

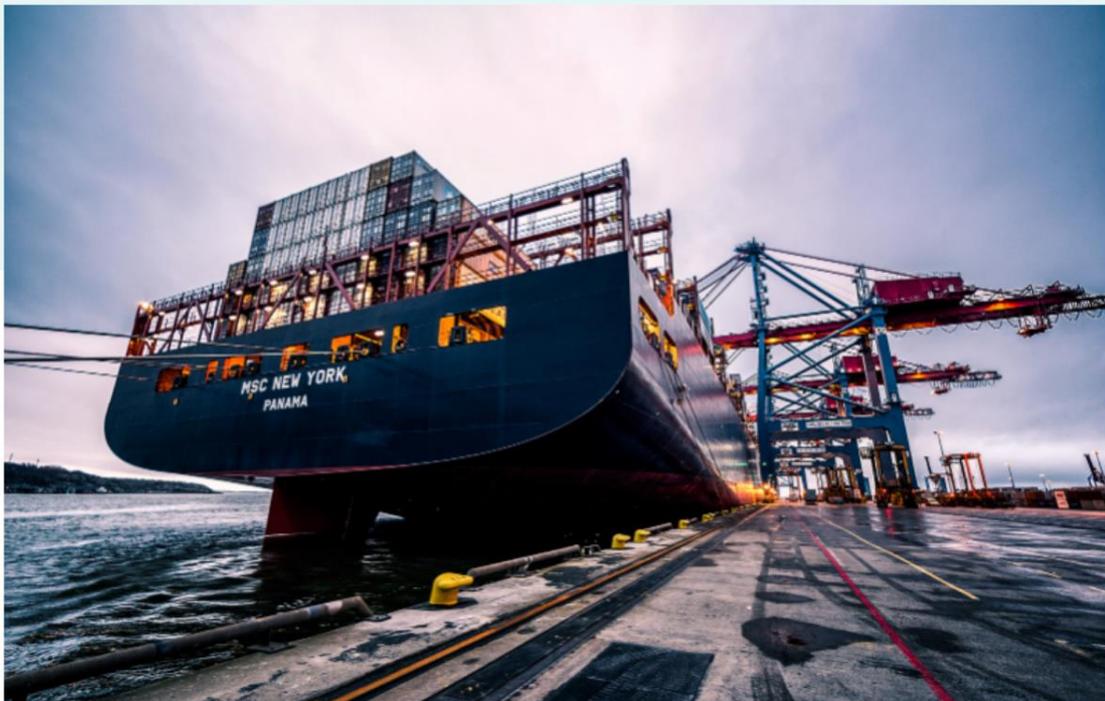
**SRI LANKA CUSTOMS**

# Authorized Economic Operator Programme

Operational Guide Draft Version 3.0

*"Fully implementing the WTO trade facilitation agreement is  
one ingredient to reduce border delays and costs for traded  
merchandise."*

*--Arancha Gonzalez*



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## 1. Introduction

Legitimate international trade is an essential driver for economic prosperity. 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.

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 manage risk 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 alternatively, 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.

### 1.1. Who is an Authorized Economic Operator?

As the WTO Trade Facilitation Agreement (TFA) came into force on the 22nd of February, 2017, Sri Lanka being a signatory had numerous obligations to fulfil in order to meet the standards the TFA prescribes to improve the transparency and predictability of trading across borders and to create a less discriminating environment. Sri Lanka Customs has identified that the best way to fulfil its obligations is to develop a strategic approach towards the implementation of the WCO SAFE Framework of Standards. The fourth core element of WCO SAFE Framework of Standards stipulates “creating of a framework which defines benefits that Customs will provide to businesses that meet minimal supply chain security standards and best practices” – which is the developing of a robust Authorized Economic Operator (AEO) Framework for Sri Lanka Customs by leveraging the other three core principles – advance electronic information, robust risk management and outbound inspections through the use of non-intrusive inspection technology.

The WCO SAFE Framework of Standards, defines the term “Authorized Economic Operator” as – ‘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. Authorized Economic Operators include inter alia manufacturers, importers, exporters, brokers, carriers, consolidators, intermediaries, ports, airports, terminal operators, integrated operators, warehouses, distributors and freight forwarders’

As an initial step of implementing such a programme, a pilot Compliant Trader Facilitation Programme called Fast Track was initiated in 2013. This programme was solely designed with the intention of facilitating a selected set of highly compliant importers, by exempting them from certain steps of the declaration process. In 2016, another programme called Green Channel was introduced to further facilitate the more compliant traders who were already operating under the Fast Track programme. With the lessons learnt from the five years of operational experiences of these two pilot projects, the Risk Management Unit of Sri Lanka Customs has decided to launch a comprehensive Authorized Economic Operator Programme in 2020 aligning with requirements of the WCO SAFE Framework of Standards and WTO Agreement on Trade Facilitation.

## 1.2. Rationale for implementing the AEO Programme in Sri Lanka

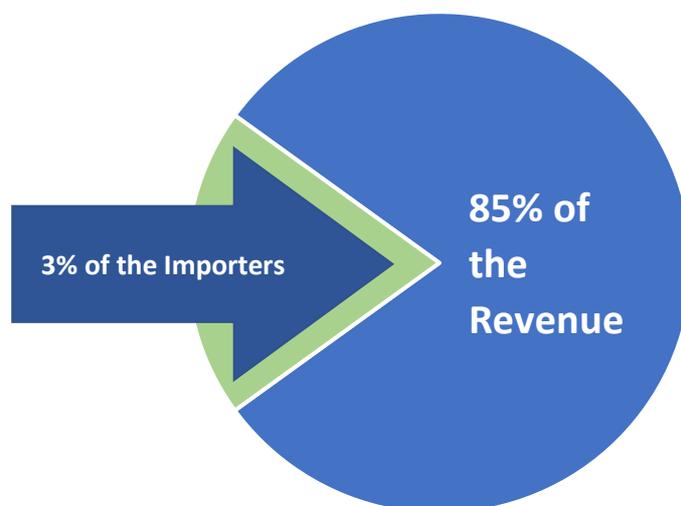
CATEGORY – REVENUE WISE (RS)	NO OF IMPORTERS	% OF IMPORTERS	VALUE (RS)	% OF VALUE
550	459	2.17	10,974	0.0
551 – 1,000	31	0.15	23,812	0.0
1,001 – 10,000	336	1.59	1,688,787	0.0
10,001 – 100,000	2046	9.68	91,361,300	0.01
100,001 – 1,000,000	5413	25.62	2,352,340,423	0.34
1,000,001 – 10,000,000	9828	46.52	26,543,306,274	3.82
10,000,001 – 100,000,000	2324	11.00	76,177,865,753	10.96
100,000,001 – 1,000,000,000	606	2.87	166,597,283,896	23.96
1,000,000,001 – 10,000,000,000	78	0.37	184,379,414,614	26.52
10,000,000,001 – 100,000,000,000	6	0.03	239,113,232,319	34.39
100,000,000,001 <	0	0.00	-	0.00
<b>TOTAL</b>	<b>21,127</b>	<b>100.00</b>	<b>695,256,528,152</b>	<b>100.00</b>

Summary statistics from the table:

- 97%** of importers (20,521) are in the first seven categories (revenue < 100,000,000 RS).
- 15%** of total revenue is generated by these 97% of importers.
- 3%** of importers (606) are in the last three categories (revenue > 100,000,000 RS).
- 85%** of total revenue is generated by this elite 3% of importers.

**Table 1:** Categorization of importers based on revenue (1<sup>st</sup> January 2019 – 30<sup>th</sup> September)  
(Source: Sri Lanka Customs database)

As Table 1 depicts, based on the import statistics for the period of 10 months (1st of January, 2019 to 30th September, 2019), there are more than 21,000 different parties involved in the importation of cargo. However, 85% of the total revenue during that period was collected from 3% of the importers. Therefore, if more resources and focus is put into ensuring the compliance level of this elite 3% of importers, it would result in better revenue collection and Customs can use its limited human resources on areas such as Post Clearance Audit, Risk Management, Intelligence & Enforcement activities in targeting the remaining 97% of the importers. This makes a comprehensive business case for the Customs administration to implement an AEO Programme within Sri Lanka Customs administration.



**Figure 1:** Focus group for the AEO Programme

### 1.3. Structure of the AEO/CEO programme

Anyone involved in the international supply chain that undertakes Customs related activity in Sri Lanka can apply for AEO status irrespective of size of the business. These may include exporters, importers, logistic providers (e.g. bondsmen, terminal operators, customs brokers etc.) and any others who are involved in the international supply chain and directly interact with Sri Lanka Customs.

The proposed AEO programme offers two tiers of certification i.e. Compliant Economic Operator (CEO) Programme for the importers and exporters with high legal and operational compliance and Authorized Economic Operator (AEO) Programme for operators who have additionally also maintain high level supply chain security.

