



AUTHORIZED
EECONOMIC
OPERATOR
PROGRAMME OF
SRI LANKA CUSTOMS

Stakeholder Engagement and Consultation

January 3, 2024

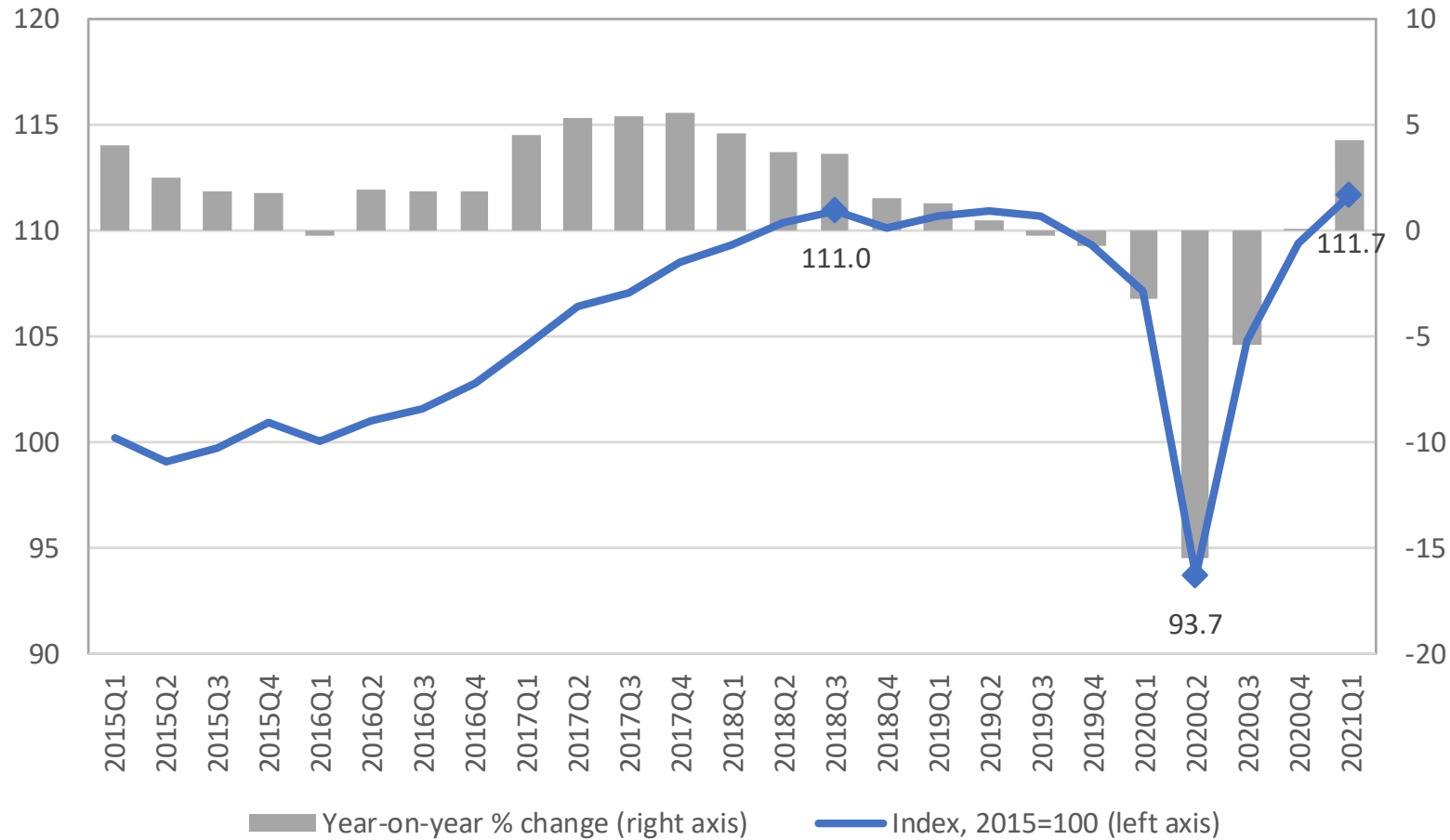
Risk Management Directorate

Outline

- Introduction to the AEO Program
- Eligibility
- Benefits for operators
- Qualification criterion
- Validation process and Certification
- Post-Certification Obligations
- AEO Web Portal
- Discussion

INTRODUCTION

Ever-Increasing International Trade



Source: WTO Secretariat and UNCTAD.

With the ever-increasing volumes of
international trade,
is it possible to **check all the cargo** while the
Customs resources are limited?

ANSWER: NO, SOLUTION?

