

Circular No. 28/2012-Customs

F.No.450/179/2009-Cus.IV(Pt)
 Government of India
 Ministry of Finance
 Department of Revenue
 Central Board of Excise & Customs

Room No.227-B, North Block,

New Delhi, dated the 16th November, 2012

All Chief Commissioners of Customs / Customs (Prev.).
 All Chief Commissioners of Customs & Central Excise.
 All Commissioners of Customs / Customs (Prev.).
 All Commissioners of Customs & Central Excise.
All Director Generals under CBEC.

**Subject: Authorized Economic Operator (AEO) programme for implementation —
Revised Guidelines.**

Sir/ Madam

Attention is invited to Board's Circular No. 37/2011- Cus., dated 23.08.2011 which gives details on the 'Authorized Economic Operator' (AEO) Programme . The said Circular contains the salient features of the AEO Programme including the processing, validations and certification of AEOs. It also indicated Board's decision to initially begin a pilot before finalizing the AEO Programme for a full scale roll out. Accordingly applications were invited for participation in the Pilot AEO Programme, which has since been completed.

2. Based upon the results of the Pilots, DGICCE, the nodal agency for AEO Programme, suggested certain improvements and identified certain issues requiring a review. Accordingly, Board has examined the suggestions and approved the following major changes in the AEO Programme.

- (i) Inclusion of stringent requirements in regard to Business partner security, procedural security, etc.
- (ii) Inclusion of authorised couriers and custodians in the AEO Programme.
- (iii) Automatic disqualification on non-furnishing of the information by the applicant.
- (iv) Non-requirement of the compliance records of advocates directly employed by the applicant.
- (v) Outreach of AEO Programme by organizing workshops etc.
- (vi) The time limit of 90 days should be reckoned from the date of furnishing of complete information.
- (vii) In regard to security seals, in case 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 may be used. However in case of maritime containerized cargo only PAS / ISO 17712 seals shall be used. The officers carrying out validations under AEO Programme should carefully ascertain this aspect.

3. Board also decided that the benefits to various types of approved AEOs would be as under:

A. For Importers:

- (a) AEO importers would be entitled to facilitation levels that are higher than that for an ACP importer.

(b) AEO importers shall be given the benefits of furnishing of reduced bank guarantee, wherever applicable, not exceeding 5% of the bond amount. All past Circulars regarding furnishing of bank guarantee by importers stand modified to this extent.

B. For Exporters

(a) AEO exporters shall be given benefits of reduced percentage of examination. At present the examination of export consignment is governed by provisions contained in the Board Circular No. 6/2002- Customs dated 23.01.2002 which stands modified for AEO exporters to the extent indicated in the table below.

Export under Drawback by AEO exporters:

Sl.No.	Category of Exports	Scale of Examination	
		Export consignments shipped to sensitive places viz. Dubai, Sharjah, Singapore, Hong Kong and Colombo	Others
(i)	Consignments where the amount involved is Rs.5 lakh or less	10%	2%
(ii)	Consignments where the amount of drawback involved is more than Rs.5 lakh	25%	5%
(iii)	Consignments where the FOB value is under EPCG / DEEC is Rs.10 lakh or less	10%	2%
(iv)	Consignments where the FOB value is under EPCG / DEEC is more than Rs.10 lakh	20%	5%

C. For Logistic Service Providers:

(a) AEO logistic service providers shall be given benefits of waiver of bank Guarantee in case of transshipment of goods under Goods Imported (Condition of Transshipment) Regulations, 1995. Further they shall be given the facility of execution of a single running bond. Board Circular No 45/2005-Cus. dated 24.11.2005 stands modified accordingly.

(b) AEO logistic service providers shall be given the facility of not taking permission on case to case basis in case of transit of goods. In case of international transshipped cargo (Foreign to Foreign), for the pre-sorted containers wherein cargo does not require segregation. AEO Logistics Service providers can effect ramp to ramp or tail to tail transfer of cargo without Customs escorts. Board Circular No.8/2011-Customs dated 28.01.2011 stands modified to this extent.

D. For Custodians or Terminal Operators

(a) AEO Custodians shall be given benefits of waiver of bank Guarantee required under Handling of Cargo in Customs Area Regulations 2009.

(b) AEO Custodians shall also be given the facility of extension of approval under regulation 10(2) of the Handling of cargo in Customs Area Regulation 2009 for longer period of ten years at a time.

E. For Customs House Agents:

(a) AEO Customs House Agents shall, under Regulation 11 of Customs House Agents Licensing Regulations (CHALR) 2004 be given benefit of extended validity period of licenses granted under regulation 9 till the time they hold valid AEO authorizations.

(b) Fee for renewal of a licence under sub regulation (2) of regulation 11 of CHALR, 2004 shall be exempt for AEO Custom House Agents.

F. For Warehouse Operators:

(a) AEO Warehouse Operators are accorded faster approval for new warehouses.

(b) AEO Warehouse Operator shall be given benefits of reduced bank guarantee to the extent of 5% of the duty liability in respect of individual consignments of sensitive goods to be warehoused. Board Circular No 99/95- Cus. dated 20.09.1995 shall be modified to this extent.

