IV) 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.

##### ii. 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.

## **2.2 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.

## **2.3 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.

### 2.3.1. Modern technology

To assist its Members, the WCO has launched the Technology Network (TeN) and has produced detailed Guidelines for the Purchase and Deployment of Scanning/NII equipment in the SAFE Package<sup>9</sup>.

## **2.4 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. This management system should include a mechanism for validating threat assessments and targeting decisions and implementing best practices.**

### 2.4.1. 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. Usage of automated selectivity systems in relation to cargo shipments by all types of transport which is necessary due to geographic location of the trading country should be applied during the whole route of cargo from the point of departure to the point of destination.

### 2.4.2. WCO Customs Risk Management Compendium

The Compendium is comprised of two separate but interlinked volumes. Volume 1 deals with organizational aspects of risk management. It describes the different building blocks of an organizational risk management framework. Embedding risk management as an organizational culture and building risk management capacity in gradual steps are also included in Volume 1.

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<sup>9</sup> The SAFE Package incorporates all guidance material to facilitate the implementation of the SAFE Framework of Standards



Volume 2 deals with operational risk management. It includes “enforcement sensitive” material for “Customs only” purposes, including numerous practical guides and templates for assessing risks in relation to the movement of goods, people, conveyances, economic operators and other parties to international trade. The topics covered in Volume 2 can be categorized into four broad clusters: risk assessment, profiling and targeting; risk indicators; analysis; and information and intelligence.

The Compendium is a living document and will be continually updated to reflect the latest developments regarding risk management practices in today’s constantly changing Customs operating environment.

#### 2.4.3. References

Volume 2 of the WCO Customs Risk Management Compendium includes several documents (e.g. General High-Risk Indicators, risk indicators and manuals based on international trade logistical phases as pre-arrival, arrival and post-arrival) which are useful references for risk management (and assessment).

### 2.5 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.**

### 2.6 Standard 6 – Advance Electronic Information

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

#### 2.6.1. 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.

#### 2.6.2. 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.

#### 2.6.3. 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 shall consider participating in such systems and extracting the data required for their purposes.

#### 2.6.4. 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 shall 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.

#### 2.6.5. 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.

#### 2.6.6. 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.

#### 2.6.7. 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.

#### 2.6.8. 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.

#### 2.6.9. 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.

### **2.7 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.**

#### 2.7.1. WCO Customs Risk Management Compendium

Volume 2 of the WCO Customs Risk Management Compendium has provisions for standardized risk assessments including standardized sets of targeting criteria.

#### 2.7.2. 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 trans-border 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.

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

**Customs administrations should develop 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.**

Reports on the implementation of the SAFE Framework should be provided to, and consolidated by, the WCO. The statistics regarding the above high-risk shipments or examinations should be reported between Customs administrations where appropriate.

### 2.8.1. 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 one method among others that may be used.

## **2.9 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.**

## **2.10 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.**

### 2.10.1. WCO Revised Arusha Declaration

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

### 2.10.2. 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.

## **2.11 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.**

2.11.1. 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 2.4.1.).

2.11.2. 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.

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### **3. Seal Integrity for Secure Containers**

#### **3.1. 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.

#### **3.2. 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 a 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 into 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 an 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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## IV. Pillar 2 – Customs-to-Business

### 1. 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 of fronting 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, and 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.

By virtue of fulfilling the criteria of Annex IV, AEOs should also benefit from Customs simplifications beyond security benefits.

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>10</sup>.

In relation to trade continuity and resumption measures, governments should work cooperatively 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>11</sup>.

While noting similarities among them, the SAFE AEO programme, compliance programmes (similar to the 'Authorized Person' concept in the Revised Kyoto Convention (RKC) Transitional Standard 3.32) and the 'Authorized Operator' in the WTO TFA Article 7.7 need to be clearly differentiated.

The SAFE AEO is a very comprehensive and all-encompassing programme compared to other similar programmes/schemes. The implementation of SAFE AEO Programme ensures, among others, the fulfilment of the obligations in Article 7.7 of the WTO TFA and Transitional Standard 3.32 of the RKC.

## **2. Standards and Technical Specifications for 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.

### **2.1. 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.**

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<sup>10</sup> The technical specifications for the Pillar 2 of the SAFE Framework are presented in para 2 of Section IV of this instrument.