Solution: Risk based Approach

- Risk based selectivity and targeting for high risk consignments using Risk Management
- Expedite the release of low risk consignments

International Standards

- ***Revised Kyoto Convention***

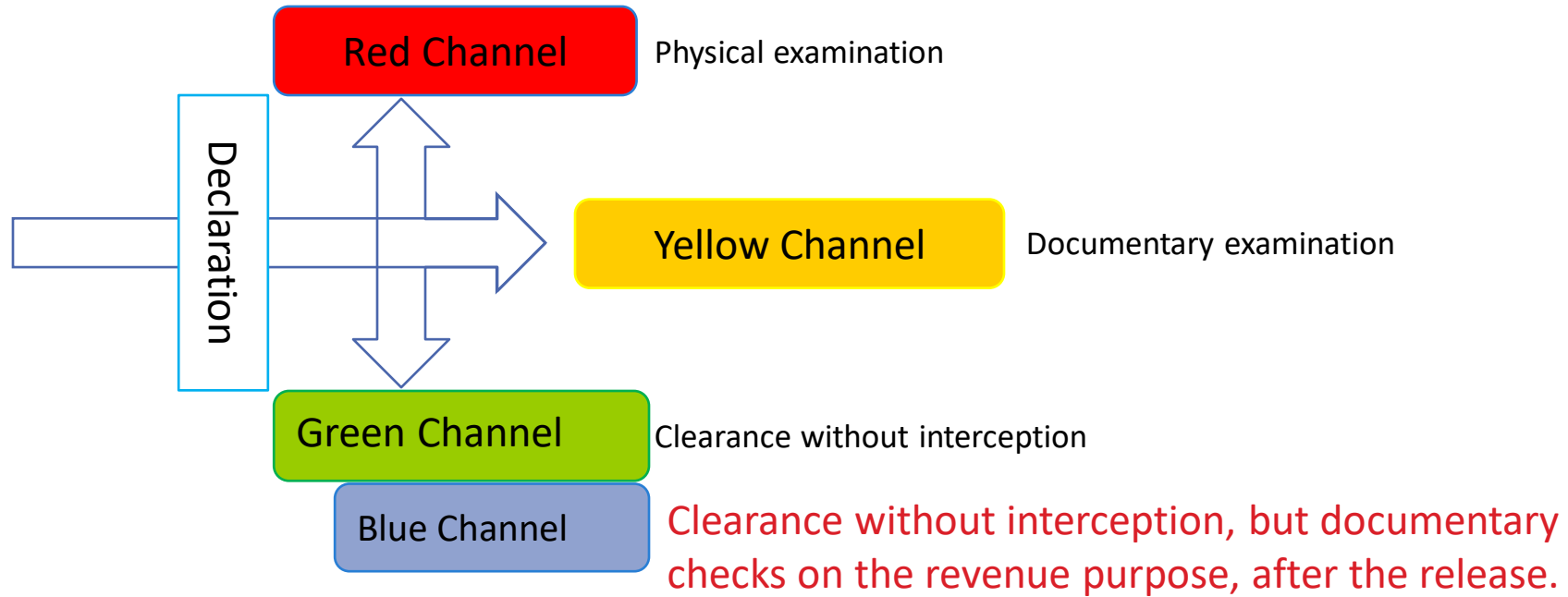
- 6.4. *Standard*

- *The Customs shall use risk analysis to determine ... which goods ... should be examined ...*