(c) In case of goods which are not likely to deteriorate, the warehousing period under section 61 of the Customs Act, 1962 may be extended by Commissioner of Customs, for a period not exceeding six months and by the Chief Commissioner of Customs for such period as he may deem fit. Board Circular No. 47/2002-Cus., dated 29.7.2002 prescribes that the Chief Commissioner at a time may not grant extension to the warehousing period beyond 3 months and in certain exceptional circumstances not beyond six months. In case of AEO Warehouse Operators, the Chief Commissioner of Customs may grant extension up to a period of six months at a time. Board Circular No.47/2002-Cus. dated 29.7.2002 stands modified to this extent.

4. The revised AEO Programme is appended to this Circular.

5. Board Circular No 37/2011- Cus., dated 23.08.2011 stands superseded with issue of this circular. However the entities already certified under AEO Programme pursuant to Circular No 37/2011-Cus., dated 23.08.2011 would continue to have AEO authorisation subject to their adherence to prescribed standards and guidelines issued in this regard.

6. Suitable Public Notice and Standing Orders may be issued. Further, Director General, DGICCE and Chief Commissioner of Customs are requested to give wide publicity to the Programme.

7. Difficulties, if any, may be brought to the notice of the Board immediately.

Yours faithfully,

(R.P. Singh)
Director (Customs)

Authorized Economic Operator (AEO) Programme

1. Introduction

1.1 The global trading system is vulnerable to terrorist exploitation while the international trade is an essential element for economic development. Customs plays a unique role in providing increased security to the global trade while facilitating the legitimate flow of goods. Thus, in 2005 the World Customs Organisation (WCO), an organization of 178 Customs administrations, adopted the SAFE Framework of Standards to secure and facilitate global trade, which includes the concept of an Authorized Economic Operator (AEO) whereby a party engaged in the international movement of goods is approved by Customs as compliant with the supply chain security standards, and given benefits, such as simplified Customs procedures and reduced Customs intervention. The AEO concept is being increasingly adopted by various Customs administrations with the objective of securing the supply chain with resultant benefits for the trading community.

1.2 Consistent with the "SAFE Framework" developed by the WCO, the Indian Customs administration has developed an AEO Programme that encompasses various players in the international supply chain such as importers, exporters, warehouse owners, Custom House Agents, cargo forwarders and carriers. The objective of the AEO Programme is to provide businesses with an internationally recognized quality mark which will indicate their secure role in the international supply chain and that their Customs procedures are efficient and compliant. An entity with an AEO status can, therefore, be considered a 'secure' trader and a reliable trading partner.

1.3 As aforesaid, the AEO Programme seeks to secure the global supply chain in partnership with business entities that are fully legally compliant and provide with the Customs the confidence to validate their security features. Therefore, it is imperative that participating entities ensure they fulfill this fundamental requirement.

2. Benefits of an AEO Programme:

2.1 A business authorized by the Customs as an AEO can enjoy benefits flowing from being a more compliant and secure company as well as favourable consideration in any Customs proceedings coupled with better relations with Customs. AEO status will also ensure a low risk score is incorporated into Customs 'Risk Management System' (RMS) and used to determine the frequency of Customs physical and documentary checks. The benefits may also include simplified Customs procedure, declarations, etc. besides faster Customs clearance of consignments off for AEO status holders.

2.2 For the present, the following benefits will accrue to AEO status holders:

A. Importers:

- (a) For AEO importers the facilitation shall be higher than for an ACP importer.
- (b) AEO importers may be given benefit of reduce bank guarantee wherever applicable. In any case, the amount of bank guarantee shall not exceed 5% of the bond amount.

B. Exporters:

- (a) AEO exporters shall be given benefits of reduced percentage of examination. At present the examination of export consignment is governed by Board Circular No. 6/2002-Cus dated 23.01.2002. In cases where normal examination percentage is prescribed as 10%, for AEO exporters this percentage shall be 5%. In cases of export under claim of drawback / Reward Schemes examination percentage for AEO exporters shall be 10% as against 25% fixed vide said Circular. Similarly, in case of examination to sensitive destinations, examination of 20% consignments shall be done as against 50% for other exporters. Further the value limit is raised from Rs 1 lakh to Rs 5 lakhs for drawback shipping bills and from Rs 5 lakhs to 10 lakhs in case of EPCG/ DEEC shipping bills for AEO exporters.

C. Logistic Service Providers:

(a) AEO logistic service providers shall be given benefits of waiver of bank Guarantee in case of transshipment of goods under Goods imported (Condition of Transshipment) Regulations, 1995. Further they shall also be given a facility of execution of running bond.

(b) AEO logistic service providers shall be given facility of not taking permission on case to case basis in case of transit of goods. In case of international transshipped cargo (Foreign to Foreign), for the pre-sorted containers wherein Cargo does not require segregation, ramp to ramp or tail to tail transfer of cargo can be affected without Customs escorts.

D. Custodians or Terminal Operators:

(a) AEO Custodians shall be given benefits of waiver of bank Guarantee under Handling of cargo in Customs Area Regulations 2009.

(b) AEO Custodians shall also be given a facility of extension of approval under regulation 10(2) of the 'Handling of cargo in Customs Area Regulation 2009' for longer period provided that AEO Customs house agent has valid authorisation. In case of AEO Custodians the approval shall be extended for a period of ten years at a time in terms of regulation 10(2) of Handling of cargo in Customs Area Regulations 2009.

E. Customs House Agents:

(a) AEO Customs House Agents shall, under Regulation 11 of CHALR 2004 be given benefit of extended validity period of licenses granted under regulation 9 of the CHALR 2004. The Licence granted under regulation 9 shall be valid till validity of their AEO authorization. Further fee for renewal of a licence under sub regulation (2) of regulation 11 shall be exempt.