<sup>11</sup> The details of trade continuity and resumption are presented in Section VI of this instrument



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.

## **2.2 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.

### **2.3 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 should, among others, define tangible benefits as specified in Annex IV that will ensure that they see a benefit to their investment in good security systems and practices, including, at a minimum, fewer documentary examination and physical inspections, and expedited release/clearance 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 the optimized use of resources.

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

### **2.4 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, including smart security devices, 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.

In this respect the WCO Council Recommendation Concerning Customs Formalities in Connection with the Temporary Admission of Container Security Devices; reproduced in the SAFE Package, provides the basis for facilitation of the temporary admission of these devices

## **2.5 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.



## 2.6 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>12</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>12</sup> The Revised Kyoto Convention offers a global model through which this can be accomplished.



## **V. Pillar 3 - Customs to Other Government and Inter-Government Agencies**

### **1. Introduction**

Since the development of the SAFE Framework of Standards in 2005, the importance of cooperation between Customs and other Government and Inter-Government agencies involved in international trade and supply chain security has increased. The WCO has recognized this and has introduced a number of key tools and instruments especially the Coordinated Border Management and Single Window Compendiums that impact on and guide cooperation between Customs and other Government Agencies and Inter-Government Agencies.

The main objective of this cooperation is to ensure that the government response to the challenges of supply chain security is both efficient and effective, by avoiding duplication of requirements and inspections, streamlining processes, and ultimately working toward global standards that secure the movements of goods in a manner that facilitates trade.

There are many governmental agencies which cooperate with Customs in the area of supply chain security. Partnering agencies include but are not limited to transport security authorities, interior authorities (e.g. police), agencies operating at the border (e.g. agricultural) and licensing agencies (e.g. dual use).

There are a variety of potential forms of mutual cooperation: agencies may share common facilities, equipment, databases, exchange information, and jointly conduct targeting/risk assessment, programme validations or inspections. It may also include aligning the various agencies' security programmes and control measures.

Cooperation across various agencies is essential at the national level. Given the nature of the global supply chain, such effective cooperation must also be promoted bilaterally and multilaterally between and among organizations representing different sectors and regulatory areas in order to foster and establish international harmonization and reduce burden on both trade and governments.

To assist with the implementation of this Pillar, Members are referred to the tools and instruments of WCO including but not limited to the Revised Kyoto Convention, Coordinated Border Management Compendium, Single Window Compendium, AEO Compendium and Risk Management Compendium.



## 2. Standards and Technical Specifications for Implementation

### Cooperation within Government

#### 2.1 Standard 1 - Mutual Cooperation

**Governments should foster mutual cooperation between their Customs administration and other competent government agencies.**

2.1.1. Mutual cooperation is encouraged between Customs and other competent government agencies that regulate the movement of cargo in different modes of transport including intermodal.

##### 2.1.2. Cooperation between Customs and Aviation Authorities

Customs should establish mutual cooperation with aviation authorities in relation to their respective security certification programmes for example the Authorized Economic Operator (AEO) Programme and the Regulated Agent/Known Consignor (RA/KC) Programme taking into account each Member's situation. Customs should encourage aviation security authorities to recognize the role consignment level Customs risk analysis may play in air cargo security. This Customs risk analysis may occasionally direct additional rescreening of consignments outside of the normal aviation security rules.

##### 2.1.3. Cooperation between Customs and Maritime and Port Security Authorities

Customs should establish mutual cooperation with the maritime (including inland water ways) and port security authorities. Cooperation may include the alignment between AEO programmes and the *International Ship and Port Facility Security Code* (ISPS Code) with regards to areas such as the initial security assessment procedure, exchange of available and appropriate information and where possible alignment of compliance controls and follow-up activities.

##### 2.1.4. Cooperation between Customs and Land Transportation Authorities

Customs should establish mutual cooperation with land transportation authorities in relation to transportation by land (including rail). Cooperation may include areas such as the initial security assessment procedure, the exchange of available and appropriate information and where possible alignment of compliance controls and follow-up activities.