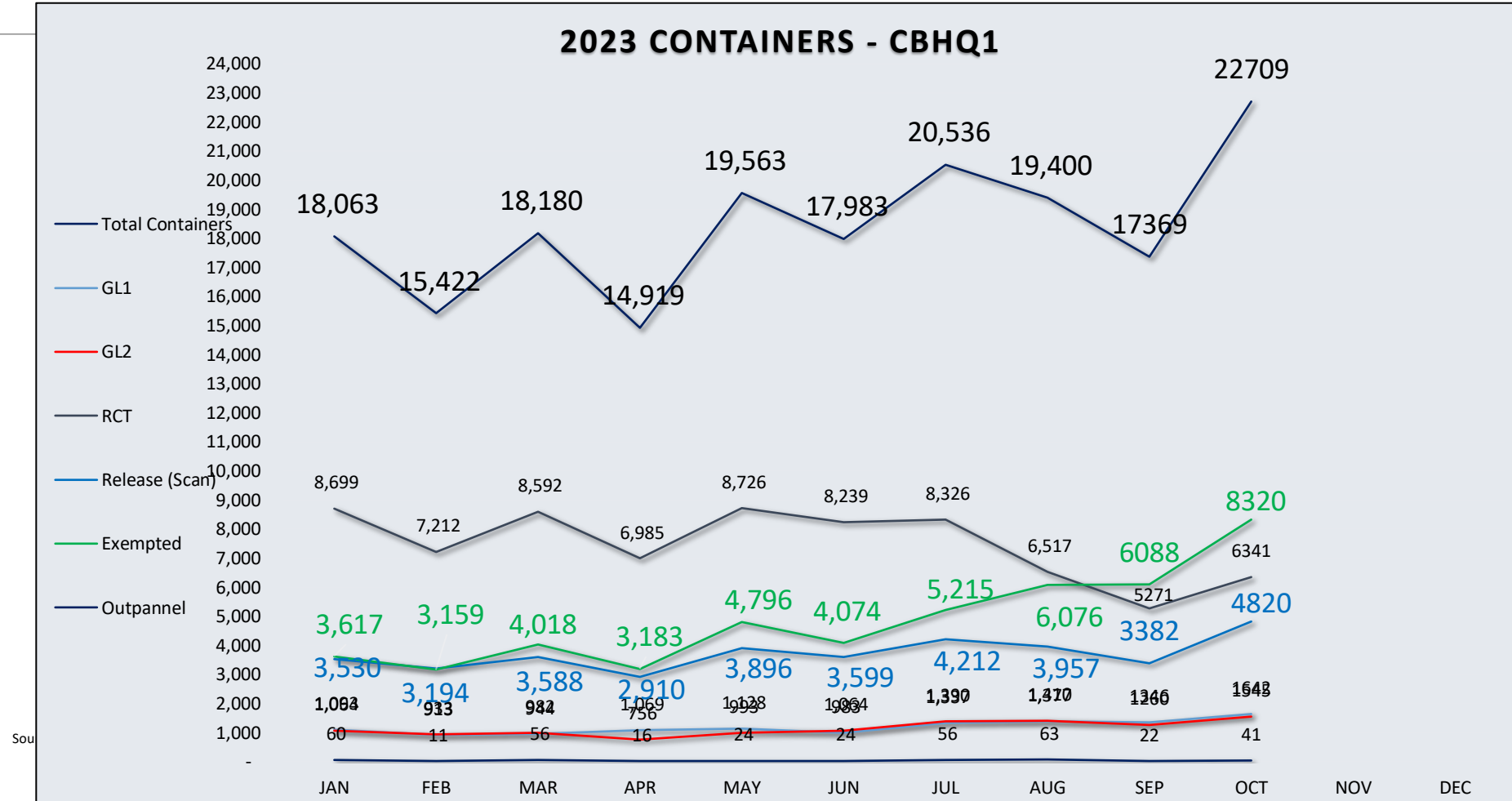
- ***WTO Trade Facilitation Agreement***

- *4.4. Each Member shall base risk management on an assessment of risk through appropriate selectivity criteria.*