This is a voluntary scheme. Any willing economic operator, who fulfils the eligibility conditions stipulated under Sections 2.1.1 and 2.2.1 of this guide may apply for the scheme via the online platform and if the economic operator is found eligible, upon approval by the Risk Management Committee, Risk Management Unit of Sri Lanka Customs will issue the Authorized Economic Operator Certificate. Benefits granted for Compliant Economic Operators (CEO) and Authorized Economic Operators (AEO) are listed under Sections 2.1.2, 2.2.2 and 2.2.3 of this operational guide.

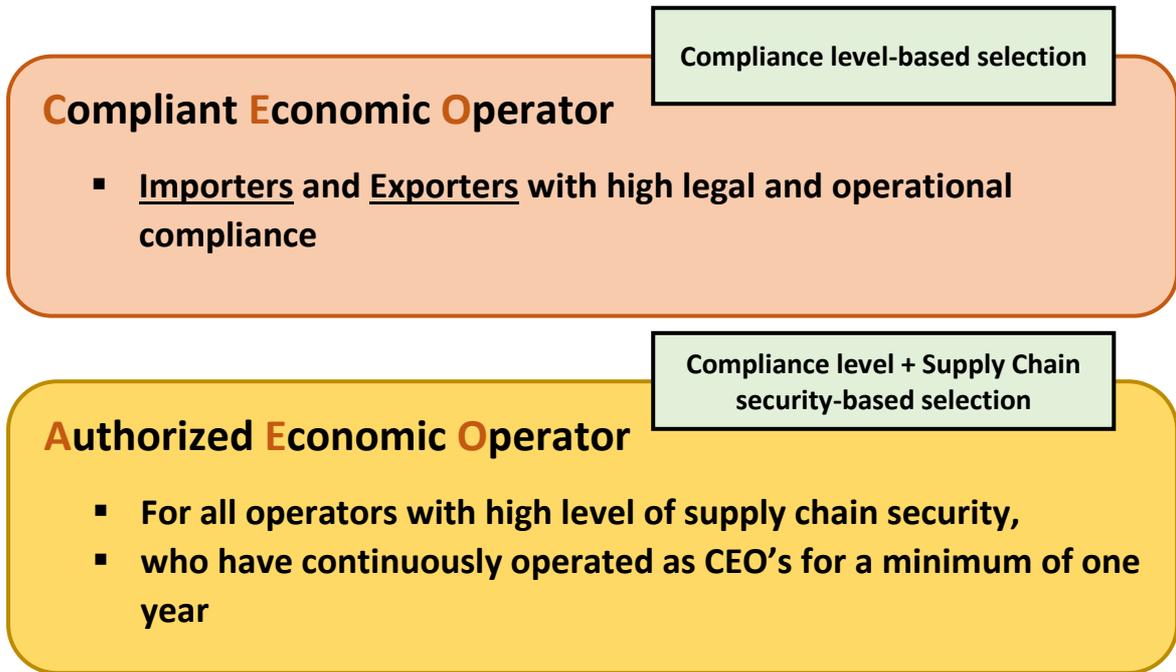


Figure 2: Two tiered approach of the AEO Programme

### 1.4. Defining the AEO/CEO Programmes

The AEO programme offers two tiers of certification, i.e. Compliant Economic Operator – CEO; applicable for importers and exporters and Authorized Economic Operator – AEO; applicable for importers and exporters and other economic operators.

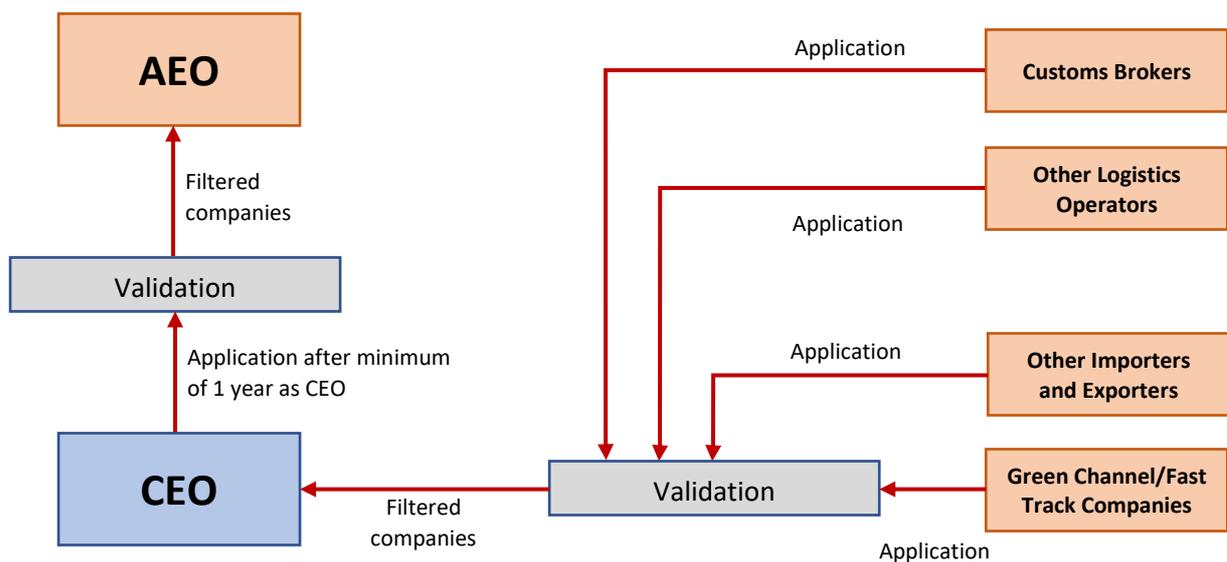


Figure 3: Proposed structure of the AEO Programme

## 1.5. Compliant Economic Operator Programme

### 1.5.1. Who can apply?

For the purpose of this certificate:

1. Applicant (importer/exporter) should fulfil the criteria mentioned under Section 3.1 of this document; and
2. All other requirements as stipulated in Sections 3.2, 3.3 and 3.4 of this guide shall be considered to have been met if the information and documents submitted by the applicant prove the claims of the applicant to the satisfaction of the Risk Management Unit and Risk Management Committee of Sri Lanka Customs.

### 1.5.2. Benefits Granted

The benefits offered to the CEOs are:

- I. They are accorded a high level of facilitation for imports and exports of their consignments, thereby ensuring shorter cargo release time.
  - a. Expedited channel for document processing at the long room and other similar operational units of Customs.
  - b. A separate counter will be operated at the respective directorates to facilitate them.
  - c. Scrutiny of documents will be given priority at the long room and other similar operational units.
- II. Approximately **65%** of import cargo is **exempted from physical examination** within one calendar year.
- III. AEO/CEO ID cards are granted to five authorized personnel of the company for hassle free entry to the Custom Headquarters for the official matters.
- IV. Wherever feasible, CEO/AEO companies get separate space earmarked in LCL warehouses and State/public bonds.
- V. The imports selected for physical examination are processed on a priority basis at the cargo examination yards.
- VI. In situations where they are required to furnish a security for a liability due to a dispute on classification, valuation or origin, the quantum of the bank guarantee is maximum of 50% of the liability amount and for the remaining amount they are allowed to furnish a corporate guarantee. *(However, such exemption from Bank guarantee is not applicable in cases of a frauds or seized goods)*
- VII. Expedited dispute resolutions with regard to classification, valuation or country of origin are ensured through specific channels dedicated to AEO/CEOs.

- VIII. On-site post-clearance-audits are conducted **ONCE** a year only.
- IX. AEO/CEOs will receive a text message(sms) and an e-mail at the completion of each stage of the declaration process of their consignments/shipments.
- X. 24/7 clearances (on request) at all sea and air cargo terminals for imports and exports.
- XI. Consignments are exempted from routine referrals to the Valuation Directorate for verification of value. In case of any suspicions on declared value, will be referred for a transaction based post-clearance-audit.
- XII. A dedicated and expedited channel is provided for advanced rulings in classification, valuation and country of origin for AEO/CEOs.
- XIII. A dedicated and expedited channel is provided for AEO/CEOs with regard to any appeals lodged with Appeals Directorate of Sri Lanka Customs.
- XIV. AEO/CEO companies will be given the opportunity for priority involvement in new trade facilitation initiatives of Sri Lanka Customs.
  
- XV. AEO Relationship Officer (ARO)**
  - a. An “AEO Relationship Officer” at the level of Assistant Superintendent or above is appointed as the single point of interaction for each AEO/CEO.
  - b. AEO Relationship Officers will act as the voice of the AEOs and CEOs within Customs in relation to their legitimate concerns and issues and will assist in getting procedural and operational issues resolved by coordinating with different sections within Customs as well as other stakeholders.

## 1.6. Authorized Economic Operator Programme

### 1.6.1. Eligibility for AEO status

This certificate is granted only to a trader or logistics operator (Importer, Exporter, Customs Brokers, Bondsmen, Warehouse Operators, Terminal Operators etc.) involved in the international supply chain.