##### 2.1.5. Cooperation between Customs and Postal Operators

Customs should establish mutual cooperation with postal operators responsible for security in relation to postal traffic. Cooperation may include areas such as the initial security assessment procedure, the exchange of available and appropriate information and where possible alignment of compliance control and follow-up activities.



Especially, exchange of advance electronic information should be examined between Customs and Postal Operators for supply chain security while facilitating the Customs procedures for postal items.

The applicable guidelines for safety and security of postal operations are contained within the Universal Postal Union Security Standards S58 and S59. The UPU security standards are consistent with the SAFE Framework of Standards.

#### 2.1.6. Cooperation between Customs and passenger control agencies

Recognizing the potential link between travellers and commercial cargo/trade flows, mutual cooperation should also include bodies entrusted with regulating and controlling the movement of people across borders.

### **2.2 Standard 2 - Cooperative Arrangements/Procedures**

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

2.2.1. Mechanisms should be established for ensuring inter-agency coordination to improve the efficiency and effectiveness of the supply chain security measures and operation. These mechanisms should allow for the alignment of functions and responsibilities amongst agencies in order to ensure efficient operations, optimal data quality, effective risk management and avoidance of duplication in the governmental efforts to secure and facilitate trade.

For this purpose, governments should take Article 8 of the World Trade Organization's Trade Facilitation Agreement<sup>13</sup> into consideration in order to ensure the best cooperation and coordination possible between the different competent agencies.

### **2.3 Standard 3 - Alignment of security programmes**

**Governments should, where appropriate, align the requirements of the various security programmes/regimes that are implemented to enhance security of the international supply chain.**

2.3.1. Customs should establish mutual cooperation with other government agencies in relation to their respective security programmes. As part of this process of harmonization, governments should ensure that Customs and other agencies work together to align their processes for assessment and validation of secure operators (e.g. AEO, RA/KC, ISPS Code, Internal Compliance Programme (ICP)).

2.3.2. In the area of air cargo security, authorities should work towards harmonization of their respective security programmes namely the AEO Programme and the Regulated

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<sup>13</sup><https://tfadatabase.org/tfatext/article/8#:~:text=Each%20Member%20shall%20ensure%20that,in%20order%20to%20facilitate%20trade.>



Agent/Known Consignor Programme. Cooperation may include areas such as the application and initial assessment procedure, exchange of available and appropriate information on the applicant, alignment of compliance and follow-up activities after the status/authorization has been granted (including sharing of information with regard to the withdrawal or revocation of the status).

#### **2.4 Standard 4 - Harmonization of national control measures**

**Governments should harmonize the supply chain security national control measures of government agencies, including risk management and risk mitigation, in order to limit any negative impact of those measures on legitimate trade and international movement.**

2.4.1. Customs should collaborate with all partner agencies to harmonize, to the extent possible, their control processes, measures or strategies in order to ensure security and economic competitiveness. Such collaboration may include joint inspection (physical and/or administrative), information exchange, coordinated risk management and mutual recognition of controls.

2.4.2. Customs should enter into arrangements or agreements with government agencies entrusted with regulatory authorities over certain goods (e.g. weapons, hazardous materials) that may affect public security and safety. Cooperation on the security, inspection and clearance of such goods should be consistent with the principles of Standard 4 above.

#### **2.5 Standard 5 - Development of continuity and resumptions measures**

**Customs should work with other government agencies as well as the private sector to identify their respective roles and responsibilities in relation to trade continuity and resumption measures in order to continue trade in the event of a disruptive incident.**

2.5.1. 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 mechanisms and plans should be developed in advance based on the respective roles and responsibilities and updated as necessary.

#### **2.6 Standard 6 – Harmonization of data filing requirements**

**Customs should develop cooperative arrangements with other government agencies that require data for the clearance of goods in order to facilitate the seamless submission, transfer, and reuse of international trade data, consistent with the Single Window concept.**

2.6.1 Customs and other government agencies should work towards the creation of a system that enables traders 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.

2.6.2 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 and Guidelines on establishing an International Trade a Single Window, WCO Single Window Compendium, and the WCO Data Model.