F. Warehouse Operators:

(a) AEO warehouse operators shall be accorded faster approval for new warehouses.

(b) AEO warehouse operator shall be given benefits of reduced bank guarantee to the extent of 5% of the duty liability in respect of individual consignments of sensitive goods to be warehoused.

(c) In case of goods not likely to deteriorate, the Chief Commissioner of Customs may grant extension upto a period of six months at a time in deserving cases.

3. Criteria for considering application for grant of AEO status:

- (i) Appropriate record of compliance of Customs and other relevant laws;
- (ii) Satisfactory system of managing commercial and, where appropriate, transport records;
- (iii) Proven financial solvency; and
- (iv) Maintenance of approved security and safety standards.

4. Who can apply for AEO status?

4.1 Anyone involved in the international supply chain that undertakes Customs related activity in India can apply for AEO status irrespective of size of the business. These include manufactures, exporters, importers, logistic providers, carriers (airlines etc.), freight forwarders, and Customs House Agents. Others who may qualify include port operators, authorized couriers, stevedores. The list is not exhaustive.

4.2 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 the like categories of businesses will not be eligible for AEO status.

4.3 Only such entities that can categorically establish their compliance of the legal and security criterion are eligible to apply. Others need not apply for the AEO status till such time they meet the compliance criterion.

4.4 The application for AEO status will only cover the legal entity of the applicant and will not automatically apply to a group of companies.

4.5 There is no provision to grant AEO status to specific site, division or branch of legal entity of the applicant. The application must cover all the activities and locations of the legal entity involved in the international trade supply chain and the identified criteria will be applied across all those activities and locations.

4.6 In order to apply for AEO status the applicant must be established in India. For this purpose, the applicant will be asked to provide evidence which may include:

- (i) A certificate of registration issued by the Registrar of Companies.
- (ii) Details of where staff is employed for making supplies of goods and/or services.
- (iii) Proof that the business has its own accounts.

4.7 An 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. Therefore, AEO status can be granted to a Custom House Agent, but this will not confer similar status on its client importers / exporters who will need to apply separately for that status.

5. How to apply for AEO status?

5.1 An applicant for grant of AEO status should submit the following:

- (i) Application for Authorized Economic Operator (AEO) Status(Annex - A)
- (ii) Security plan (Annex – B)
- (iii) Process map (Annex - C)
- (iv) Site plan (Annex – D)
- (v) Self-Assessment Form (Annex – E)

5.2 The application should be sent to the AEO Programme Manager, Directorate General of Inspection, Customs & Central Excise, 'D' Block, I.P. Bhawan, I.P. Estate, New Delhi – 110002.

5.3. The AEO Programme Manager will be the Additional Director General (Inspection), Directorate General of Inspection, Customs & Central Excise, 'D' Block, I.P. Bhawan, I.P. Estate, New Delhi – 110002 and the AEO Programme Team will comprise the officers from the Directorate General of Inspection and its regional offices.

5.4 Each application will be acknowledged and recorded in an AEO Programme database.

6. Return of application:

6.1 If application is incomplete or deficient, the applicant will be suitably informed within 30 days of the receipt.

6.2 AEO Programme Manager will **not** process the following applications until these are

rectified, as indicated:

- (a) Which is incomplete – This may be resubmitted with the complete information.
- (b) Where the application has not been made by a legal person – This can only be resubmitted by the concerned legal entity.
- (c) Where no responsible person is nominated – This can only be resubmitted when the applicant nominates a responsible person who will be the point of contact for the AEO Programme.
- (d) Where the applicant is subject to bankruptcy proceedings at the time the application is made: This may be resubmitted when the applicant becomes solvent.
- (e) Where a previously granted AEO status has been revoked -This may not be resubmitted until three years after the date of revocation.

7. Processing of application:

7.1 On receipt of the complete application and after ensuring the applicant is eligible to apply certain validation tests will be carried out to check that applicant is:

- (i) Able to establish a record of compliance with Customs and other legal provisions.
- (ii) Able to demonstrate satisfactory systems of managing commercial and, where appropriate, transport records.
- (iii) Financially solvent.
- (iv) Able to demonstrate satisfactory systems in respect of security and safety standards.

7.2. Once the application has been accepted, the applicant will be suitably informed of this within 30 days. The application will then be passed to the AEO Programme Team which will by prior appointment visit the applicant's premises and carry out an AEO verification and make a recommendation to the AEO Programme Manager.

8. Rejection of application:

8.1 Applications will be rejected in cases where the applicant is not eligible for grant of AEO status, or has been convicted of a serious criminal offence linked to the economic activity of his business in the past, or in cases where the deficiency noticed in the application cannot be remedied. The information regarding the rejection of such application will be given to the applicant within 30 days of the receipt of the application.

9. Time limit for grant of Certificate of AEO Status:

9.1 Applications meeting the identified criteria will be granted the certificates of AEO status ordinarily within 90 days of receipt of the completed application containing full information. In cases where validation of AEO applications can not be concluded on genuine ground.

10. Legal Compliance:

10.1 An applicant must meet certain conditions and ensure compliance with the criteria of grant of AEO status. Thus, an AEO Programme Team will examine applicant's record of compliance over the last three years preceding the date of applicant's application to ensure adherence to Customs, Central Excise and Service Tax laws as well as allied laws that are administered by the Department. Major violations in respect of any other fiscal law such as

relating to Income/Corporate Tax will also be taken into account to confirm the compliance level of the applicant.