For the purpose of this certificate:

1. The economic operator must have continuously enjoyed the status of Compliant Economic Operator(CEO) for at least a period of one year preceding the date of application for AEO status; and
2. The economic operator should fulfil the criteria mentioned in Section 3.1(Prerequisites for application) of this document; and
3. all other requirements as stipulated in Sections 3.2 (Legal Compliance), 3.3 (Management of Commercial and Transport records), 3.4 (Financial Solvency), 3.5 (Consultation, Co-operation and Communication), 3.6 (Education, Training and Awareness), 3.7 (Information Exchange, Access and Confidentiality) and 3.8 (Supply

Chain Security) of Chapter 3 of this guideline shall be considered to have been met if the claims made in this regard in information and documents submitted by the applicant have been physically verified by a Validation Team from Sri Lanka Customs by visiting the concerned places/premises of the applicant, on the dates decided by mutual consent by the team and the applicant, and found to be true to the satisfaction of the Risk Management Committee of Sri Lanka Customs.

### 1.6.2. Benefits Granted (Importers/Exporters)

In addition to the benefits offered in the CEO Programme, the following benefits are offered to the AEO certificate holding importers and exporters:

- I. They are accorded with the highest level of facilitation in the import and export of their consignments.
- II. **100%** of their import cargo is **exempted from physical examination** (subjected to an approximately 5% of maximum random examination within a calendar year)
- III. In situations where they are required to furnish a security for a liability due to a dispute on classification, valuation or origin, they are allowed to furnish a corporate guarantee to cover the 100% of the liability amount. *(However, such exemption from Bank guarantee is not applicable in cases of a frauds or seized goods)*
- IV. For the cargo selected for examination on random basis;
  - a. Cargo is examined on priority basis at the cargo examination yards;
  - b. Depending on the availability of resources and on-request, on-site examination may be allowed;
- V. Facility of self-sealing of export goods is allowed without the requirement of seeking case-to-case based permission from the Exports Directorate.
- VI. Refunds of Customs duty and other import duties are granted within 60 days of the submission of complete documents.

#### VII. Mutual Recognition Agreements (MRAs)

AEO certificate holders will receive Prioritized trade facilitation by foreign Customs administrations with whom Sri Lanka enters into Mutual Recognition Arrangements (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.

### 1.6.3. Benefits Granted (Logistics Operators)

- I. AEO ID cards are granted to five authorized personnel of the company for hassle free entry to Custom Headquarters.
- II. **In the future, AEO certificate holding Customs House Agents are the ONLY eligible outside clearing agents permitted to be involved in cargo clearance activities of AEOs.**
- III. All logistics operators may furnish corporate guarantees instead of bank guarantees wherever provision of a security with the Customs administration is required.
- IV. Prioritized channels are provided for the advanced rulings on classification, valuation and origin when such rulings are requested by AEO certificate holding Customs House Agents.
- V. AEO certificate holding Bondsmen are exempted from the annual verification charges.
- VI. On-site inspections are done **once every two years ONLY** for the AEO certificate holding bondsmen and warehouse operators.
  
- VII. **AEO Relationship Officer**
  - a. An “AEO Relationship Officer” at the level of Assistant Superintendent or above is appointed as the single point of interaction with each AEO/CEO.
  - b. AEO Relationship Officers will act as the voice of the AEOs and CEOs within Customs in relation to their legitimate concerns and issues and will assist in getting procedural and operational issues resolved by coordinating with different sections within Customs as well as other stakeholders.

## 2. Eligibility Criteria for CEO/AEO Status

Eligibility conditions and criteria for granting the different categories of AEO certificates are detailed as follows:

### 2.1. Prerequisites for application

1. Anyone involved in the international supply chain that undertakes Customs related activity in Sri Lanka can apply for AEO status irrespective of the size of their business. These may include exporters, importers, logistic providers (e.g. carriers, airlines, freight forwarders, courier service providers, transporters etc.), bondsmen or terminal operators, customs house agents and warehouse operators. Others who may qualify include port operators, authorized couriers, stevedores etc. As the list is not exhaustive, any operator who is involved in the international supply chain may apply.
2. Businesses that are not involved in Customs related work/activities will not be entitled to apply. This means that in general, banks, insurance companies, consultants and businesses in similar categories will not be eligible for CEO/AEO status.
3. Application for CEO/AEO status will only cover one legal entity and will not automatically apply to all companies in group of companies or to any subsidiary companies.
4. There is no provision to grant CEO/AEO status to specific site, division or branch of a legal entity. The application must cover all the activities and locations of the legal entity involved in the international supply chain and the prescribed criteria will be applied across all those activities and locations.
5. In order to apply for CEO/AEO statuses the applicant must be established in Sri Lanka. For this purpose, the applicant should provide evidence which may include:
  - Certificate of registration issued by the Registrar of Companies.
  - Certificate of registration for VAT issued by the Department of Inland Revenue.
  - Details of places/locations where goods are being handled, e.g. loading, unloading, storage etc., in the course of supply to/from international supply chain.
  - Proof that the business has its own bank accounts.
  - Any other documentary proof required by the Risk Management Unit of Sri Lanka Customs
6. The applicant should have conducted Customs related business activities for at least three financial years preceding the date of application. (However, in exceptional cases,

newly established business entities may be considered for the certification on the basis of physical verification of internal controls.)

7. Keeping the small and medium scale enterprises in mind it has been decided the CEO/AEO programmes are made open to all operators who has surpassed the threshold of 25 documents during the last financial year. (i.e. either import/export CUSDECs for traders and any other applicable documents in case for logistics operators).
8. CEO/AEO status applies only to the legal entity applying for such status in its own capacity and covering its role in the international supply chain.  
For example, when CEO/AEO status is granted to a Customs Broker, it will not confer similar status on its client importers/exporters who will need to apply separately for such status.
9. The AEO Programme is a voluntary scheme and is open to all economic operators, including micro, small and medium enterprises (MSMEs) and the eligibility conditions and criteria for granting the AEO Certificates are the same for all economic operators regardless of their size.
  - However, the AEO Unit of Risk Management Unit shall take due account of the specific characteristics of economic operators, in particular of MSMEs, while applying the eligibility conditions and criteria prescribed under Section 3.3 (Management of Commercial and Transport Records) of this chapter (relating to management of commercial and transport records), and those under Section 3.5 (Consultation, Co-operation and Communication) of this chapter (relating to Supply Chain Security) when recommending for the CEO/AEO certificates.
  - The Risk Management Committee shall take into account such factors as the size of the MSMEs, the legal status (e.g. proprietorship, partnership etc.), the structure, the key business partners and also the specific economic activity of the economic operator while applying these eligibility conditions and criteria specified under Sections 3.3 (Management of Commercial and Transport Records) and 3.5 (Consultation, Co-operation and Communication) of this guidelines when authorizing CEO/AEO status.
  - In particular, the Risk Management Committee shall take into account the possible difficulties for MSMEs in meeting with any of these eligibility conditions and criteria under Sections 3.3 (Management of Commercial and Transport Records) and 3.4 (Financial Solvency) with a view to make the above CEO/AEO certificates more available to MSMEs.

10. Risk Management Unit is progressively introducing a web based platform, which will not only cater to the management of AEO life-cycle but also will also help to ensure that all Authorized Economic Operators receive high quality service.

The web based platform is accessible at: <https://aeo.customs.gov.lk/>

11. Unless in exceptional circumstances, all communication between AEO/AEO applicants and the AEO Team of Sri Lanka Customs shall be through the official e-mail [aeo@customs.gov.lk](mailto:aeo@customs.gov.lk).

## 2.2. Legal Compliance

1. There should be no show-cause notices issued against the applicant during last three financial years involving fraud, forgery, outright smuggling, and illegal removal of imported/bonded goods or any other intentional violations under Customs Ordinance or any other related laws or regulations.
2. There should be no case wherein prosecution has been launched by Customs or is being contemplated against the applicant company, any of its directors/partners or its senior management involving fraud, forgery, outright smuggling, and illegal removal of imported/bonded goods or any other intentional violations under Customs Ordinance or any other related laws or regulations.
3. In situations where there are show-cause notices issued against the applicant or there are Customs cases where Customs Inquiries have been commenced by Customs;
  - a. If the ratio of total disputed duty amount under (1) and (2) above to the total duty paid during last three financial years is less than ten percent, a review would be taken of the nature of cases and decision would be taken on issuance or continuance of CEO/AEO status by AEO Unit of the Risk Management Unit and recommendations in this regard would be made to the Risk Management Committee.
  - b. If the applicant has taken steps to correct/rectify the issues raised in previous Customs cases, then a review would be taken of the nature of cases and decision would be taken on issuance or continuance of CEO/AEO status by AEO Unit of the Risk Management Unit and recommendations in this regard would be made to the Risk Management Committee.

- c. The cases where the show-cause notices have been dropped or decided in favour of the applicant at the Customs Inquiries or by any appellate authorities will not be considered under (1) and (2) above.
4. An applicant will also need to demonstrate that he has:
  - a. Procedures in place to identify and disclose any irregularities or errors to the Customs authorities or, where appropriate, other regulatory bodies.
  - b. Taken appropriate remedial action when irregularities, errors or omissions are identified.
  - c. Once an irregularity, error or omission has been identified, the applicant is expected to take steps to ensure that such irregularities, errors or omissions do not happen again in the future or, at least, to ensure that they are immediately remedied if they do arise. Failure to take such steps will count against applicant.