## **Cooperation between and among governments**

### **2.7 Standard 7 - Mutual Cooperation**

**Governments should foster mutual cooperation between Customs administrations and other competent government agencies involved with supply chain security across borders or within a Customs union**

2.7.1. This mutual cooperation may include exchange of information, training, technical assistance, capacity building, alignment of business hours where appropriate and the sharing of equipment.

### **2.8 Standard 8 - Development of Cooperative Arrangements or Protocols**

**Governments should develop cooperative arrangements or protocols among their agencies that are working side by side on a shared border or within a Customs union.**

2.8.1. Such collaboration may require the signing of memorandums of understanding, Customs Mutual Assistance Agreements (CMAA) or other arrangements in order to achieve coordinated cross-border management functions.

### **2.9 Standard 9 - Harmonization of security programmes**

**Governments should, where appropriate, harmonize the requirements of the various security programmes that are implemented to enhance security of the international supply chain.**

2.9.1. Agencies involved in the supply chain security should collaborate to enhance security programmes where appropriate. This collaboration may be achieved by aligning requirements, enhancing member benefits and minimize unnecessary duplication.

### **2.10 Standard 10 - Harmonization of cross-border control measures**

**Governments should work to harmonize cross-border control measures.**

2.10.1. Cooperation may include mutual recognition of control measures and compliance programmes, sharing of resources and techniques, and accepting clearance of goods by the other party.



## **Multinational Cooperation**

### **2.11 Standard 11 - Establishment of Mutual Cooperation**

**Together, governments should foster cooperation between and among international bodies that are involved with supply chain security.**

2.11.1. Governments working through the WCO should engage with all partner international bodies that are involved in international trade and supply chain security to develop, maintain and enhance harmonized international standards.

### **2.12 Standard 12 - Development of cooperative arrangements or protocols**

**The WCO on behalf of its Members should develop and maintain cooperative arrangements with those international governmental bodies (e.g. ICAO, IMO and UPU) that are involved with supply chain security.**

2.12.1 The aim of this cooperative effort will be to complement the work of Members to address issues such as national and multinational cooperation and co-ordination and the adoption/harmonization of international standards.

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## **VI. 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.

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## VII. Mutual Recognition

### 1. Introduction

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 the 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 should 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 validation 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.
- Members with trade economic integration or regional economic integration arrangements should, when implementing mutual recognition systems at their corresponding level of integration, strive to unify all the criteria for granting, suspending, removing and reinstating AEO status as prescribed in the WCO SAFE Framework of Standards.

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: Authorized 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.

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

Guidance is provided for administrations to introduce the mutual recognition concept in the Guidelines for Developing a Mutual Recognition Arrangement/Agreement (MRA). A model application and authorization process is also provided in the Process Outline for Business (Annex IV). 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.

### **2.1. Regional Customs union AEO programmes**

The development of regional Customs union AEO programmes and plurilateral MRAs based on the SAFE Framework could facilitate the mutual recognition and harmonization of AEO status across the world.

Regional Customs union AEO programmes could serve as an example of a standardized approach to AEO programmes within regions where there is a single piece or a common set of Customs legislation in place, including criteria or requirements for validating, granting, suspending, removing and reinstating AEO status. Under this concept, it is presumed that AEO status granted by the Customs administration of one Member is recognized by the Customs administrations of the other Members within the Customs union. Therefore, businesses could benefit from AEO status across the whole region without the need for separate or additional MRAs.

### **2.2. Plurilateral MRAs**

An alternative approach to the mutual recognition of AEOs within the region or among partner Members is provided by plurilateral MRAs. These agreements or arrangements could also increase the effectiveness of mutual recognition, as they cover several participating Members that have agreed on a standardized approach to AEO programmes, especially with



regard to criteria or requirements for validating, granting, suspending, removing and reinstating AEO status. Plurilateral MRAs provide for the possibility of the mutual recognition of AEOs among several participating Members in accordance with a single agreement or arrangement. A single negotiating process could lead to mutual recognition between several Members and would therefore reduce the operational costs involved in the conclusion of bilateral MRAs.

### **3. 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 Risk Management Compendium. Further, the Johannesburg Convention and Model Bilateral Agreement contain provisions which can support joint screening activities.

### **4. 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.

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## ANNEX I

### 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.

#### **CONTAINER**

For the purposes of this document only, the term container includes maritime containers, aircraft containers and any portable compartment in which freight is placed (as on a train, truck, aircraft or ship or any other means of conveyance) for transportation.