10.2 Normally, 'technical' or procedural errors, if any, made by an applicant over the past three years in relation to Customs, Central Excise and Service Tax laws that have no significant impact on the revenue or compliance record may not be considered a disqualification for grant of AEO status. This approach would extend to the various allied laws that are administered by the Department. These 'technical' or procedural errors may include the following:

- (i) Any errors that have been voluntarily disclosed;
- (ii) Any decisions which have been overturned by Courts/Tribunal or departmental review;
- (iii) Any decisions currently under review; and
- (iv) Where a penalty is imposed for a minor irregularity.

10.3. The company should have business activities for at least three years from the date of application.

10.4 AEO Programme Manager will assess whether a serious infringement or repeat infringements of Customs, Central Excise and Service Tax laws has been committed by any of the following persons:

- (i) the applicant, and,
- (ii) any other responsible person involved in the running of the business.

10.5 An applicant will also need to demonstrate that he has:

- (i) procedures in place to identify and disclose any irregularities or errors to the Customs authorities or, where appropriate, other regulatory bodies.
- (ii) taken appropriate remedial action when irregularities or errors are identified.

10.6 Once an error has been identified, the applicant is expected to take steps to ensure that they do not happen again or, at least, to ensure that they are immediately remedied if they do arise. Failure to take such steps could count against applicant.

10.7 Besides assessing the compliance of the business itself, the AEO Programme Team may also look at the previous compliance records of the following persons:

- (i) Company Directors;
- (ii) Company Secretary;
- (iii) Employees directly responsible for the import/export of goods.

10.8 Any errors made by third parties acting on applicant's behalf would reflect upon the applicant's compliance. Thus, the applicant should make such third parties aware of the standards that he operates to and that systems are in place to immediately identify any problem.

11. Managing commercial and (where appropriate) transport records

11.1 For the purpose of AEO status the applicant must have a satisfactory system of managing commercial and, where appropriate, transport records. Such a system may include the following:

- (i) An accounting system consistent with Generally Accepted Accounting

Principles (GAAP) / International Financial Reporting Standards (IFRS) which facilitates audit-based Customs control.

(ii) Allowing the AEO Programme Team physical or electronic access to Customs and, where appropriate, transport records.

(iii) An administrative set up and documented procedures to control and manage the movement of goods.

(iv) Internal controls capable of detecting illegal or irregular transactions.

(v) Satisfactory procedures for the handling of licences, authorizations and documents connected to export/import.

(vi) Satisfactory procedures to archive and retrieve records and information, and also for protection against the loss of information.

(vii) Ensure that employees are made aware of the need to inform the Customs authorities whenever compliance difficulties are discovered and establish suitable contacts for this.

(viii) Satisfactory procedures for verifying the accuracy of Customs declarations.

(ix) Appropriate information technology security to protect against unauthorized intrusion.

12. Financial solvency

12.1 An applicant must be financially solvent for the three years preceding the date of application. Solvency would generally be defined as good financial standing that is sufficient to fulfill the commitments of the applicant including ability to pay duties. Thus, the applicant should not be listed currently as insolvent, or in liquidation or bankruptcy and should not have an outstanding claim against any guarantee in the last three years. Further, the applicant should not have delayed in payment of due taxes. Only uncontested and undisputed claims will be treated as outstanding claims for the purpose of this Para.

12.2 AEO Programme Team will rely on the applicants annual accounts due in the last three years to establish solvency. In particular, the following will be taken into account:

(i) Where required, the accounts have been filed with Registrar of Companies within the time limits laid down by law.

(ii) Where applicable, audit qualifications or comments in the annual accounts about the continuation of the business as a going concern.

(iii) Any contingent liabilities or provisions.

(iv) Net current assets are positive.

(v) Net assets position and the extent of intangible assets.

12.3 It is recognized that in some circumstances it may be normal practice for a company to have negative net assets. For example, a company may be set up by a parent company for research and development purposes when the liabilities are funded by a loan from the parent or from a financial institution. In these circumstances, negative net assets will not necessarily be seen as an indicator of insolvency but further evidence of solvency will be required such as a Bank letter or in case of sole proprietor or partnership firms, personal assets.

12.4 If applicant is a newly established business or have just started trading, his financial solvency will be judged on the basis of records and information. This will include the latest:

- (i) Cash flow figures
- (ii) Balance sheet.
- (iii) Profit and loss forecasts approved by directors/partners/sole proprietor.

13. **Safety and security**

13.1 Internal controls and measures to secure the safety of applicant's business and his supply chain will be considered in addition to any specific legal requirements that may be applicable to the business.

13.2 In order to satisfy the requirements of AEO status, the applicant will need to ensure security of import/export cargo, conveyances, premises, etc.

13.3 **Cargo Security**: In order to ensure Cargo Security following steps should be taken:

- (a) Only properly identified and authorised persons should have access to the cargo.
- (b) Integrity of cargo should be ensured by permanent monitoring or keeping in a safe, locked area.
- (c) 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.
- (d) The integrity of container seals should be checked and appropriate procedure should exist for the fixing of seals.
- (e) Only designated personnel should distribute container seals and safeguard their appropriate and legitimate use.
- (f) 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.
- (g) Appropriate procedures should be laid down on measures to be taken when an unauthorized access or tampering is discovered.
- (h) It should not be possible to deliver goods to an unsupervised area.
- (i) 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.
- (j) Internal control procedures should exist when discrepancies and/or irregularities are discovered.