### 2.3. Management of Commercial and Transport Records

The applicant should have a satisfactory system of managing commercial and, where appropriate, transport records. To enable the AEO Team of the Risk Management Unit to establish that the applicant indeed has such a system the applicant shall;

1. Maintain an accounting system in conformity with Sri Lanka Accounting and Auditing Standards Act, No.15 of 1995 while following Generally Accepted Accounting Principles (GAAP)/International Financial Reporting Standards (IFRS) which facilitates audit-based Customs control;
2. Have an administrative set up which corresponds to the type and size of business and which is suitable for the management of the flow of goods, and have internal controls capable of detecting illegal or irregular transactions;
3. Wherever applicable, have satisfactory procedures in place for the handling of licenses and authorizations connected to export/import;
4. Have satisfactory procedures in place for archiving of the company's records and information;
5. Ensure that employees are made aware of the need to inform the Customs authorities whenever compliance difficulties are discovered and establish suitable contacts to inform the Customs authorities of such occurrences;

6. Have satisfactory procedures for verifying the accuracy of Customs declarations;
7. Have appropriate information technology security measures to protect the applicant's computer system from unauthorized intrusion and to secure the applicant's documentation.

## 2.4. Financial Solvency

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

1. An applicant must be financially solvent during the three financial years preceding the date of application. The applicant should not be listed currently as insolvent, or in liquidation or bankruptcy. Further, the applicant should not have defaulted in payment of due Customs duties during the past three years.
2. An applicant applying for CEO/AEO status, can either submit a solvency certificate preferably issued by a statutory auditor or an independent reputed chartered accountant made on the basis of audited balance sheet of the company, discussing the parameters of solvency for last 3 financial years.

## 2.5. Consultation, Co-operation and Communication

AEO, at all levels (international, national and local) should consult Customs 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 of AEOs with Customs should contribute to development and maintenance of risk management strategy of Sri Lanka Customs.

1. 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 interests of Customs (cargo bookings, cargo tracking, employee information, etc.).
2. 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.

3. Notify an appropriate Customs official of any unusual or suspicious cargo documentation or abnormal requests for information on shipments.
4. Provide timely notification to Customs and any other relevant authorities when employees discover illegal, suspicious or unaccounted cargo. Such cargo should be secured, as appropriate until Customs or relevant authorities take possession of the same.

## 2.6. Education, Training and Awareness

AEO companies 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.

1. 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.
2. 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.
3. Keep adequate records of educational methods, guidance provided and training efforts undertaken to document the delivery of such programmes.
4. Make employees aware of the procedures the AEO has in place to identify and report suspicious incidents.
5. Conduct specific training to assist employees in maintaining cargo integrity, recognizing potential internal threats to security and protecting access controls.
6. 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.

## 2.7. Information Exchange, Access and Confidentiality

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.

1. 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.
2. 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.
3. Have procedures and back-up capabilities in place to protect against the loss of information.

## 2.8. Supply Chain Security

Applicant must have appropriate internal controls and measures in place to ensure safety and security of applicant's business and his supply chain, in addition to any specific legal requirements that may be applicable to the business. In order to satisfy the requirements of AEO status, the applicant will need to ensure security of procedures, cargo, procedures, conveyances, premises, personnel and business partners.

### 2.8.1. Procedural Security

In order to ensure security of the international supply chain, the applicant must have in place appropriate internal controls and measures to ensure safety and security of procedures relating to applicant's business and his supply chain. With this view, following criteria should be fulfilled by the applicant:

1. The applicant should develop and maintain a security policy and procedure manual which shall contain detailed guidelines on procedures to be followed to preserve the integrity of the cargo while in its custody, loading and unloading from transport conveyance and during transport. The manual should also stipulate how seals are to be controlled and affixed to cargo and transport conveyances.

2. Security measures should be in place to ensure the integrity and security of processes relevant to the transportation, handling, and storage of cargo in the supply chain.
3. Proper documentation of management procedures should be in place to ensure that all documentation used in the clearance of cargo is legible, complete, accurate and protected against the alteration of information.
4. Procedure should be in place to ensure that information received from business partners is reported accurately and timely as well as declared in the time limit regulated by Customs.
5. Procedures should be in place to ensure that:
  - a. Import/export of cargo are reconciled against the information on the Bill of Lading.
  - b. The weights, labels, marks and piece count of the import/export cargo are accurately indicated.
  - c. Import/export cargo are verified against purchase/delivery orders.
  - d. Drivers delivering or receiving cargo are positively identified before cargo is received or released.
  - e. All shortages, excess, and other significant discrepancies or anomalies must be resolved and/or investigated appropriately.

### 2.8.2. Premises Security

In order to ensure security of the international supply chain, the applicant must ensure that the buildings to be used in connection with the operations to be covered by the AEO certificate are constructed of materials which resist unlawful entry and provide protection against unlawful intrusion. In addition, the applicant must ensure that appropriate access control measures are in place to prevent unauthorized access to shipping areas, loading places and cargo areas. With this view, following criteria should be fulfilled by the applicant:

1. Buildings must be secure against unlawful entry.
2. All gates, fences and windows must be secured with locking devices or alternative access monitoring or control measures.
3. Authorized personnel must control the issuance of locks and keys.
4. Adequate internal and external lighting must be provided especially for entrances and exits, cargo handling and storage areas, fence lines and parking areas.
5. Gates through which vehicles and/or personnel enter/exit must be manned, monitored or otherwise controlled. Vehicles accessing restricted areas must be

parked in approved area and their license plate numbers furnished to Customs upon request.

6. Only properly identified and authorized persons, vehicles and goods may be permitted access.
7. Access to document or cargo storage areas may be restricted.
8. There should be appropriate security systems for access control.
9. Restricted areas should be clearly identified.
10. Integrity of structures and systems must be periodically inspected.
11. Perimeter fencing should enclose the areas around cargo handling and storage facilities.
12. Clear demarcation within a cargo handling structure should be created to segregate domestic, international, high value and hazardous cargo.
13. The number of gates should be kept to the minimum necessary for proper access and safety.
14. Unauthorized vehicles should be prohibited from parking in or adjacent to cargo handling and storage areas.
15. All the access areas must be covered by a CCTV system with night vision capability with adequate number of cameras to cover every possible access point.

### 2.8.3. Cargo Security

In order to ensure security of the international supply chain, the applicant must have in place appropriate measures for the handling of goods include protection against the introduction, exchange or loss of any material and tampering with cargo units. With this view, following criteria should be fulfilled by the applicant:

1. Develop and maintain a security policy manual or other tangible guidance by making relevant reference to the security-related guidelines issued by the WCO which contains detailed guidelines on procedures to be followed to preserve the integrity of cargo while in its custody.
2. Only properly identified and authorized persons should have access to the cargo.
3. Integrity of cargo should be ensured by permanent monitoring or keeping in a safe, locked area.
4. All seals must meet the current PAS / ISO 17712 standards for high security seals. In cases it is not possible to procure and use PAS / ISO 17712 seals for air consignments/courier consignments any international seal compatible with standards

of PAS/ISO 17712 shall be used. However, in case of maritime containerized cargo only PAS / ISO 17712 seals shall be used.

5. The integrity of container seals should be checked by the authorized person by following the procedure prescribed in the security policy manual.
6. Only authorized personnel should distribute container seals and safeguard their appropriate and legitimate use.
7. When appropriate to the type of cargo container used, a seven-point inspection process is recommended: Front wall, Left side, Right side, Floor, Ceiling/Roof, Inside/outside doors, Outside/undercarriage.
8. Appropriate procedures should be laid down on measures to be taken when an unauthorized access or tampering is discovered.
9. Goods should be uniformly marked or stored in designated areas and procedures should exist to weigh / tally them and compare them against transport documents, purchase/sales orders and Customs papers.
10. Internal control procedures should exist when discrepancies and/or irregularities are discovered.
11. 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.
12. 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.
13. Where feasible, compare the cargo with its description on the documents or electronic information to be submitted to Customs for consistency.
14. Establish procedures to manage and control cargo within the cargo storage facility.
15. Establish procedures to positively control all cargo being removed from the storage facility.

### 2.8.4. Conveyance Security

In order to ensure security of the international supply chain, the applicant must ensure that the conveyances to be used in connection with the operations to be covered by the certificate are handled in a manner which ensures security of the cargo. With this view, the applicant must:

1. Ensure to the extent possible that all conveyances used for the transportation of cargo within the supply chain are capable of being effectively secured.
2. Ensure to the extent possible that all operators of conveyances used for transport of cargo are trained to maintain the security of the conveyance and the cargo at all times while in its custody.
3. Require operators, to report actual or suspicious incident to designated security department staff of the applicant company as well as to maintain records of these reports, which should be available to the AEO Unit and the Customs.
4. Ensure that potential places of concealment of illegal goods on conveyances are regularly inspected.
5. Ensure that transporters make sure that conveyance integrity is maintained while the conveyance is en-route transporting cargo to export/import points or import/transit containers by utilizing a tracking and monitoring activity log or records.
6. Ensure that pre-determined routes are identified by the dispatcher, and procedures must consist of random route checks along with documenting and verifying the length of time between the loading point/trailer pickup and the delivery destinations.
7. Ensure that drivers must notify the dispatcher of any route delays due to weather, traffic and/or rerouting.
8. Ensure that the management of transporters must perform a documented, periodic, and random verification process to ensure the logs are maintained and conveyance tracking and monitoring procedures are being followed and enforced.