#### **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.

#### **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.

**SHIPMENT OR TRANSPORT CONVEYANCE:** 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 utilizing 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**  
**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 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			

No	WCO ID	Name	Description	Goods Dec	Cargo Dec	VSP	CSM
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			
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 authorized to act on behalf of another party.	x			
9b	R003	Agent – name	Name and address of a party authorized 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			

No	WCO ID	Name	Description	Goods Dec	Cargo Dec	VSP	CSM
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			
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			

No	WCO ID	Name	Description	Goods Dec	Cargo Dec	VSP	CSM
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 consignment into its original components.	x			
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			

No	WCO ID	Name	Description	Goods Dec	Cargo Dec	VSP	CSM
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	Code specifying the payment method for transport charges.		x		

No	WCO ID	Name	Description	Goods Dec	Cargo Dec	VSP	CSM
		of payment, coded					
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		
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	

No	WCO ID	Name	Description	Goods Dec	Cargo Dec	VSP	CSM
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
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 - Harmonized system:** The item number is part of, or is generated in the context of the Harmonized Commodity Description and Coding System (Harmonized 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.
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### ANNEX III

#### Pre-loading Air Cargo Security Data

No	WCO ID	Name	Description
1	R020*	Consignor, name	Name of the party consigning goods as stipulated in the transport contract by the party ordering transport.
2	04A	Consignor, address	Details relating to an address [to be associated with Consignor information]
3	R014	Consignee, name	Name [and address] of party to which goods are consigned.
4	04A	Consignee, address	Details relating to an address [to be associated with Consignee information]
5	144	Number of packages	Number of individual items packaged in such a way that they cannot be divided without first undoing the packing.
6	131	Total gross weight (incl. Measure unit qualifier)	Weight (mass) of goods including packaging but excluding the carrier's equipment for a declaration.
7	138	Brief cargo description	Plain language description of the cargo of a means of transport, in general terms only.

\* R020 is a data element of WCO Class ID 30A, namely, "the party which, by contract with a carrier, consigns or sends goods with the carrier, or has them conveyed by him."

**Note 1: The identification of the data filer must be provided together with the HAWB and/or MAWB number according to the air cargo business model.**

x

x x



## ANNEX IV

### **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 are 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 a 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 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 applicant, their areas of responsibility in the supply chain in accordance with their business models and all relevant processes employed by them to reach the AEO 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 including an accounting system 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;
- 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. is required to be in good financial standing which is sufficient to fulfil its commitments considering the specific characteristics of its business model and activity. Financial indicators, both absolute and relative, can be utilized to establish ratio measurements which can help to identify the financial standing of the operator. This process falls within the vetting and validation procedures of Members' AEO programmes and should be considered in the totality of the situation for each operator.

### **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 Compendium;
- 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.

## **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

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

- 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 smart security devices or mechanical seals as prescribed in Standard 1 and 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, 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;
- 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 five 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 para 2 of Section I and para 3 of Section II). Further, the SAFE Framework offers certain specific examples for consideration (see para 3 of Section III). 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 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.

The success of an AEO programme is based on several elements including facilitation benefits being provided to AEOs who meet the specified criteria and have been granted their status based on the WCO SAFE Framework of Standards and associated tools. The benefits should be tangible, meaningful, transparent and measurable although of course some of the benefits resulting from AEO status are indirect. Each Customs administration should cooperate (by various means) with business partners to determine the joint benefits to be gained from collective participation in the secure supply chain, based

on national priorities, the operating environment and policy considerations. General agreement on the minimum benefits that business partners can reap from the AEO status is also crucial.

It is important to establish a core set of internationally accepted trade facilitation benefits that could be provided to AEOs under all relevant national programmes. Such benefits should be rewarding to the extent that they not only justify the additional costs sustained by economic operators in meeting prescribed AEO requirements but also bring those operators real improvements and facilitation gains, above and beyond the normal procedures enjoyed by non-Authorized Economic Operators. To that end a non-exhaustive list of benefits has been developed, which can provide reference guidance to Customs administrations in developing their own list of benefits in close consultation with relevant stakeholders. The benefits have been organized into two broad categories: General benefits and Operator-Specific Benefits.