13.4 **Procedural Security** In order to ensure procedural security following measures / steps should be taken.

- (i) 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.
- (ii) Proper documentation management procedure should be 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.

- (iii) 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.
- (iv) Procedure should be in place to ensure that:
 - (a) Import / Export 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, overages, and other significant discrepancies or anomalies must be resolved and/or investigated appropriately.

13.5 Conveyance Security: For conveyance security the applicant seeking authorisation under AEO must:

- a) ensure, to the extent possible that all conveyances used for the transportation of cargo within the supply chain are capable of being effectively secured.
- b) 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.
- c) require operators, to report actual or suspicious incident to designated security department staff of both the AEO Programme Team and Customs, as well as to maintain records of these reports, which should be available to Customs.
- (d) ensure that potential places of concealment of illegal goods on conveyances and ensure these are regularly inspected,
- (e) 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.
- (f) 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.
- (g) ensure that drivers must notify the dispatcher of any route delays due to weather, traffic and/or rerouting.
- (h) 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.

13.6 Premises Security: In order to ensure premises security following measures steps should be taken.

- a) Buildings must be secure against unlawful entry.

- b) External and internal windows, gates and fences must be secured with locking devices or alternative access monitoring or control measures.
- c) Management or security personnel must control the issuance of locks and keys.
- d) Adequate internal and external lighting must be provided especially for entrances and exits, cargo handling and storage areas, fence lines and parking areas.
- e) 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.
- f) Only properly identified and authorized persons, vehicles and goods may be permitted access.
- g) Access to document or cargo storage areas may be restricted.
- h) There should be appropriate security systems for theft and/or access control.
- i) Restricted areas should be clearly identified.
- j) integrity of structures and systems must be periodically inspected.
- k) Perimeter fencing should enclose the areas around cargo handling and storage facilities.
- l) Interior fencing within a cargo handling structure should be used to segregate domestic, international, high value and hazardous cargo.
- m) All fencing must be regularly inspected for integrity and damage.
- n) The number of gates should be kept to the minimum necessary for proper access and safety.
- o) Private passenger vehicles should be prohibited from parking in or adjacent to cargo handling and storage areas.

13.7 **Personnel Security:** In order to ensure personnel security following measures are required.

- (a) 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.
- (b) Periodic background checks must be conducted on employees working in security sensitive positions.
- (c) Employee identification procedures should require all employees to carry proper identification that uniquely identifies the employee and organisation.
- (d) 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.
- (e) Procedures must be in place to expeditiously remove identification and access to premises and information for employees whose employment is terminated.

13.8. Business Partner Security

- (i) 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.
- (ii) For those business partners having AEO certification, the applicant must get those business partners' copies of certification.
- (iii) For non-AEO partners, the applicant must get written confirmation of meeting AEO equivalent security criteria. Such business partners must have one of the following written documents demonstrating their compliance with security criteria:
 - (a) Contractual document
 - (b) A completed self-assessment security questionnaire from the applicant.
 - (c) A written statement from the business partner demonstrating their compliance with AEO security criteria.
 - (d) Senior business partner officer attesting to compliance.
 - (e) Documents from the business partners demonstrating their compliance with and equivalent and accredited security program administered by a foreign Customs authority.
- (iv) 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.

13.9 Security Training and Threat Awareness

- (i) 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.
- (ii) 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.

(iii) Educational methods of security training and keeping records of security training for the checks conducted by the Customs are established.

14. Pre-certification verification:

14.1. Once the application is accepted and validated by the AEO Programme Manager, within 15 days thereof it will be sent to an AEO Programme Team under intimation to the applicant, for carrying out a pre-certification audit.

14.2. The AEO Programme Team will visit the business premises and carry out checks to verify the information provided is accurate. Such visit shall be made on a convenient date after consulting the applicant.

14.3. If within 45 days of the date of letter of acceptance of the application, the applicant has not been contacted by the AEO Programme Team than the applicant should contact the AEO Programme Manager immediately.

14.4. The AEO Programme Team will examine the size and nature of business, the record keeping system, and strength of internal control system.

14.5. The applicant should be prepared to answer questions or provide additional information on all aspect of the application to the visiting AEO Programme Team.

14.6. Where appropriate, in addition to the other requirements detailed earlier, the AEO Programme Team will cover the following:

- (i) Information on Customs matters.
- (ii) Remedial action taken on previous Customs errors, if any.
- (iii) Accounting and logistic systems.
- (iv) Internal controls and procedures.
- (v) Flow of cargo.
- (vi) Use of Customs House Agents.
- (vii) Security of Computers/IT and documents.
- (viii) Financial solvency.
- (ix) Safety and security assessment – premises, cargo, personnel etc.
- (x) Logistic processes.
- (xi) Storage of goods.

14.7 The person who is nominated in the application form as point of contact must ordinarily be available unless unforeseeable situation arises. In addition, individuals responsible for specific business activities such as transport, record keeping and security should also be available.

14.8 In case several sites of applicant are run in a similar way by standard systems of record keeping and security etc. there will be no need for the AEO Programme Team to audit all of them. However, if the business of the applicant covers a range of activities or different sites have different method of operating, then it may be necessary for more visits to be made.