### 2.8.5. Personnel Security

In order to secure the international supply chain, the applicant must conduct, as far as possible, security screening of prospective employees to be employed in security sensitive positions, and carry out periodic background checks. With this view, following criteria should be fulfilled by the applicant:

1. All reasonable precautions must be taken when recruiting new staff to verify that they are not previously convicted of security-related, Customs or other criminal offences.
2. Periodic background checks must be conducted on employees working in security sensitive positions.
3. Employee identification procedures should require all employees to carry proper identification that uniquely identifies the employee and organization.
4. Procedures to identify, record and deal with unauthorized or unidentified persons, such as photo identification and sign-in registers for visitors etc. must be ensured at all points of entry.
5. Procedures must be in place to expeditiously remove identification and access to premises and information for employees whose employment is terminated.

### 2.8.6. Business Partner Security

In order to secure the international supply chain, the applicant must have implemented measures to ensure a clear identification of his business partners. With this view, following criteria should be fulfilled by the applicant:

1. The applicant must have written and verifiable process, including the capability of financial soundness and compliance with the safety requirement set by the contracts as well as the capability of detection and correction of safety defects, for the selection of business partners.
2. For those business partners having AEO certification, the applicant must get those business partners' copies of certification.
3. Periodic reviews of business partner's processes and facilities must be conducted based on risk, and must maintain the security standards required by the applicant.

### 2.8.7. Security Training and Threat Awareness

In order to secure the international supply chain, the applicant must ensure that its concerned employees actively participate in security awareness programmes. With this view, following criteria should be fulfilled by the applicant:

1. The applicant should ensure that:
  - a. A threat awareness program is established and maintained for employees to foster awareness of the threat at each point in the supply chain.
  - b. Employees are aware of the procedures the company has in place to address a situation and how to report it.
  - c. Specific training is offered to assist employees in maintaining cargo integrity, recognizing internal conspiracies and protecting access controls.
  
2. Supply chain security training of employees must include the following items:
  - a. Security policy of the company.
  - b. Potential risk to internal security of the company.
  - c. Maintaining cargo security.
  - d. Access control measures of the company.
  - e. Identifying and reporting suspicious cargo and personnel.
  - f. Conveyance management and cargo security for conveyance management personnel.
  
3. Records of security training must be maintained and made available for verification by the AEO Unit of Risk Management Unit.

### 3. Procedure for Awarding AEO/CEO Status

#### 3.1. Application for Certification

An economic operator willing to avail the facility of AEO programme has to submit application(s) online portal provided through the Sri Lanka Customs official website: <https://aao.customs.gov.lk/dashboard>.

Details containing in the application form(s) an applicant is required to fill-in based on the programme type is as mentioned below:

#	Subject	Application for the grant of	
		CEO	AEO
1.	Self-Assessment Form	YES	YES
2.	Company Details	YES	YES
3.	Operational Details	YES	YES
4.	Location Details		
	- Process Map	YES	YES
	- Site Plan	YES	YES
5.	Legal Compliance	YES	YES
6.	Commercial Record Keeping		
	- Bank Account Details	YES	YES
	- Business Partner Details	YES	YES
	- Procedure for administering licenses	YES	YES
	- Procedure for administering the commercial records	YES	YES
	- Procedure for verifying the accuracy of Customs Declarations	YES	YES
	- Procedure to ensure security of computerized record keeping system	YES	YES
	- Procedure and frequency of taking backups of the computerized record keeping system	YES	YES
7.	Financial Solvency	YES	YES
8.	Consultation, Co-operation and Communication	NO	YES
9.	Education, Training and Awareness	NO	YES
10.	Information Exchange, Access and Confidentiality	NO	YES
11.	Supply Chain Security	NO	YES

**Note:** All the supporting documents submitted during the application/renewal process for CEO/AEO status, should be certified by the Managing Director/Director (Supply Chain) or someone in equivalent capacity in the company with his official stamp and signature prior to being scanned and uploaded into the web based platform.

- ✓ For any queries regarding compliance requirements for the CEO/AEO application or selection process:

AEO Programme  
Risk Management Unit  
Sri Lanka Customs Headquarters  
No. 40, Main Street,  
Colombo 11  
[aeo@customs.gov.lk](mailto:aeo@customs.gov.lk)  
+94 11 2143434 Extension 7855

### 3.2. Acknowledgement of Applications

Each application submitted through the web based platform, will be acknowledged with an email automatically generated by the system, sent to the applicant.

### 3.3. Returning of Applications

1. If an application is incomplete or deficient, the applicant will be informed within 30 days of the receipt (depending on the availability of human resources).
2. In following cases, the application will not be processed until the deficiencies, as indicated, are rectified:
  - I. **Which is incomplete** – This may be re-submitted with the complete information
  - II. **Where the application and/or all supporting documents are not certified by the Managing Director/ Director (Supply Chain) or someone in equivalent capacity in the company** – This can only be resubmitted by the concerned legal entity.
  - III. **Where no responsible person within the company is nominated as the Point of Contact** – This can only be re-submitted when the applicant nominates a responsible person within the company, who will be the point of contact for the AEO Programme.
  - IV. **Where the applicant is subject to bankruptcy proceedings at the time the application is made** – This may be re-submitted when the applicant becomes solvent.

- V. **Where a previously granted AEO status has been revoked** – This may not be re-submitted until the time period prescribed at the time of revocation has elapsed or conditions set at the time of such revocation has been met.

**Note:** Please note that the reasons for return of an AEO application may not be limited to the reasons mentioned above under Section 3.3 and any final decision in this regard is vested with the Risk Management Unit of Sri Lanka Customs.

### 3.4.Rejection of Applications

The application shall not be accepted in any of the following cases:

- a. Where the applicant is not eligible for the grant of AEO status, or
- b. Where the deficiency noticed in the application cannot be remedied.

The information regarding the rejection of such application will suitably be given to the applicant within 30 days of the receipt of the application via email address mentioned in the application form.

**Note:** Please note that the reasons for rejection of an AEO application may not be limited to the reasons mentioned above under 3.4 and any final decision in this regard is vested with the Risk Management Committee of Sri Lanka Customs.

### 3.5.Processing of Application

1. On receipt of the complete application along with all necessary supporting documents through the web based platform, and after ensuring that the applicant is eligible to apply, information and documents submitted by the applicant shall be scrutinized by the AEO Team of the Risk Management Unit to **verify** whether or not the documentary proof required to assess the eligibility conditions and criteria for granting the AEO certificate as mentioned under the Chapter 3 of this guideline are submitted by the applicant.
2. If necessary, further information and/or documents in support of the claim(s) of the applicant may be called for by the AEO Team of the Risk Management Unit. Such request shall be sent in writing (either by postal mail or email).
3. The applicant shall submit such information and/or documents within a reasonable time to continue the processing of the application.

4. Validation of a **CEO** application;

- I. AEO Team of the Risk Management Unit will assess the application along with all supporting documents submitted by the applicant to **validate** whether the eligibility conditions and criteria for granting the CEO certificate as mentioned under the Chapter 3 of this guideline are found to have been met to a satisfactory level.
- II. If the AEO Team of the Risk Management Unit deems additional validation regarding the information presented in the applications is necessary, then applicant will be requested to come for an interview held at the Risk Management Unit at a time convenient to the applicant. If the AEO Unit deems further validation is required by means of a visit to the applicant company, then appropriate arrangements should be made by the applicant in this regard.
- III. At the end of the validation process if the AEO Unit finds that the applicant satisfies the requirements to award the CEO status, then nomination for the awarding of CEO status along with the Validation Report will be submitted to the next immediate sitting of the Risk Management Committee.
- IV. When such nomination is received by the Risk Management Committee, if the Committee finds the nomination to be satisfactory, applicant shall be issued with the CEO certificate within 07 days of the Committee meeting.

5. Validation of an **AEO** application;

- I. AEO Unit of the Risk Management Unit will assess the application along with all supporting documents submitted by the applicant to validate whether the eligibility conditions and criteria for granting the AEO certificate as mentioned under the Chapter 3 of this guideline are found to have been met to a satisfactory level.
- II. Thereafter, the application will be assigned to a specific AEO Validation Team to visit the applicant and carry out physical validation of the information and documents. The date(s) for such physical validation would be decided by the team in consultation with the applicant.
- III. At the end of the validation process if the AEO Unit finds that the applicant satisfies the requirements to award the AEO status, then nomination for the

awarding of AEO status along with the validation summary will be submitted to the next immediate sitting of the Risk Management Committee.