## **I. General Benefits**

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

- a) Access to dedicated fast lanes at land borders;
- b) Expedited processing and release of shipments;
- c) Account-based processing rather than transaction-by-transaction clearance of accounts;
- d) Low documentary and data requirements for cargo release, including, for example, allowing the Customs declaration to be lodged by means of an entry in the records of an authorized person, to be subsequently backed up by a supplementary Customs declaration;
- e) A single customs declaration for all imports or exports in a given period;
- f) Pre-qualification for simplified procedures;
- g) Priority for the revision of cargo/goods declaration;
- h) Choice of location for control/clearance of goods at the premises of the authorized economic operator or another place authorized by customs;
- i) Faster clearance at transit points and fewer checks en route;
- j) Minimum number of cargo security inspections;
- k) Low rate of physical inspections and examinations;
- l) Prior notification and treatment in case of selection for physical controls;
- m) Priority use of non-intrusive inspection techniques when examination is required;
- n) Reduction of applicable fees or charges for AEOs;
- o) Favourable treatment concerning Customs assessment of liquidation damages;
- p) Use of AEO's commercial records to self-assess their duty and tax liability and, where appropriate, to ensure compliance with other Customs requirements;
- q) Deferred payment of duties, taxes, fees, and charges or periodic payment of duties/taxes;
- r) Tax privileges to be granted by speedier processing of tax refunds, drawback, and other permissions/authorizations;
- s) Use of comprehensive guarantees or reduced guarantees;

- t) Assigning dedicated account managers to help companies coordinate and resolve Customs issues and related matters or access to a dedicated helpdesk, Client Coordinator, contact point, Supply Chain Security Specialist (SCSS), etc.;
- u) Extended Customs services beyond normal working hours;
- v) Priority response to request for rulings from national Customs authorities;
- w) Potential reduction in or exemption from warehousing and licensing fees and charges.

**B. Measures to facilitate post-release processes:**

- a) Simplified post-entry or post-clearance programmes;
- b) Eligibility for self-audit or reduced audit programmes;
- c) Expedited processes to resolve post-entry or post-clearance inquiries;
- d) Ability to make corrective disclosures or take corrective actions prior to the initiation of Customs non-criminal administrative penalty procedures (excluding fraud).

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

- a) Priority Customs' processing during period of elevated threat conditions;
- b) Priority treatment in post-incident resumption and trade recovery;
- c) Priority in exporting to affected countries after an incident;
- d) Ability to use fall-back procedures in case of Customs IT system failure.

**D. Participation in new trade facilitation programmes/initiatives:**

- a) Involvement in the development of new policies and programmes;
- b) Priority involvement in new trade facilitation initiatives/pilots.

**E. Benefits provided by other government agencies**

- a) Recognition under other government agencies' security programmes, such as Regulated Agent (RA) and Known Consignor (KC) within civil aviation, if an AEO applies for the status of Regulated Agent or Known Consignor, the respective security requirements are deemed to be met to the extent that the criteria for issuing the AEO status are identical to or correspond with those for RA or KC status. The same principle applies the other way around;
- b) Expeditious visa processing for qualifying employees of AEOs;
- c) Decreased number of physical inspections for export operations by other border agencies e.g. Narcotics and Police agencies;
- d) Priority treatment and reduction in fees and charges by other government agencies in processing licenses, certificates, permits, and other authorizations (LCPO);
- e) Recognition by other agencies in their simplification and reform programmes.

**F. Benefits under mutual recognition arrangements/agreements (MRAs)**

- a) International accreditation of supply chain;

- b) Recognition by other Customs administrations via MRAs as a low-risk trader in the Customs automated risking system, which may lead to fewer examinations;
- c) Improved economic efficiency through reduced time and costs associated with cross-border Customs controls due to priority treatment;
- d) Reduced costs and time delays through priority inspections when cargo is selected, facilitating just-in-time deliveries;
- e) Improved predictability and precision in moving goods from one's own territory to the territory of the trading partner whilst improving business competitiveness;
- f) Reduced cargo theft and pilferage by improving the security of the bilateral/regional/plurilateral supply chain;
- g) Targeted examinations so as to allow non-selected cargo belonging to the same trader to proceed without delay to the destination, to the extent possible;
- h) Reciprocal or comparable security and compliance benefits whenever equivalent programmes exist;
- i) Advice and assistance for unforeseen issues with overseas border agencies that have signed MRAs.