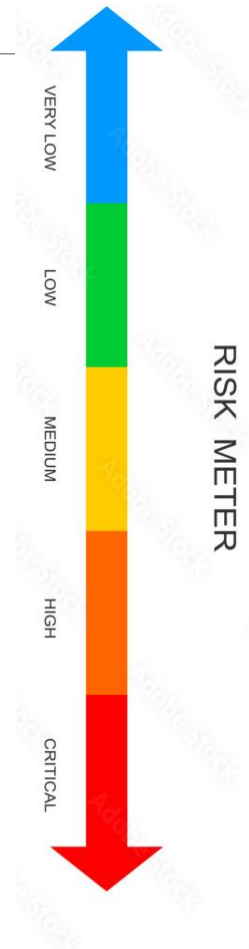
Risk Based Selection



Container Controls of Customs – CBHQ1 2023



Segmentation of Traders



Voluntarily compliant

Try to be compliant but necessarily always succeed in their endeavors

Avoid complying if possible

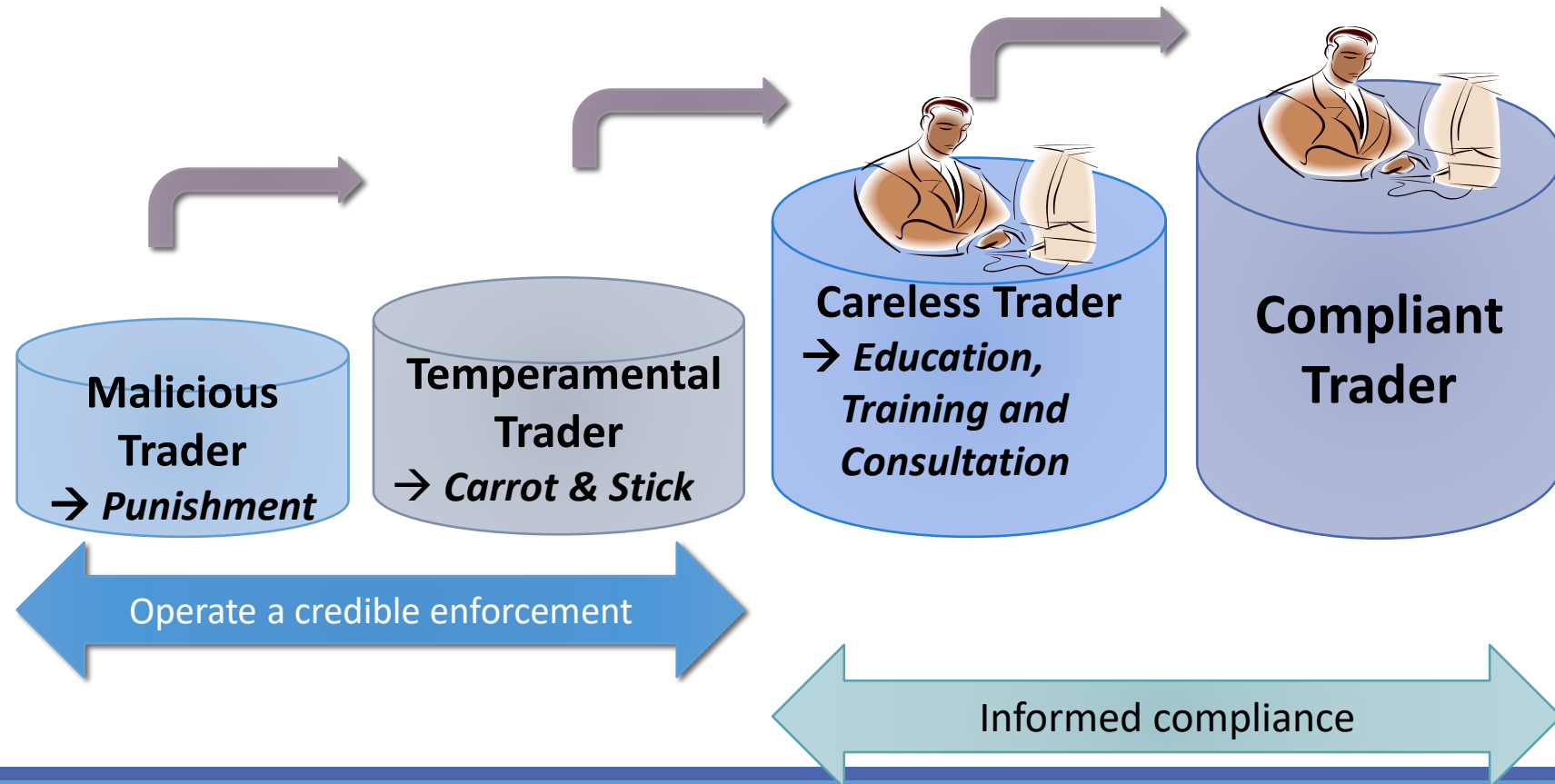
Deliberately do not comply

Segmentation of Traders



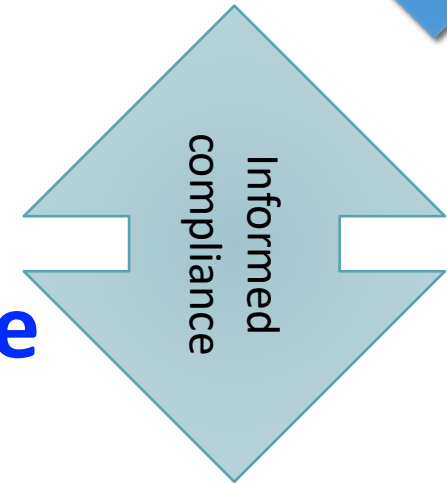
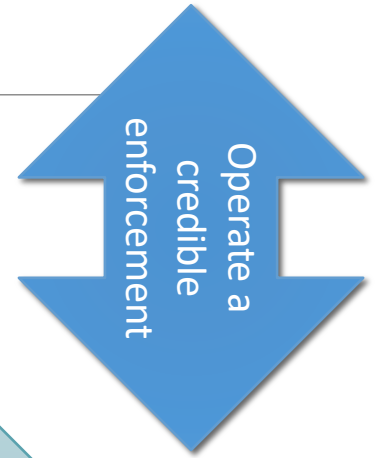
Risk based Compliance Management Pyramid

Segmentation of traders and strategy



Compliance Strategies

- Malicious trader: **Enforcement** compliance
- Temperamental trader: **Directed** compliance
- Careless trader: **Assisted** compliance
- Compliant trader: **Voluntary** compliance



What is an AEO?