- IV. When such nomination is received by the Risk Management Committee, if the Committee finds the nomination to be satisfactory, applicant shall be issued with the AEO certificate within 07 days of the Committee meeting.
6. If within 45 days of the date of application acknowledgement, applicant has not been contacted by the AEO Unit, then the applicant should contact the AEO Team of the Risk Management Unit immediately via the official email address [aeo@customs.gov.lk](mailto:aeo@customs.gov.lk).
  7. During the course of such validation, the applicant for the CEO/AEO status should be prepared to answer questions or provide additional information on all aspects of the application to the CEO/AEO Validation Team.
  8. Validation of the criteria mentioned in Chapter 3 shall be carried out:
    - I. Based on the documents submitted by the applicant, Validation Team may inspect all the premises which are relevant to the customs related activities of the applicant as deem fit.
    - II. Duration of any validation visit(s) would usually depend on factors such as the size of the business, number of premises and how the applicant operates.
    - III. AEO Validation Team will give the applicant an estimate of time required, though this may have to be amended once the validation is commenced.
    - IV. The date(s) for validation visit would be decided by the Validation Team in consultation with the applicant.
    - V. During the course of validation visit, the person who is nominated in the application form as point of contact must ordinarily be available unless unforeseeable situation arises.
    - VI. Individuals responsible for specific business activities such as transport, record keeping and security should also be made available.

9. Where appropriate, in addition to the other requirements detailed earlier, the AEO Validation Team may cover the following as well:

- I. Information on Customs matters;
- II. Remedial action taken on previous Customs irregularities, errors or omissions, if any;
- III. Accounting and logistic systems;
- IV. Flow of cargo;
- V. Use of Customs House Agents;
- VI. Security of Computers/IT and documents;
- VII. Logistics processes;
- VIII. Storage of goods;

10. On completion of the validation;

- I. AEO Validation Team will prepare a comprehensive report covering all areas of the validation process and make suitable recommendations to the Risk Management Committee.
- II. Major contents of the report, areas of concern and recommendations will be made available to the applicant.

11. When AEO Validation Team recommends not to grant CEO/AEO status to an applicant;

- I. Applicant will be advised of the criteria that have not been met and give the applicant time to adapt procedures to remedy the deficiency.
- II. If applicant is unable to make the required changes within the specified time limits, the AEO Unit of the Risk Management Unit will issue a decision to reject applicant's AEO application, explaining the reasons for rejection.

12. In exceptional cases,

- I. Physical verification may be stopped by consensus between the applicant for grant of CEO/AEO status and the AEO Unit in order for the applicant to provide additional information or to permit minor problems to be addressed.
- II. The period of stoppage will normally not be longer than six months and applicant will be informed in writing of the date when the AEO verification will recommence and the revised date by which applicant can expect a decision on his application.

## 4. Certification

1. Once the CEO/AEO status is granted;
  - I. the AEO Unit of the Risk Management Unit shall award the Certificate of CEO/AEO status to the applicant in hard copy along with an electronic copy.
  - II. The Certificate shall bear the 'CEO/AEO logo' and the applicant may use the logo wherever it may be appropriate in their marketing campaigns.  
The copyright for the logo is owned by the Risk Management Unit on behalf of the Sri Lanka Customs Administration.



2. The CEO/AEO status will be activated within a week from the date of issue. Applicant should mention the CEO/AEO certificate number on all correspondence with Customs to indicate their CEO/AEO Status.
3. It is highly recommended that the applicant should keep CEO/AEO certificate safely and not release copies of it or the CEO/AEO Certificate number to other parties without prior consent from Risk Management Unit of Sri Lanka Customs. Although the CEO/AEO status and CEO/AEO logo can be advertised by the applicant, the CEO/AEO Certificate number should not be part of their advertisement.

## 5. Post Certification Provisions

### 5.1. Validity of the AEO/CEO Certifications

The validity of certificates shall be three years for both CEO and AEO statuses.

### 5.2. Renewal of the AEO/CEO Certifications

1. AEO/CEO certificate holders must submit their renewal applications before the lapse of their validity period as follows;

Status	Time limit for submission of application for renewal before lapse of validity
CEO	45 Days
AEO	60 Days

2. While submitting the application for renewal, the applicant must clearly mention any changes since the last application.
3. AEO Unit of the Risk Management Unit will consider the renewal applications by following the same procedure adopted while granting a fresh CEO/AEO status.

### 5.3. Maintenance of the CEO/AEO Status

1. After obtaining CEO/AEO status, the CEO/AEO status holder should maintain their eligibility by continuing to adhere to the appropriate standards as mentioned in the Chapter 3 of this document.
2. The CEO/AEO status holder is required to notify any significant change in business and processes which may affect the CEO/AEO status to the AEO Unit of the Risk Management Unit as soon as the change is known or, at least within 14 days of the change.

Such changes may include (but not limited to) the following:

- I. Change to the legal entity.
- II. Change of business name and/or address.
- III. Change in the nature of business i.e. manufacturer / exporter etc.
- IV. Changes to accounting and computer systems.

- V. Changes to the senior personnel responsible for Customs matters.
  - VI. Changes of locations or branches involved in international supply chain.
3. If the legal entity changes, the AEO status holder needs to reapply for the AEO status in the name of new legal entity.
  4. If the AEO status holder makes any Customs related irregularities, errors or omissions, they must voluntarily report the same to the AEO Unit of the Risk Management Unit. Irregularities, errors or omissions that are voluntarily disclosed may not impact the AEO status provided that the AEO status holder has:
    - I. Examined the reasons for such irregularities, errors or omissions.
    - II. Taken appropriate remedial action to prevent recurrence.

#### 5.4. Review of AEO/CEO Status

AEO Team of the Risk Management Unit may review CEO/AEO status periodically to ensure the continued adherence to the conditions and standards required of an CEO/AEO status holder.

- a. Thus, it is recommended that the CEO/AEO status holder should continue to re-assess its compliance against eligibility conditions and act upon any identified problems as soon as they arise.
- b. Frequency of such reviews will be maximum of once a year for both CEO/AEO status holders. As far as possible, such review and the on-site Post Clearance Audit (PCA), if applicable, will be conducted simultaneously.

#### 5.5. Suspension or Downgrading from CEO/AEO Status

1. AEO Team of Risk Management Unit may recommend to Risk Management Committee to downgrade or suspend the CEO/AEO Status in the following cases:
  - a. Where any non-compliance with the conditions or criteria for the certificate of CEO/AEO Status has been detected; or
  - b. In the case where trader (importer/exporter), custom broker, bondsman, warehouse operator, freight forwarder or any other logistics operator's basic license as the case may be, has been suspended by the competent authority.

2. If any show-cause notice has been issued alleging infringement of Customs Ordinance and/or any other related laws, AEO Team of Risk Management Unit may recommend to Risk Management Committee to downgrade or suspend the CEO/AEO status, as deemed appropriate.
3. In deciding to downgrade or suspend the CEO/AEO status:
  - a. The decision shall be taken after due diligence and on careful evaluation of the material evidence and arguments against the CEO/AEO of the case.
  - b. The Risk Management Committee may consult the Legal Affairs Directorate and Inquiry Officer before arriving at the final decision in this regard.
  - c. The decision to downgrade the CEO/AEO status shall be purely an administrative decision, and operator may appeal against such decision to the Risk Management Commitment through the Deputy Director (Risk Management).

## 5.6. Restoration of Suspended/Downgraded CEO/AEO Status

1. Where AEO status had been suspended on account of detection of any non-compliance with the eligibility criteria for CEO/AEO status;
  - ✓ if the CEO/AEO holder takes the necessary remedial measures to the satisfaction of the AEO Team of the Risk Management Unit within 60 days of suspension, the AEO Team of the Risk Management Unit may recommend to Risk Management Committee to restore the CEO/AEO status from a date to be notified by the Committee.
2. Where CEO/AEO status had been suspended on account of suspension of the operator's basic license as the case may be, has been suspended by the competent authority and subsequently such suspension of the basic license is revoked by the competent authority;
  - ✓ the AEO Team of the Risk Management Unit may consider recommending the restoration of the AEO status to the Risk Management Committee as appropriately, and Risk Management Committee may restore the CEO/AEO status from a date to be notified by the Committee.
3. Where CEO/AEO status had been suspended on account of issue of a show-cause notice, and if the ratio of disputed duty demanded under the Customs Ordinance

during the last three years to the total duty paid during the said period is not more than ten percent;

- ✓ the AEO Team of the Risk Management Unit may consider recommending the restoration of CEO/AEO status to the Risk Management Committee, and if Committee deems appropriate may restore the CEO/AEO status from a date to be notified by the Committee.
4. In case the AEO status has been downgraded to CEO;
- ✓ it shall be open to the entity to apply again for AEO status as and when the eligibility conditions and criterion are met. AEO Unit of the Risk Management Unit will consider such applications by following the procedure adopted for granting fresh AEO status.