#### **G. Providing access to information of value to AEO participants**

- a) Data such as names and contact information of other AEO participants, with the consent of AEOs;
- b) List of all the countries having adopted the SAFE framework and implementing AEO programmes;
- c) List of all recognized security standards and best practices;
- d) Access to awareness sessions that provide information on supply chain security practices and processes;
- e) Free and easy access to all e-Government/Customs services.

#### **H. Indirect benefits**

- a) Enhanced trusted partnerships with Customs and other government agencies;
- b) Improved credibility and transparency within the Customs administration, the trading community, and international organizations, in line with international standards and conventions;
- c) More efficient use of resources by avoiding duplications and improvement of respective government programmes through information exchange;
- d) Participation in periodic capacity building and technical training activities organized by Customs for AEOs;
- e) Easy access to funding or assistance through training assistance schemes and development programmes offered by Customs and other government agencies;
- f) Recognition as a secure, safe, predictable and consistent business partner in the supply chain
  - i. Reduction in threats in the supply chains where AEOs are involved;
  - ii. Use of AEO logo for enhanced reputation and global visibility;
  - iii. Increased competitiveness, leading to further business opportunities;
  - iv. Easy access to the major facilities at the port of entry in the country of destination;

- g) Improved relations with Customs and other government authorities
  - i. The partnership established during the authorization process and continuous cooperation will help better understand each other and find jointly tailored solutions beneficial for both sides;
  - ii. First/priority consultation in the development of regulatory policies and programmes;
- h) Helping analyse in detail all related international supply chain processes which are generally assessed during the preparation of an AEO application
  - i. Identification of inefficiencies and gaps in management of the company and the supply chain;
  - ii. Implementation of best practice (e.g., better communication and cooperation between divisions, improved internal controls, transparency, and business process efficiency);
  - iii. Improved levels of compliance and fewer disputes;
  - iv. Improved supply chain visibility and predictability.
- i) Enhanced security and safety standards yield positive effects:
  - i. Improved visibility and tracking;
  - ii. Improved personnel security;
  - iii. Improved development of standards;
  - iv. Improved supplier selection and investment;
  - v. Improved transportation and conveyance security;
  - vi. Improved building of organizational infrastructure awareness and capabilities;
  - vii. Proactive investments in new technologies.
- j) Other indirect benefits that may result from the globally positive effects:
  - i. Improved integrity of shipments (reduction in theft, loss, pilferage);
  - ii. Higher customer satisfaction and loyalty (reduction in customer attrition and increase in the number of new customers);
  - iii. Improved inventory management (reduction in excess inventory and improved on-time delivery);
  - iv. Improved employee commitment and better employee hiring and exit processing policies and practice;
  - v. Improved planning;
  - vi. Reduced insurance costs.

## **II. Operator- Specific Benefits:**

In addition to the general benefits above, there are specific benefits for each category of economic operators as listed below:

### **A. Exporters**

- a) Financial guarantee waivers, reductions or rebates;
- b) Faster disbursement of drawback amount;
- c) Faster processing of refunds and adjudications;
- d) Automatic exemption from Withholding Tax;
- e) Pre-qualification for simplified procedures, including possibilities for a single-step process (simultaneous release and clearance) or a two-step process

- (release followed by clearance) for release/clearance purposes, according to the importer's preference;
- f) Acceptance of self-certified copies of Free Trade Agreement (FTA) / Preferential Trade Agreement (PTA) origin-related or other certificates required for clearance;
  - g) Paperless declarations with no supporting documents;
  - h) Free to lodge export declaration with any Customs office;
  - i) Export permit can be obtained without carrying the cargo into Customs area;
  - j) Direct Port Entry for factory stuffed containers meant for export;
  - k) Special focus on facilitated clearance for small and medium-sized enterprises (SMEs).