14.9 The duration of visit/verification would depend on the size of business, number of sites, how they operate etc. The AEO Programme Team will give the applicant an estimate of time required, though this may have to be amended once the audit has commenced.

14.10 On completion of verification, the AEO Programme Team will prepare their report and make a recommendation to the AEO Programme Manager. The contents of report and recommendation can be seen by applicant who will get the opportunity to sign the same, but this will not be a mandatory requirement.

14.11 Where the application is not accepted after the AEO verification, the applicant will be informed suitably within 60 days and advised of the criteria that have not been met and give the applicant time to adapt procedures to remedy the deficiency. If applicant is unable to make the

required changes within the specified time limits, the AEO Programme Manager will issue a decision to reject applicant's AEO application, explaining the reasons for rejection. This decision will be subject to the applicant's right of appeal.

14.12 In exceptional cases, the AEO audit verification may be stopped by consensus between the applicant and the AEO Programme Manager in order for the applicant to provide additional information or to permit minor problems to be addressed. The period of stoppage will normally not 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.

15. Certification:

15.1. The AEO Programme Manager will inform the applicant of the outcome of his application, which should ordinarily be done within 90 days of the date on acceptance of the completed application. The period during which the AEO verification is stopped does not count towards the 90 days limit within which the AEO Programme Manager must give the applicant a decision on his application.

15.2. If AEO status is granted, the AEO Programme Manager shall send the Certificate of AEO Status to the applicant in hard copy along with an electronic copy. The Certificate shall bear the 'AEO logo' that may be used where it is appropriate to do so for the business, for example, company stationary, signage on vehicles or other publicity materials. The copyright for the logo is owned by the AEO Programme Manager on behalf of the Indian Customs Administration.

15.3. Once the applicant has received the Certificate of AEO Status, it will be activated within 10 days from the date of issue. Following this period, the applicant should enter the certificate number on all Customs documentation to indicate their AEO Status.

15.4. It is highly recommended that the applicant should keep the Certificate of AEO status at a safe place and not release the Certificate number to anyone unless required to do so for business purposes. Although the AEO status can be advertised by the applicant, the Certificate number should not be part of their advertisement.

15.5. The validity of certificate of AEO status shall be for three years.

16. Maintaining AEO Status:

16.1. After obtaining AEO status, the AEO status holder should maintain their eligibility by adhering to the appropriate standards.

16.2. The holder of a Certificate of AEO Status is required to notify any significant change in business and processes this may affect the AEO status to the AEO Programme Team. These changes may include 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) Addition or deletion of locations or branches involved in international supply chain.

16.3. The AEO status holder should notify the AEO Programme Team as soon as the change is known or, at least within 14 days of the change taking place.

16.4. If the legal entity changes, the AEO status holder needs to reapply for AEO in the name of new legal entity.

16.5. If the AEO status holder makes Customs related errors, they must be reported to the local Customs officers as well as the AEO Programme Team. Errors that are voluntarily disclosed will not impact the AEO status provided that the AEO status holder has:

- (a) Examined the reasons for the errors.
- (b) Taken appropriate remedial action to prevent recurrence.

17. Review of AEO Status:

17.1. The AEO Programme Team will review AEO status periodically to ensure continued adherence to the conditions and standards of grant of Certificate of AEO Status. Thus, it is recommended that the AEO status holder should continue to re-assess its compliance with the conditions of certification and act upon any identified problems as soon as they arise. To begin with, the frequency of such review will be one year.

18. Suspension of AEO Status:

18.1 The AEO Programme Manager may suspend the Certificate of AEO Status in the following cases:

- (a) Where there is a reasonable belief that an act has been perpetrated that is liable to lead to prosecution and /or is linked to a serious infringement of Customs law.
- (b) Where non-compliance with the conditions or criteria for the Certificate of AEO Status is detected and no remedial steps have been taken within 30 days thereof.

18.2 Ordinarily, prior to any decision to suspend the authorization, the applicant will be contacted and asked to explain why such action should not be taken. Any decision taken in this regard will be subject to right of appeal of the applicant.

18.3 An AEO can also request the AEO Programme Manager that his authorization be suspended in case he has detected some irregularities and needs some time to correct the situation. In this case, if necessary, this time period can be extended provided that the AEO Programme Team is satisfied that the difficulties cannot be resolved within a reasonable time.

18.4 When the AEO Programme Team is satisfied that the problems affecting certification have been satisfactorily resolved, it will make suitable recommendation to the AEO Programme Manager who will withdraw the suspension under intimation to the AEO status holder and the AEO Programme Team.

18.5. On suspension of AEO authorization, the intimation of the same shall be communicated to all Customs formations with immediate effect by AEO Programme Team.

19. Revocation of AEO Status:

19.1. In following circumstances, the Certificate of AEO Status will be revoked:

- (a) Where the Certificate of AEO Status is already suspended and the AEO holder fails to take the remedial measure to have the suspension withdrawn.
- (b) Where the AEO status holder has committed serious infringement of Customs law and has no further right to appeal.

(c) Where the AEO status holder requests the authorization be revoked.

19.2. Prior to any decision to revoke authorization, the applicant will be contacted. Any decision taken in this regard will be subject to right of appeal of applicant. Revocation is applied from the day following the authorization holder being notified.

19.3. In case the authorization is revoked, the applicant will not be entitled to reapply for another certificate for a period of three years from the date of revocation.