## 5.7.Revocation of CEO/AEO Status

1. In following circumstances (but not limited to), CEO/AEO status maybe revoked;
  - a. Where the CEO/AEO status is already suspended and the CEO/AEO holder fails to take the remedial measure within 60 days to have the suspension withdrawn;  
or
  - b. No show-cause notices has been issued against the applicant during last three financial years involving fraud, forgery, outright smuggling or any other intentional violations under Customs Ordinance or any other related laws or regulations as stipulated in Section 3.1 of this guideline.
  - c. Where the CEO/AEO status holder requests the authorization to be revoked.
  - d. Any other reason deems appropriate by the Risk Management Committee of Sri Lanka Customs.
2. Prior to any decision to revoke CEO/AEO status;
  - a. Operator will be duly notified and
  - b. Revocation is applied from the day following the authorization holder being notified.
3. In case the CEO/AEO status is revoked;
  - a. CEO status holders will not be entitled to re-apply for the CEO certificate for a period of one year from the date of revocation.
  - b. AEO status holders will not be entitled to re-apply for the AEO certificate for a period of two years from the date of revocation.

## 6. Annexures

### 6.1. Annexure A – Self Assessment Questionnaire

#	Question
1.	Do you have any understanding regarding the Authorized Economic Operator (AEO) concept?
2.	Does your company fall under any of the following Economic Operator Categories? (Importer, Exporter, Clearing Agent, Vessel Agent, Freight Forwarder)
3.	Is your company already a part of any SL Customs trade facilitation programs? If yes; please specify
4.	Has your company's CEO/AEO application been rejected or your CEO/AEO status been suspended or revoked in past?
5.	Does the company have business activities for at least three financial years preceding the date of application?
6.	Have you have handled at least 25 CUSDECs or other relevant documents with the Customs during the last financial year?
7.	Does the company possess Customs and/or other Departments' licenses/certificates related to Customs processes?
8.	Have the company or any of its directors ever been convicted of a criminal offence?
9.	Are there any ongoing Customs investigations against your company?
10.	Are there any cases against your company wherein prosecution has been launched?
11.	Have your company ever been convicted of a Customs offence
12.	Does your company have any on-going classification or valuation disputes with Sri Lanka Customs?
13.	Does your company's accounting system is in line with the Generally Accepted Accounting Principles (GAAP) or Sri Lanka Financial Reporting Standards (SLFRS)? If Yes, how confident are you about your procedures in place? give us a rating.
14.	Does your company have a proper administrative setup & adequate internal controls to detect illegal or irregular transactions made using company name? If Yes, how confident are you about your procedures in place? give us a rating.
15.	Does your company have satisfactory procedures in place for the handling of licenses and authorizations connected to imports/exports of the company? If Yes, how confident are you about your procedures in place? give us a rating.

16.	Are there satisfactory procedures in place for archiving of your company's records and information, and also for protection against the loss of information? If Yes, how confident are you about your procedures in place? give us a rating.
17.	Is there a satisfactory procedure for verifying the accuracy of Customs declarations? If Yes, how confident are you about your procedures in place? give us a rating.
18.	Are there any appropriate information technology security measures to protect your company's computer system from unauthorized intrusions? If Yes, how confident are you about your procedures in place? give us a rating.
19.	Is there a satisfactory procedure to verify and prevent unauthorized CUSDECs being processed using the company name? If Yes, how confident are you about your procedures in place? give us a rating.
20.	Are your company's employees aware that they need to inform Customs whenever any difficulties are met complying with Customs requirements? If yes, give us a rating.
21.	Was the company financially solvent during the three financial years preceding the date of application? (Financial solvency would generally be defined as good financial standing that is sufficient to fulfil the commitments of the applicant including ability to pay duties)
22.	Do you see audit qualifications or comments in the annual accounts about the continuation of the business as a going concern?
23.	Does your company have any Customs related contingent liabilities?
24.	Were the net current assets of your company positive for last 3 financial years?
25.	Is the business entity is listed as insolvent anytime within past three financial years?

## 6.2. Annexure B - General Compliance

#	Compliance Parameter	Yes/No	Remarks
1.	Name of Company / Economic Operator Name		
2.	Type of Business: <ul style="list-style-type: none"> <li>• Sole Proprietorship</li> <li>• Partnership</li> <li>• Private Ltd Liability</li> <li>• Public Ltd Company</li> <li>• Corporation</li> <li>• Government</li> <li>• Other</li> </ul> Industry Classification <ul style="list-style-type: none"> <li>• Automotive</li> <li>• Pharmaceutical</li> <li>• Textile</li> <li>• Chemicals &amp; plastics</li> <li>• IT</li> <li>• Metals</li> <li>• Minerals</li> <li>• Agriculture and processed food</li> <li>• Electronics</li> <li>• Other</li> </ul>		
3.	Company Registration No: (under Companies Act No 7 of 2007)  TIN No:  VAT No:  (Certificates of Business Registration, TIN registration & VAT registration are to be provided)		
4.	Last financial year end date:  Active period of the business:  Total amount of Customs duties paid for the last financial year:  Total CIF value of all imports for the last financial year:		

	No of CUSDECs handled by the company for the last financial year:		
5.	<p>Main Business Activities</p> <ul style="list-style-type: none"> <li>• Importer</li> <li>• Exporter</li> <li>• Clearing Agent</li> <li>• Vessel Agent</li> <li>• Freight Forwarder</li> <li>• Other Economic Operator</li> </ul> <p>(All the applicable business activities should be revealed)</p>		
6.	<p>Import Export Details</p> <ul style="list-style-type: none"> <li>• Item</li> <li>• Type (Export or Import)</li> <li>• Country</li> <li>• Annual Value</li> </ul> <p>(All the major items of Import/Export and countries should be included here in descending order of the total value)</p>		
7.	<p>Process Map Illustration - How the Import/Export goods movements are handled in the company processes</p> <p>Process map should illustrate the</p> <p>flow of goods and provide sample copy of the relevant record keeping documentation (related to – sales and purchase order, inventory management of warehoused and manufactured goods, shipping /transport document) to ascertain the complete trail and flow of goods.</p> <p>It should describe all the activities/operations and role of the applicant and that of other business partners who are involved in the import-export supply chain in any manner.</p> <p>Sample Documents related to goods flow (All the following sample documents should be provided)</p>		

	<ul style="list-style-type: none"> <li>• Purchase Invoice</li> <li>• Sales Invoice</li> <li>• Goods Receipt Note (GRN)</li> <li>• Transport Document / Gate Pass</li> <li>• Record Keeping Mechanism – Sample</li> </ul>		
8.	<p>Details related to main operational locations of the business</p> <p>Location Name:</p> <p>Address:</p> <p>City, District, Postal Code:</p> <p>Phone Number, Fax Number, E-mail address</p> <p>(This shall include list of sites under control, where import/export goods are handled. e.g. packed/unpacked/loaded/unloaded/consolidated etc. in the course of the supply to/from international supply chain)</p> <p>Please provide the site plan &amp; Google location URL for all the above sites</p>		
9.	<p>Details of the Contact Persons</p> <p>Name:</p> <p>Designation:</p> <p>E-mail:</p> <p>Contact Numbers:</p>		

### 6.3. Annexure C- Legal Compliance

#	Compliance Parameter	Yes/No	Remarks
1.	<p>Whether there are any cases of infringement of Customs Laws by any of the following persons over the three financial years preceding the submission of the application:</p> <p>(i) the applicant;  (ii) the person in charge of the applicant company or exercising control over its management;  (iii) the person responsible in the applicant company for customs matters.</p> <p>If yes, please indicate the details of the cases.</p> <ul style="list-style-type: none"> <li>• Year</li> <li>• Case Type (On-going or Completed)</li> <li>• Case Number</li> <li>• Offence</li> <li>• Penalty Amount</li> <li>• Person Involved</li> <li>• Designation</li> </ul>		
2.	<p>Have you been charged by Department of Inland Revenue for violation of Inland Revenue Act within last three years?</p> <p>If yes, please provide details of the case(s).</p>		
3.	<p>Provide details of any insolvency, bankruptcy or liquidation proceedings taken against your company in last three financial years. Please give a declaration in this regard, duly signed by CFO or Head of Finance.</p>		

## 6.4. Annexure D – Commercial Record Keeping

#	Compliance Parameter	Yes/No	Remarks
1.	<p>Provide the details of the Business Partner(s) who are involved in the business processes/formalities</p> <p>Include the following details against each Business Partner.</p> <p>Partner Name TIN Number Address Nature of the Partner Partner Agreement</p>		
2.	<p>Insert the details of the Company's Bank Accounts</p> <ul style="list-style-type: none"> <li>• A/C Number</li> <li>• A/C Type</li> <li>• Bank Name</li> <li>• Branch</li> <li>• A/C Holder's Name</li> <li>• Account Open Date</li> </ul>		
3.	<p>Provide procedures for administering the license, authorization connected to exports/imports.</p> <p>Provide the details of the responsible officer (Name, Position, Email, Contact No)</p>		
4.	<p>Provide procedures for administering the commercial records connected to imports/exports.</p> <p>Provide the details of the responsible officer (Name, Position, Email, Contact No)</p>		
5.	<p>Provide procedures for verifying the accuracy of Customs Declarations including the procedure in place on the establishment of Customs value and tariff classification.</p> <p>Provide the details of the responsible officer (Name, Position, Email, Contact No)</p>		

6.	<p>Provide in brief the procedure to ensure the protection of your computerized record system from unauthorized access.</p> <p>Provide the details of the responsible officer (Name, Position, Email, Contact No)</p>		
7.	<p>Provide procedures for back-up, recovery, archiving and retrieval of your business records.</p> <p>Please state the following.</p> <ul style="list-style-type: none"> <li>• How frequently backups are taken</li> <li>• Whether the backup process Automated/Manual</li> <li>• For how long the backups are stored</li> </ul>		

## 6.5. Annexure E – Financial Compliance

#	Compliance Parameter	Yes/No	Remarks
1.	Provide the break-up of contingent liability of last three financial years. If such contingent liability pertains to Customs or Inland Revenue, provide a brief for such liability.		
2.	Provide the net worth, along with audited financial report of your company for last three years.		
3.	Whether the applicant has been financially solvent during the three financial years preceding the date of application? (Solvency would generally be defined as good financial standing that is sufficient to fulfil the commitments of the applicant including ability to pay duties)  Provide the solvency certificate issued by the company's external auditor.		

