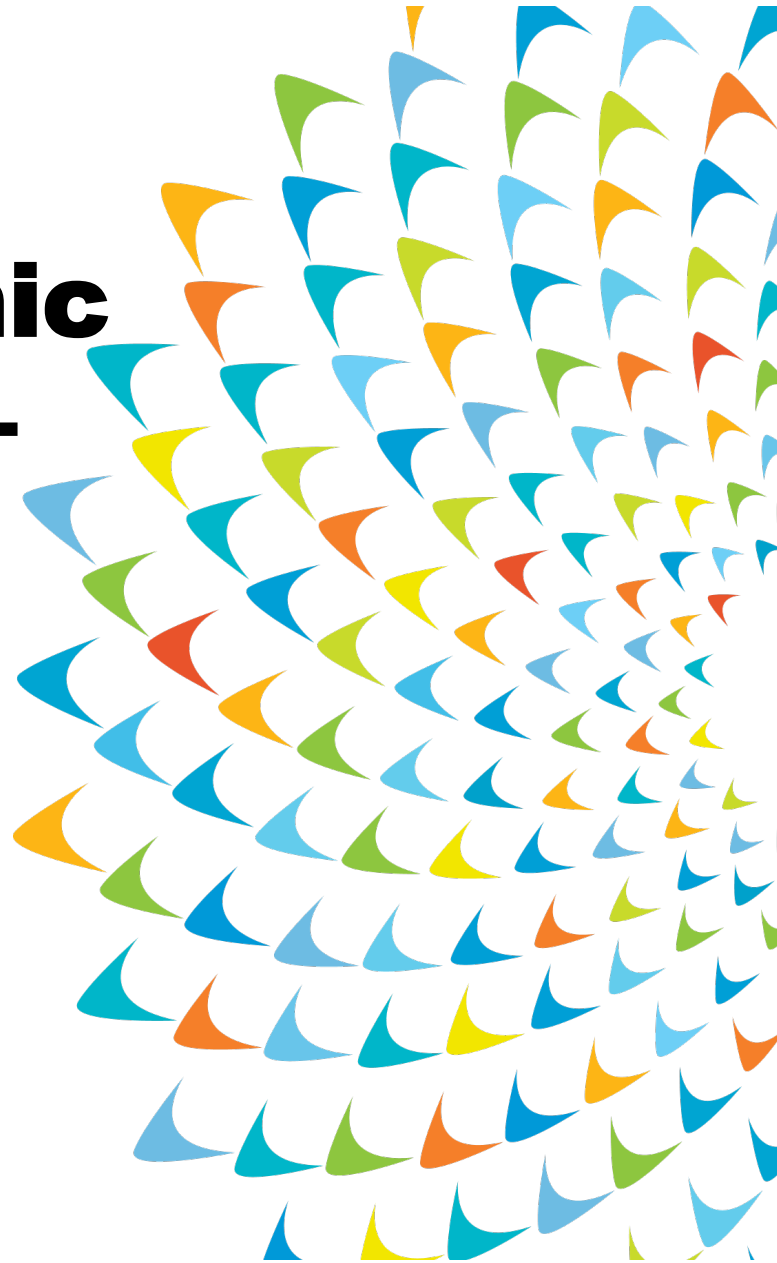




Authorized Economic Operator Systems – SASEC Perspective

AUTHORISED
ECONOMIC
OPERATOR





International Trade Land scape



Increasing Trade Volume and Complexity



New Business Models and Supply Chain needs



Demand for higher Facilitation



Increasing Security Threats and Frauds



New approach to Border Management



Growing share of intra-corporate trade



What is AEO



A status granted by Customs to reliable/trusted traders who comply with pre-determined criteria offering a high degree of -

- Trade compliance and/or
- Supply chain Security

in respect of their role in the supply chain.

The status may entitle them to a higher level of facilitation



AEO Strategic Objectives

- Effective risk management – at entity level
- Improving trade facilitation
- Improving supply chain security
- Optimizing revenue collection
- Promoting voluntary compliance
- Effective across the supply chain (trans-national)





AEO Program – coverage

- Importers, exporters, manufacturers,
- Customs brokers, forwarding agents
- Carriers, consolidators,
- Ports, airports, terminal operators,
- Warehouse keepers



Across the supply chain





AEO – A global Instrument



The SAFE Framework of Standards to Secure and Facilitate Global Trade -

Promotes cooperation between customs and the business community through the authorized economic operator concept

- Article 7.7 of WTO TFA – *Each Member shall provide additional trade facilitation measures related to import, export, or transit formalities and procedures, to operators who meet specified criteria, hereinafter called authorized operators*