20. **Right to Appeal:**

20.1. In case the Certificate of AEO Status is suspended / revoked, the AEO status holder can, within thirty days of the decision, file an appeal before the Director General of Inspection, New Delhi for review of the said order. The Director General of Inspection, after considering the case of the applicant, shall dispose of the appeal within a period of thirty days.

Annexure – A

APPLICATION FORM FOR GRANT OF AEO STATUS

Name of Company / Economic Operator:	
Type of business : (i.e. importer / exporter / carriers etc.)	
Address: (A separate list can be attached for all locations)	
Contact person:*	
Designation:	
Phone number:	
Mobile No.:	
Fax No.:	
Email address:	
Company registration No.: (in case of companies registered under the Companies Act, 1956 and / or Limited Liability Partnership Act, 2008)	
PAN:	
List of sites, under control, where import / export goods are packed / unpacked / handled / loaded / unloaded / consolidated. Please include site address, phone number and contact person. (A separate list can be attached)	

Major Items of import:	
Main countries of import	
Major Items of export:	
Main countries of export:	

Signature:

Full Name:

Position in Company:

Dated:

* Contact person will be a senior management official who will be nodal contact point and responsible to the Customs for proper implementation of the AEO Programme.

Annexure - B

SECURITY PLAN

The economic operator wishing to participate in the AEO Programme shall submit to Customs a security plan documenting the policies, processes and procedures that it has in place to ensure that goods for export/import are packed at a secure premise/facility, accurately accounted for and transported securely to the point of export/import from the point of origin.

The security plan must detail the company's written and verifiable policies, processes, procedures etc., in respect of the following:

- Procedural security.
- Document security.
- Physical security.
- Access controls.
- Personnel security.
- Training and skill upgradation.
- Compliance with other Government security related requirements, if any.

Annexure - C

PROCESS MAP

Process map which illustrates the flow of goods and documentation/information from receipt of order to the point of export/delivery/receipt of the product.

Annexure - D

SITE PLAN

The site plan should cover the whole area managed by the company, clearly illustrating the following (if present):

- The external perimeter of the area, including features such as boundary roads, railway lines, streams/rivers, neighbouring properties.
- All access points to the site (e.g. vehicle, rail and pedestrian entrances) with traffic flows.
- All buildings identified with access ways (e.g. administration office, export/import storage areas, export/import packing areas, export container movement).

- Internal and/or external lighting facilities that contribute to security.
- Other security features (e.g. CCTV, electronic access gates).
- Visitor, contractor and company personnel parking areas.
- Perimeter fences with description (e.g. 2-metre high security fence).
- Areas used for container storage.

Annexure – E

SELF-ASSESSMENT FORM

(A) Legal Compliance

1	Compliance	Yes	No	Remarks
(a)	Whether any violation in respect of any provisions of Customs, Central Excise and Service Tax laws as well as allied laws that are administered by the Department has been committed in last three years preceding the date of application? If yes, please indicate the type of violation and action taken against the applicant in ' Remarks ' column.			
(b)	Whether any penalty has been imposed for violation of provisions of Customs, Central Excise and Service Tax laws?			
(c)	Whether procedures are in place to identify and disclose any irregularities or errors to the Customs authorities or, where appropriate, other regulatory bodies? and			
(d)	Whether appropriate remedial action is taken when irregularities or errors are identified?			

Note: The Self-Assessment can be carried out by the applicant themselves or through a third party having expertise.

(B) Financial Solvency

2	Issues	Yes	No	Remarks
(a)	Whether the applicant is financially solvent for			

	the three years preceding the date of application? (Solvency would generally be defined as good financial standing that is sufficient to fulfill the commitments of the applicant including ability to pay duties)			
(b)	Whether, where required, the accounts have been filed with Registrar of Companies within the time limits laid down by law?			
(c)	Whether, where applicable, audit qualifications or comments in the annual accounts about the continuation of the business as a going concern?			
(d)	Whether there are any contingent liabilities or provisions?			
(e)	Whether the net current assets are positive?			

(C) Cargo Security

3.1	Cargo Security:	Yes	No	Remarks
(a)	Whether only properly identified and authorised persons have access to the cargo?			
(b)	Whether integrity of cargo has been ensured by permanent monitoring or keeping in a safe, locked area?			
(c)	Whether all seals meet the current PAS / ISO 17712 standards for high security seals?			
(d)	Whether the integrity of container seals has been checked and appropriate procedure exists for the fixing of seals?			
(e)	Whether only designated personnel distribute container seals and safeguard their appropriate and legitimate use?			
(f)	Whether when appropriate to the type of cargo container used, a seven-point inspection process is in place i.e. Front wall, Left side, Right side, Floor, Ceiling/Roof, Inside/outside doors, Outside /undercarriage?			
(g)	Whether appropriate procedures have been laid down on measures to be taken when an unauthorized access or tampering is discovered?			
(h)	Whether it is possible to deliver goods to an unsupervised area?			
(i)	Whether goods have been uniformly marked or stored in designated areas and procedures exist to weigh / tally them and compare them against transport documents, purchase/sales orders and Customs papers?			

(j)	Whether internal control procedures exist when discrepancies and/or irregularities are discovered?			