## 6.6. Annexure F – Procedural Security

#	Procedural Security	Yes/No	Remarks
1.	<p>Whether there is a security policy and procedure manual which contains detailed guidelines on procedures to be followed to preserve the integrity of the cargo while in its custody, loading and unloading from transport conveyance and during transport?</p> <p>Whether there is any laid down procedures and manual which stipulates how seals are to be controlled and affixed to cargo and transport conveyances?</p>		
2.	Whether security measures are in place to ensure the integrity and security of processes relevant to the transportation, handling, and storage of cargo in the supply chain?		
3.	Whether there is proper documentation of management procedure in place to ensure that all documentation used in the clearing of cargo is legible, complete, accurate, and protected against the exchange, loss of introduction of erroneous information?		
4.	Whether there is a procedure in place to ensure that information received from business partners is reported accurately and timely as well as declared in the time limit regulated by Customs?		
5.	<p>Whether procedures are in place to ensure that:</p> <p>Import / Export cargo are reconciled against the information on the bill of lading?</p> <p>The weights, labels, marks and piece count of the import/export cargo are accurately indicated?</p> <p>Import/export cargo are verified against purchase/delivery orders?</p> <p>Drivers delivering or receiving cargo are positively identified before cargo is received or released?</p>		
6.	Whether all storages, overages, and other significant discrepancies or anomalies are resolved and/or investigated appropriately?		

## 6.7. Annexure G - Premises Security

#	Premises Security	Yes/No	Remarks
1.	Whether building is fully secured against unlawful entry?		
2.	Whether all external and internal gates, fences and windows are fully secured with locking devices or alternative access monitoring or control measures?		
3.	Whether the issuance of locks and keys is controlled by management or authorized personnel only?		
4.	Whether adequate internal and external lighting have been provided especially for entrances and exits, cargo handling and storage areas, fence lines and parking areas?		
5.	Whether gates through which vehicles and/or personnel enter/exit have been manned, monitored or otherwise controlled?		
6.	Whether vehicles accessing restricted areas are parked in approved area and their license plate numbers furnished to Customs upon request?		
7.	Whether only properly identified and authorized persons, vehicles and goods are permitted access?		
8.	Whether access to document or cargo storage areas is restricted?		
9.	Whether there are appropriate security systems for access control?		
10.	Whether restricted areas have been clearly identified?		
11.	Whether the integrity of structures and systems is periodically inspected?		
12.	Whether perimeter fencing exists for enclosing the areas around cargo handling and storage facilities?		
13.	Whether interior fencing exists within a cargo handling structure to segregate domestic, international, high value and hazardous cargo.		
14.	Whether the number of gates is kept to the minimum necessary for proper access and safety?		
15.	Whether unauthorized vehicles are prohibited from parking in or adjacent to cargo handling and storage areas?		

## 6.8. Annexure H - Cargo Security

#	Cargo Security	Yes/No	Remarks
1.	Whether only properly identified and authorized persons have access to the cargo?		
2.	Whether integrity of cargo is ensured by permanent monitoring or keeping in a safe, locked area?		
3.	Whether all seals meet the current PAS / ISO 17712 standards for high security seals especially with maritime containerized cargo?		
4.	In cases of air consignments/courier consignments where it is not possible to procure and use PAS / ISO 17712 seals, whether any international seal compatible with standards of PAS/ISO 17712 is being used?		
5.	Whether the integrity of container seals are being checked by the authorized person by following the procedure prescribed in the security policy manual?		
6.	Whether only authorized personnel distribute container seals and safeguard their appropriate and legitimate use?		
7.	Whether the seven-point inspection process is carried out in respect of containers before stuffing of cargo therein? (These seven points include: Front wall, Left side, Right side, Floor, Ceiling/Roof, Inside/outside doors, Outside/undercarriage.)		
8.	Whether it is possible to deliver goods to an Unsupervised area?		
9.	Whether appropriate procedures have been laid down on measures to be taken when an unauthorized access or tampering discovered.		
10.	Whether goods are uniformly marked or stored in designated areas only?		
11.	Whether appropriate procedures exist to weigh / tally the goods and compare them against transport documents, purchase/sales orders and Customs papers.		
12.	Whether internal control procedures exist to deal with situations when any discrepancies and/or irregularities are discovered?		

## 6.9. Annexure I - Conveyance Security

#	Conveyance Security	Yes/No	Remarks
1.	Whether, to the extent possible, all conveyances used for the transportation of cargo within the supply chain are capable of being effectively secured?		
2.	Whether, to the extent possible, all operators of conveyances used for transport of cargo are trained to maintain the security of the conveyance and the cargo at all times while in its custody?		
3.	Whether all operators are required to report actual or suspicious incident to designated security department staff of the applicant company as well as to maintain records of these reports, which should be available to the AEO Programme Team and the Customs?		
4.	Whether potential places of concealment of illegal goods on conveyances are regularly inspected? (Such places include all internal and external compartments & panels.)		
5.	Whether the transporters are required to maintain the conveyance integrity while it is en-route transporting cargo to export/import points or import/transit containers by utilizing a tracking and monitoring activity log or records?		
6.	Whether pre-determined routes are identified by the dispatcher?		
7.	Whether procedures are in place for random route checks, and for documenting and verifying the length of time between the loading point/trailer pickup and the delivery destinations?		
8.	Whether there is a system to ensure that the drivers notify the dispatcher of any route delays due to weather, traffic and/or rerouting?		
9.	Whether the management of transporters is required to perform a documented, periodic and random verification process to ensure that the logs are maintained and conveyance tracking and monitoring procedures are being followed and enforced?		

## 6.10. Annexure J - Personnel Security

#	Personnel Security	Yes/ No	Remarks
1.	Whether all reasonable precautions have been taken when recruiting new staff to verify that they are not previously convicted of security-related, Customs or other criminal offences?		
2.	Whether periodic background checks are conducted on employees working in security sensitive positions?		
3.	Whether employee identification procedures require all employees to carry proper identification that uniquely identifies the employee and organization?		
4.	Whether procedures are in place to identify, record and deal with unauthorized or unidentified persons, such as photo identification and sign-in registers for visitors etc at all points of entry?		
5.	Whether procedures are in place to expeditiously remove identification and access to premises and information for employees whose employment is terminated?		

## 6.11. Annexure K - Business Partner Security

#	Compliance Parameter	Yes/No	Remarks
1.	<p>Whether the applicant has written and verifiable process, including the capability of financial soundness and compliance with the safety requirements set by the contracts as well as the capability of detection and correction of safety defects, for selection of business partners?</p> <p>Confirm that the written process includes details to measure the following aspects of the business partners</p> <ul style="list-style-type: none"> <li>• Financial Stability of the potential partner</li> <li>• Compliance level of the potential partner</li> <li>• Methods to be utilized in detecting frauds</li> </ul>		
2.	<p>Whether a system is in place for periodic reviews of business partner's processes and facilities based on risk, and maintenance of security standards by the business partners is as required by the applicant?</p>		

## 6.12. Annexure L – Security Training and Threat Awareness

#	Compliance Parameter	Yes/No	Remarks
1.	Whether the applicant has established and maintained a threat awareness program for employees to foster awareness of the threat at each point in the supply chain?		
2.	Whether supply chain security trainings of employees include the following items?  1. Security policy of the company. 2. Potential risk to internal security of the company. 3. Maintaining cargo security. 4. Access control measures of the company. 5. Identifying and reporting suspicious cargo and personnel. 6. Conveyance management and cargo security for conveyance management personnel.		
3.	Whether the records of security training are maintained and are available for verification by the AEO Programme team and Customs.		
4.	If deemed necessary; Is the company ready to share the training materials with SL Customs?  Confirm the types of available training material (Documents, Presentations, Training Videos)		
5.	Whether employees of the applicant are aware of the procedures which are in place to address a situation and how to report it?		