- 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

- **WCO Safe Framework of Standards -**

Why AEO?

Pillar 02 - **WCO SAFE FoS** - Customs to Business Partnerships

- Each customs administration will establish a partnership with the private sector in order to involve it in ensuring the safety and the security of the international trade supply chain

Article 7.7 - **WTO TFA** – Authorized Operators

- Each member shall provide additional trade facilitation measures related to import, export or transit formalities and procedures to operators who meet specific criteria
- Benefits may include - ***Rapid release*** - ***Reduced documentation and data requirements*** - ***Fewer physical inspections***
- Also known as ***trusted traders***
- Having a track record of **full compliance** - Continue to comply with border requirements - Constitute **lower risk**

SLC AEO legal bases

DOPL 1530 (26.10.21):

- Authorising the AEO Committee
- Frequency of meetings
- Authority to make decisions regarding:
 - ❖ the rules and policy direction for the AEO program
 - ❖ applications for CEO/AEO status – decline, award
 - ❖ actions to suspend, revoke, downgrade, restore an authorised status

DOPL 1627 (27.9.23) listing the 12 members of the AEO Committee

Who can be AEO?

Each AEO program may include any of the traders/supply chain operators – dependent on national Customs policy:

- ☐ Manufacturers
- ☐ Importers
- ☐ Exporters
- ☐ Customs Brokers
- ☐ Carriers
- ☐ Consolidators
- ☐ Intermediaries
- ☐ Warehouse Operators
- ☐ Distributors
- ☐ Freight Forwarders
- ☐ Ports
- ☐ Airports
- ☐ Terminal Operators

Two-Tiered approach

compliance based
selection

Compliant Economic Operators

- ✓ Operators with high legal and operational compliance



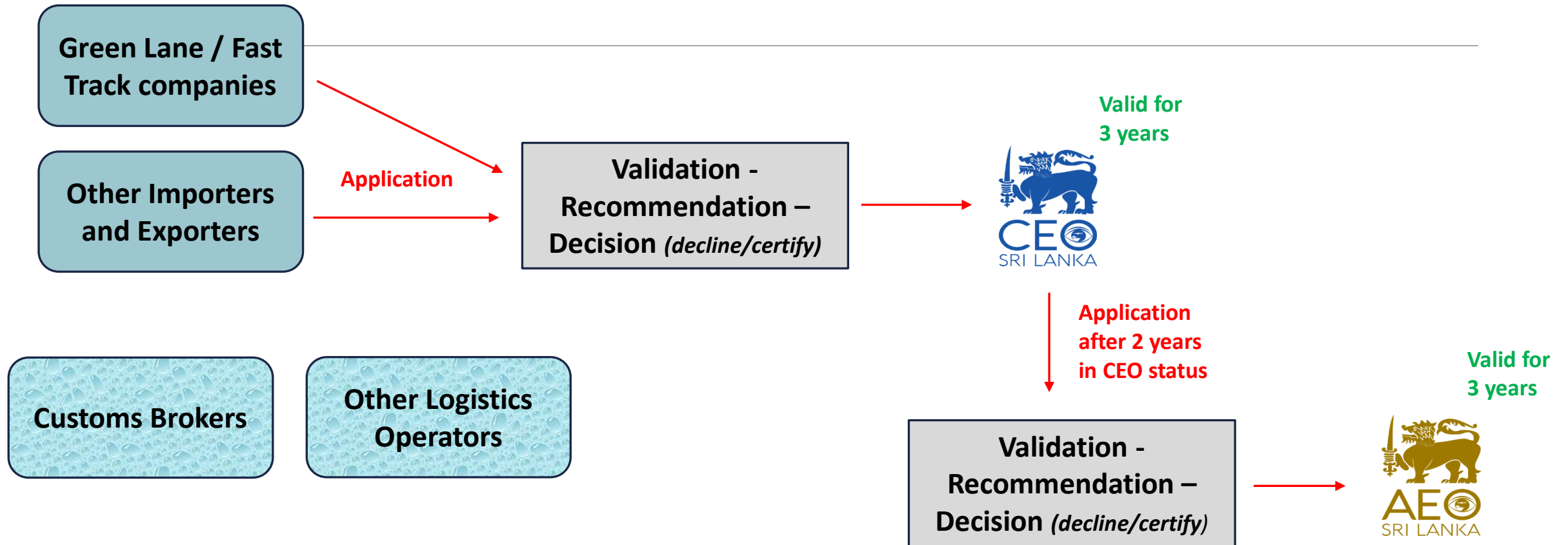
Authorized Economic Operators

- ✓ Operators with high level of supply chain security
- ✓ Who have continuously operated as CEOs for minimum of two years



compliance + supply chain
security-based selection

Path to CEO/AEO Status (current integration plan)



The time for integration of brokers and other logistics operators will be announced in a future statement.