(D) Procedural Security

3.2	<u>Procedural Security</u>	Yes	No	Remarks
(a)	Whether the 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.			
(b)	Whether proper documentation management procedure are 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.			
©	Whether procedures are 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.			
(d)	<p>Whether procedures are in place to ensure that</p> <p>(a) Import / Export cargo are reconciled against the information on the bill of lading.</p> <p>(b) The weights, labels, marks and piece count of the import/export cargo are accurately indicated.</p> <p>(c) Import/export cargo are verified against purchase / delivery orders.</p> <p>(d) Drivers delivering or receiving cargo are positively identified before cargo is received or released.</p>			
(e)	Whether all shortages, overages, and other significant discrepancies or anomalies must be resolved and/or investigated appropriately.			

(E) Conveyance Security

3.3	<u>Conveyance Security</u>	Yes	No	Remarks
(a)	Whether all conveyances used for the transportation of cargo within the supply chain are capable of being effectively secured?			
(b)	Whether 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?			
(c)	Whether there is a system for operators to report actual or suspicious incident to designated security department staff of both the AEO Programme Team and Customs as well as to maintain records of these reports which should be made available to Customs?			
(d)	Whether potential places of concealment of illegal goods on conveyances are regularly inspected, all internal and external compartments and panels, as appropriate and secured?			
(e)	Whether predetermined routes are identified by the dispatcher, and procedures of random route checks along with documenting and verifying the length of time between the loading point/trailer pickup and the delivery destinations is in place?			
(f)	Whether system of maintaining conveyance and trailer integrity is in place by utilizing a tracking and monitoring activity log or records?			

(F) Premises Security

3.4	Premises Security:	Yes	No	Remarks
(a)	Whether building is secured against unlawful entry?			
(b)	Whether external and internal windows, gates and fences are secured with locking devices or alternative access monitoring or control measures?			
(c)	Whether management or security personnel control the issuance of locks and keys?			
(d)	Whether adequate internal and external lighting has been provided especially for entrances and exits, cargo handling and storage areas, fence lines and parking areas?			
(e)	Whether gates through which vehicles and/or personnel enter/exit have been manned, monitored or otherwise controlled?			
(f)	Whether vehicles accessing restricted areas are parked in approved area and their license plate numbers furnished to Customs upon request?			
(g)	Whether only properly identified and authorized persons, vehicles and goods are permitted access?			

(h)	Whether access to document or cargo storage areas is restricted?			
(i)	Whether there are appropriate security systems for theft and/or access control?			
(j)	Whether restricted areas have been clearly identified?			
(k)	Whether the integrity of structures and systems is periodically inspected?			
(l)	Whether perimeter fencing exists for enclosing the areas around cargo handling and storage facilities?			
(m)	Whether interior fencing exists within a cargo handling structure to segregate domestic, international, high value and hazardous cargo.			
(n)	Whether all fencing has been regularly inspected for integrity and damage?			
(o)	Whether the number of gates is kept to the minimum necessary for proper access and safety?			
(p)	Whether private passenger vehicles are prohibited from parking in or adjacent to cargo handling and storage areas?			

(G) Personnel Security

3.5	Personnel security:	Yes	No	Remarks
(a)	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?			
(b)	Whether periodic background checks are conducted on employees working in security sensitive positions?			
(c)	Whether employee identification procedures require all employees to carry proper identification that uniquely identifies the employee and organisation?			
(d)	Whether procedures to identify, record and deal with unauthorized or unidentified persons, such as photo identification and sign-in registers for visitors etc. have been ensured at all points of entry?			
(e)	Whether procedure to expeditiously remove identification and access to premises and information for employees whose			

	employment is terminated is in place?			
3.5	Whether a system exists to encourage other concerned business entities/trading partners to assess and enhance supply chain security?			
3.7	Whether the applicant is able to produce documentation showing the safety and security measures and controls put in place for verification by the AEO Programme Team?			
3.8	Whether a self assessment has been carried out by a person with extensive knowledge of the risks and threats applicable to his type of business?			

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(H) Business Partner Security

3.6	Business Partner Security	Yes	No	Remarks
(a)	Whether applicant 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.?			
(b)	Whether applicant has business partners' copies of certification for those business partners eligible for AEO certification?.			
©	<p>Whether for business partners without AEO certificate, <u>one of the following written documents</u> demonstrating their compliance with security criteria has been obtained ?</p> <p>(i) Contractual document</p> <p>(ii) A completed self-assessment security questionnaire from the applicant.</p> <p>(iii) A written statement from the business partner demonstrating their</p>			

	<p>compliance with AEOS security criteria.</p> <p>(iv) Senior business partner officer attesting to compliance.</p> <p>(v) Documents from the business partners demonstrating their compliance with and equivalent and accredited security program administered by a foreign Customs authority.</p>			
(d)	<p>Whether the system for periodic reviews of business partner's processes and facilities based on risk is in place?</p>			

(I) Security Training and Threat Awareness

3.8	Security Training and Threat Awareness	Yes	No	Remarks
(a)	Whether a threat awareness program must be established and maintained for employees to foster awareness of the threat at each point in the supply chain?.			
(b)	Whether employees are aware of the procedures the company has in place to address a situation and how to report it?.			
©	Whether specific training are offered to assist employees in maintaining cargo integrity, recognizing internal conspiracies and protecting access controls.			
(d)	<p>Whether supply chain security training of employees must include the following items?</p> <ol style="list-style-type: none"> 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.			
(e)	Whether educational methods of security training and keeping records of security training for the checks conducted by the Customs are established?			

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