## **B. Importers**

- a) Notification of intention to release prior to goods' arrival i.e. pre-arrival clearance;
- b) Pre-qualification for simplified procedures, including possibilities for a single-step process (simultaneous release and clearance) or a two-step process (release followed by clearance) for release/clearance purposes, according to the importer's preference;
- c) Paperless declarations with no supporting documents;
- d) Fewer post-release inquiries;
- e) Automatic exemption from Withholding Tax;
- f) Faster processing of refunds and adjudications;
- g) Special focus on facilitated clearance for small and medium-sized enterprises (SMEs);
- h) Acceptance of self-certified copies of FTA / PTA origin-related or any other certificates required for clearance;
- i) Exemption from Customs escort unless those shipments are of a particular nature which Customs identifies as being of higher risk.

## **C. Warehouse Operators**

- a) Faster approval of new warehouses within a specified number of days after submission of complete documents or only by notification;
- b) Waiver of past record verification usual for granting a warehouse license;
- c) Waiver of solvency certificate requirement;
- d) Waiver/reduction of financial security and other related requirements for warehousing license;
- e) Extended validity of warehousing license (corresponding to the AEO validity period);
- f) Automatic renewal of license.

## **D. Customs Brokers**

- a) Priority treatment in cargo clearance chain – any consignment declared by an AEO Customs Agent shall be processed prior to non-AEO declarations;
- b) Extended validity (as validity of AEO status) of brokers' licenses;

- c) Automatic renewal of license;
- d) Waiver from fee for renewal of broker's license;
- e) Qualification for Customs clearance at national level;
- f) Free to lodge export declaration with any Customs office.

#### **E. Logistics Operators**

- a) Waiver/reduction of financial guarantee in case of trans-shipment/transit or movement/transport of goods;
- b) Facility for a comprehensive running bond for various obligations;
- c) Facilitated transit without permission from Customs;
- d) Waiver of Customs escorts for movement of goods to another Customs station or Customs bonded warehouse.

#### **F. Carriers/Transporters**

- a) Guaranteed renewal of transit goods license and any other licenses issued by Customs and other agencies;
- b) Enabling movement from one place to another under general bond and waiver/reduction of financial guarantee;
- c) Dedicated road lanes at border points;
- d) Priority availability of space for custody, verification, and unloading of goods.

#### **G. Port/Terminal Operators**

- a) Waiver/reduction of financial guarantee for operator license;
- b) Extended validity of operator license and automatic renewal.

#### **H. Manufacturers**

- a) Waiver of requirements related to storing goods in the Customs area for export cargo of AEO manufacturers;
- b) Direct Port Delivery to ensure just-in-time inventory management by AEO manufacturers.

### **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 maintenance of the standards. Authorization will be granted by the national Customs administration after validation of the fulfilment 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.

Regional Customs union AEO programmes within a Customs or economic union or other form of regional economic integration based, as a rule, on a single piece or a common set of Customs legislation implemented by its Members could serve as a good example of a standardized approach to AEO programmes.

Unified criteria or requirements and validation and authorization processes within a Customs or economic union based on the SAFE Framework provide an appropriate basis for a standardized approach to AEO programmes.

Such programmes provide an opportunity for businesses to benefit from AEO status in all Members of a Customs or economic union, even though that status was granted in only one Member, thereby reducing costs inter alia with regard to the authorization process. Moreover, this standardized approach to AEO programmes within a regional Customs union could provide further opportunities for potential partners involved in the conclusion/signing of an MRA with the whole region/union.

Plurilateral MRAs provide an alternative means of facilitating a standardized approach to AEO programmes; under such agreements or arrangements, Members seek to harmonize their approaches to AEO programmes, especially with regard to validation and authorization processes.

Plurilateral MRAs could also provide further opportunities for businesses, especially multinationals, to reduce operational costs, including those associated with the validation and authorization procedure.

### **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<sup>2</sup>
  - 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

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<sup>2</sup> <http://www.wcoomd.org/en/topics/facilitation/instrument-and-tools/tools/voluntary-compliance-framework.aspx>

documentation and/or information access concerning personnel, company premises, equipment and assets as provided in this Annex.

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.

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## ANNEX V

### 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.

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

## **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;
  - 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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**Acknowledgement:** This publication was published with the financial support of CCF-Korea