ELIGIBILITY

Compliant - CEO

- Established in Sri Lanka and prove - company registration – VAT - TIN - bank account - location of operations (Only Permeant TIN Nos- 7000)
- Conducted Customs activity for at least 3 financial years
- At least 25 CusDecs during last financial year
- Record of legal compliance with Customs requirements
- Management of commercial and transport records, preferably in electronic form; allowing for appropriate Customs controls
- Financial solvency
- Practical standards of competence directly related to the activity carried out
- Nomination of responsible contact person with corporate knowledge of customs related matters

2
years



Authorised - AEO

- As per CEO requirements
- Nomination of responsible contact person with corporate knowledge of supply chain security matters
- Must qualify with all other safety and security requirements as stipulated in the WCO SAFE Framework of Standards

Eligibility Support to SME and MSME

The [AEO Committee](#) shall take due account of the [specific characteristics of economic operators](#), in particular of SMEs and MSMEs, while applying the prescribed [eligibility conditions](#) and [qualification criteria](#), and when recommending a certification for the CEO status [\(To be finalized\)](#).

Extenuating considerations include:

- What is the [size of your company](#)/operations?
- What is the [legal status](#) and structure of your company?
- [How many people](#) are employed in your company?
- [How many Customs processes](#) did you manage in the preceding year?

NON-Eligibility

An economic operator is not eligible to apply if:

- they are **not involved in Customs related** activity
- they are involved in Customs related activity, but not for the **continuous period of three financial years**
- they have been **convicted of a serious Customs/Related law offences** linked to the economic activity of the applicant
- they are **subject to bankruptcy proceedings**, or they cannot **prove financial solvency during the previous three financial years**

BENEFITS

PRIORITISATION

	CEO	AEO
Expedited Channels ▪ CusDecs ▪ Advance rulings (application) ▪ Appeals (request)		
Priority Trade Services ▪ Advance rulings ▪ Dispute resolution ▪ Special attendance (\$ apply) ▪ SMS notification at end of process		
Extended Priority Trade Services ▪ Refunds ▪ Duty Drawback ▪ Special Attendance (\$ free) ▪ Business resumption		
Access to cargo storage; in LCL and state/public bonds)		
Front-of-Line examinations; at cargo exam yards		

REDUCED INTERVENTION

	CEO	AEO
Selection of examination place At the client premises or other specified place		
Reduced number of Customs exams - SLC will reduce the risk scoring in the RM system based on the awarded certification - Does not apply to OGA risk profiles		
Exemption from stratified / random sampling		
Reduced number of Customs audits - Subject to one structured audit only, within 3-year period of AEO certification - Still required to comply with the AEO post-certification monitoring activity		
Prior disclosures If SLC become aware of (administrative) errors, will issue a written notice, allow 30 days to file a prior/voluntary notice (with no penalty)		

**ENHANCE THE
CUSTOMS-2-
BUSINESS
PARTNERSHIP**

	CEO	AEO
CEO/AEO cards ▪ issue to persons named in the application	3	5
AEO Relationship Officer (ARO)		
CEO Help Line		
Use of the CEO/AEO logo		
Seat at the Table ▪ share ideas for the ongoing development of the AEO program; participate in future pilots		
AEO Mutual Recognition Agreement		
Access to the SLC AEO web portal (dashboard) ▪ will enable your primary communication for requests		
Monthly Reports ▪ you may receive a monthly report summarising your Customs related activities		

**SECURING
LIABILITY &
LOGISTICS**

	CEO	AEO
Use of Guarantees ▪ May furnish a corporate guarantee to cover 100% of the liability amount		
Reduction in on-site inspections for Logistics Operators ▪ On-site inspection once every two years ▪ Applies to bondsman or warehouse operator		
Exemption of (annual) verification charge ▪ Applies to bondsman		

Relationship Management

CEO Help Line

available to each CEO; they can send a **request for assistance or enquiry of a legitimate concerns** to the AEO team; enquiries that are frequently asked and which have a common response, will be added to the AEO portal FAQ section



AEO Relationship Officer (ARO)

appointed to each AEO; single point of **interaction within Customs in relation** to an AEO's legitimate concerns and assisting where possible with resolving these concerns within the different sections of Customs and with other stakeholders



QUALIFICATION CRITERION

Preparing for your Application

- Introduction to the Qualification Criterion
- Design of the Application Form
- What is the AEO Validation?
- What are the Security Risk Management Requirements?
- Explanatory notes for each question – how to complete; how to comply
- Applicant to nominate a preferred date for on-site validation
- Applicant to complete declaration prior to submission

How to complete the application form

- The criteria and standards to be assessed at either CEO or AEO level will apply, where applicable
- Application form is designed with questions requiring responses
- Consult with various key personnel from across your business
- The explanatory notes are provided as a guide

Accessing the Application

Sign-Up you shall register at the AEO portal and create an account

Request Application form – you shall respond YES or NO to 4 eligibility questions:

1. Can you prove your company is registered, and commercially active in Sri Lanka?
2. Have you been continuously involved in international trade and Customs activity for at least three years preceding today?
3. Was your company financially solvent for the three financial years preceding today?
4. Do you have a satisfactory procedure in place to prevent unauthorised Customs declarations being made in the Company name?

If all YES responses – the application can be completed

You are recommended to carefully review the AEO Operational Guide and the Qualification criterion prior to assessing if you are eligible for the CEO/AEO status you wish to apply for.

Prior to opening the application form, you are also recommended to compile a list of your responses and a (digital) dossier of the documentary proof you wish to submit as evidence of your eligibility.

Criterion: Compliance vs Supply Chain Security

COMPLIANCE CRITERION	CEO	AEO
Company details	12	13
Location details	2	2
Consultation, Cooperation & Communication	2	4
Operational details	12	12
Legal Compliance	4	4
Financial Compliance	7	7
Management of systems & records	9	9
Education, Training & Awareness	2	7

SUPPLY CHAIN CRITERION	CEO	AEO
Premises Security	n/a	12
Cargo Security	n/a	7
Container Security	n/a	5
Conveyance Security	n/a	5
Personnel Security	n/a	5
Business / Trading Partner Security	n/a	4
Crisis Management & Incident Recovery	n/a	4

Submitting the (completed) Application form

Declaration – I hereby declare the information given in this application and in all documents submitted herewith is true and accurate; acknowledge and accept terms and conditions for joining the SLC AEO program:

- To inform the AEO Team of any change in the particulars declared on this application / documents any time prior to the commencement of the validation.
- To offer adequate and reasonable assistance to SLC for the validation.
- To allow the SLC to publish the Company name once certified with the CEO/AEO status.

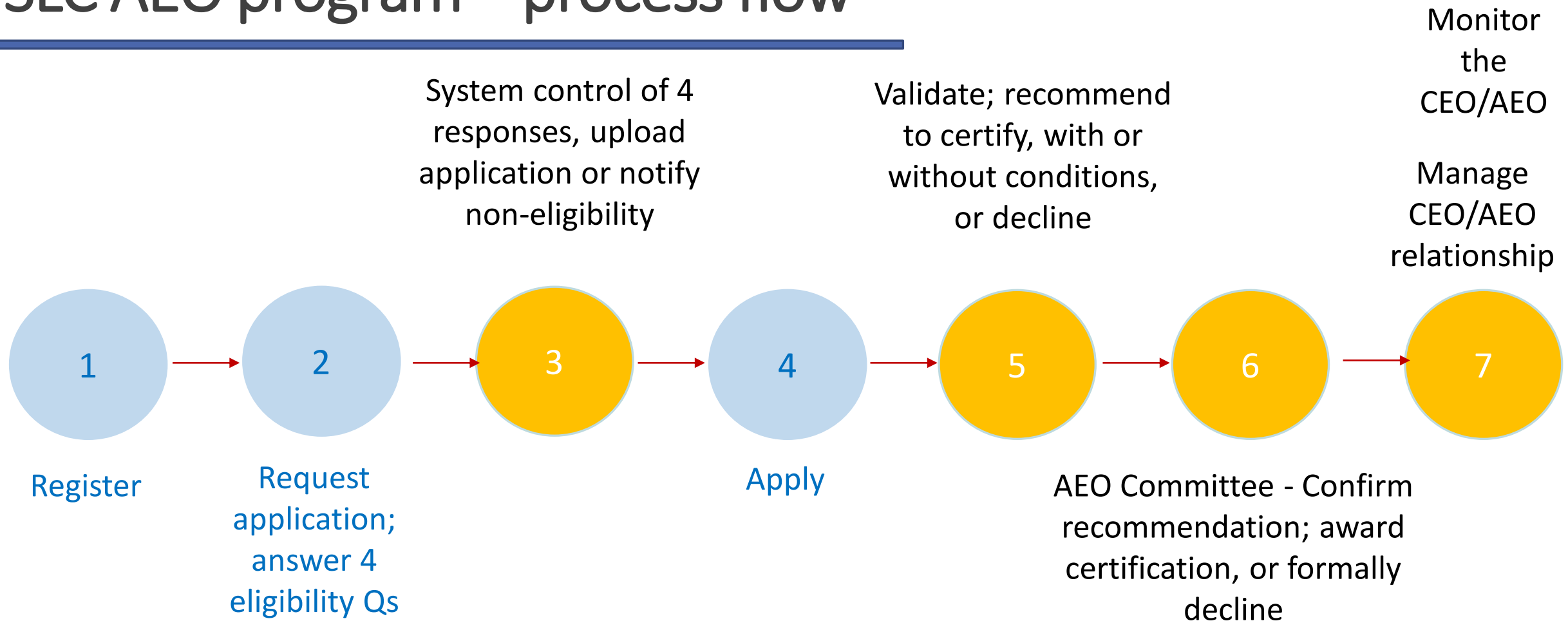
Upload digital signature, application and digital dossier

Submit Full Application

Prior to submission: if you require clarification of the criterion or the documentary proof required to demonstrate your eligibility or compliance, please contact the AEO Team of the SLC/RMD via 0112-142434 ext. 7855

THE VALIDATION PROCESS & CERTIFICATION

SLC AEO program – process flow



VALIDATION: A procedure whereby the applicants, their supply chain (s) and all relevant processes employed by them to reach that status, are subject to full and transparent review by the Sri Lanka Customs, before the certification can be given.

Validating the Application

You may be contacted by the AEO Validator if they require clarification to your submitted responses and/or documents.

You shall endeavor to respond quickly to the AEO Validator.

You may formally withdraw your application before or during the AEO validation process.

On completion of the validation;

- the AEO Validator will prepare a comprehensive report covering all areas of the validation process;
- make an appropriate recommendation based on the findings - **and the options will be certification without conditions, or certification with conditions, or denial of certification;** and
- submit the report and recommendation to the to the next sitting of the AEO Committee.

Certification Agreement

- Between SLC D.G. & company owner /CEO
- Definitions
- Terms
- CEO/AEO status
- Appointment of AEO-RO (if AEO certified)
- Obligation to comply with the qualification criteria
- Conditions of compliance specific to the activity, e.g Importer / Exporter
- Reporting obligations
- Affirming Customs right to conduct inspections
- Specified date for monitoring (validation)
- Improvement plan (if CONDITIONS or deemed necessary)
- Confidentiality Recognition Agreements
- Variation / Termination / Miscellaneous
- **Certificate Number**

Certification will be published in the exclusive AEO web portal

POST- CERTIFICATION OBLIGATIONS

Reporting Obligations of the CEO/AEO

It is your obligation to inform the Customs as soon as practicable of any significant change in your business and/or processes which may affect the certification – including:

- change to the legal company
- change of business name and/or address
- change in the nature of business i.e. manufacturer / exporter etc.
- changes to accounting and computer systems
- changes to the senior personnel responsible for Customs matters
- changes of location or branches involved in the international supply chain.

If you make any Customs related irregularities, errors, or omissions, you must voluntarily report such to Customs and demonstrate you have examined the reasons for the matter; and taken appropriate and remedial action to prevent recurrence

Post-Certification Monitoring

- Time for post-certification monitoring is established in the Certification agreement
- **IS NOT AN AUDIT** but may be conducted in parallel with a planned PCA
- Walk-through of the operator's premises to check the safety and security procedures examined at validation are still in place
- Ensure the specific risks identified during the validation and included in the set of conditions are being adhered to
- Check a random sample of the CUSDECs for quality and accuracy of data declared
- Check the general tax compliance that there are no financial solvency issues
- Review any notification by the operator of issues that may affect their CEO/AEO status
- The AEO monitor's report and recommendations are escalated to the AEO Committee

Other Post-Certification determinations

Your CEO/AEO status may be subject to a determination made by the AEO Committee based on analyses provided by the AEO Team of notified changes or irregularities:

- SUSPENSION
- DOWNGRADING
- REVOCATION
- RESTORATION
- WITHDRAWAL

Certification expiry & renewal

- The **VALIDITY** of the certificates shall be **THREE YEARS** for both CEO and AEO statuses
- The **CEO** status holder shall submit their application for renewal or acceleration to the AEO status, **at least 45 days before lapse of the current validity period**
- The **AEO** status holder shall submit their application for renewal of the AEO status, **at least 60 days before lapse of the current validity period**
- Each new application will be validated on its merits and take into consideration the relevant rules for the AEO programme, including the qualification criterion and application form

AEO WEB PORTAL

<https://aeo.customs.gov.lk>

UPDATED
AEO Operational Guide and
Application for CEO status
will be available by
19 January 2024

DISCUSSION