Status of AEO programs in SASEC

Country	Status
Bangladesh	Legal framework put in place; 3 companies accredited as AEOs on pilot basis
Bhutan	A Compliance traders program initiated on pilot basis for three importers
India	An initial Trusted trader program (2005) and AEO program (2012) merged into a comprehensive multi-tiered program (2016)
Maldives	In 2015, a Customs Accredited Client program was conceived; AEO program not yet introduced
Myanmar	Action Plan formulated to implement AEO program; Pilot stage
Nepal	Provision related to Trusted Trader and Authorised Operator Programs in new draft Customs act, which has been submitted to Cabinet
Sri Lanka	A Green Channel Program (46 companies) and a documentation fast track program (240 companies) under operation; AEO program not yet introduced



Evolution of AEO Program - India

- India introduced
 - Accredited Clients Programme in 2005, and
 - Authorised Economic Operator Programme in 2012.
- The AEO and ACP programs merged into a full fledged AEO program based on SAFE FoS in 2016
 - a three tier AEO Status for Exporters and Importers and one dedicated tier AEO LO for all logistics operators.

Expansion in Mission Mode

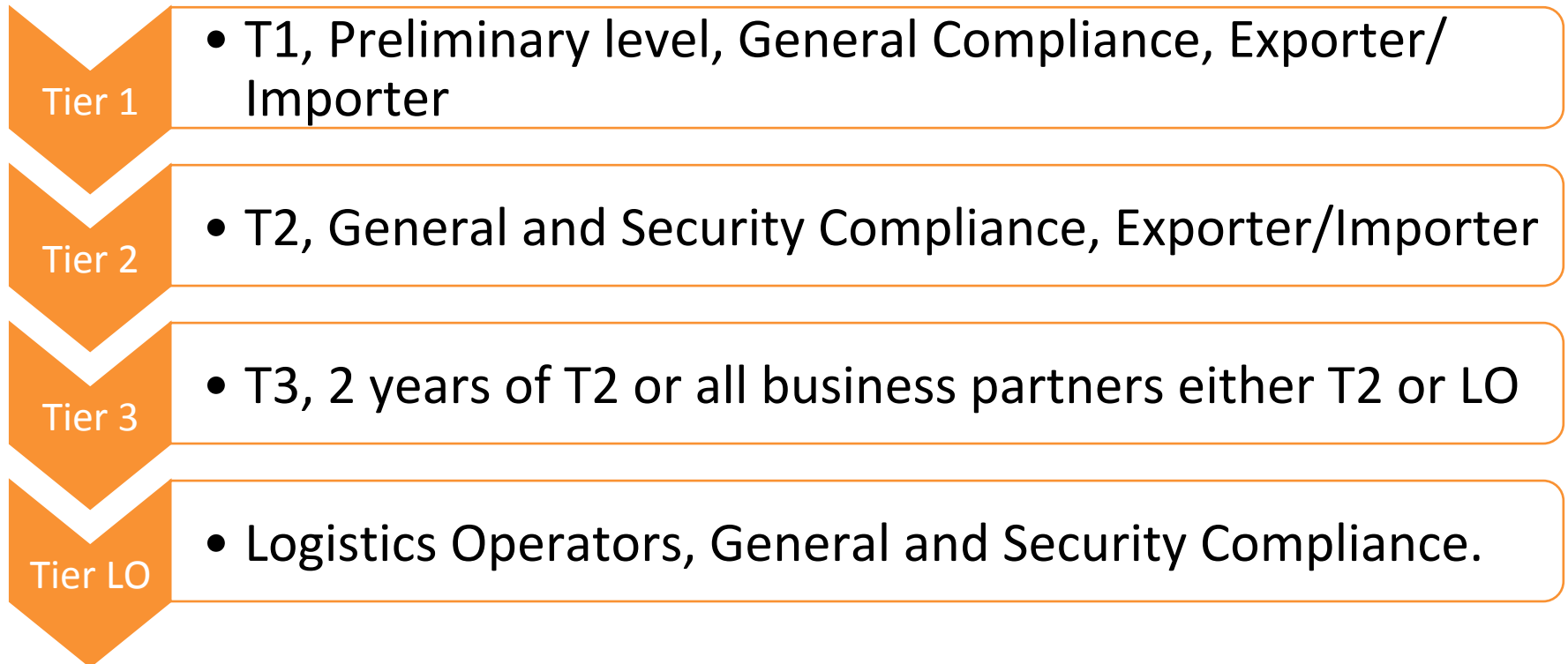
- Vision to rapidly expand the number of AEOs
- Comprehensive Outreach
- Client Relationship Managers
- Decentralized approach
- Customized benefits





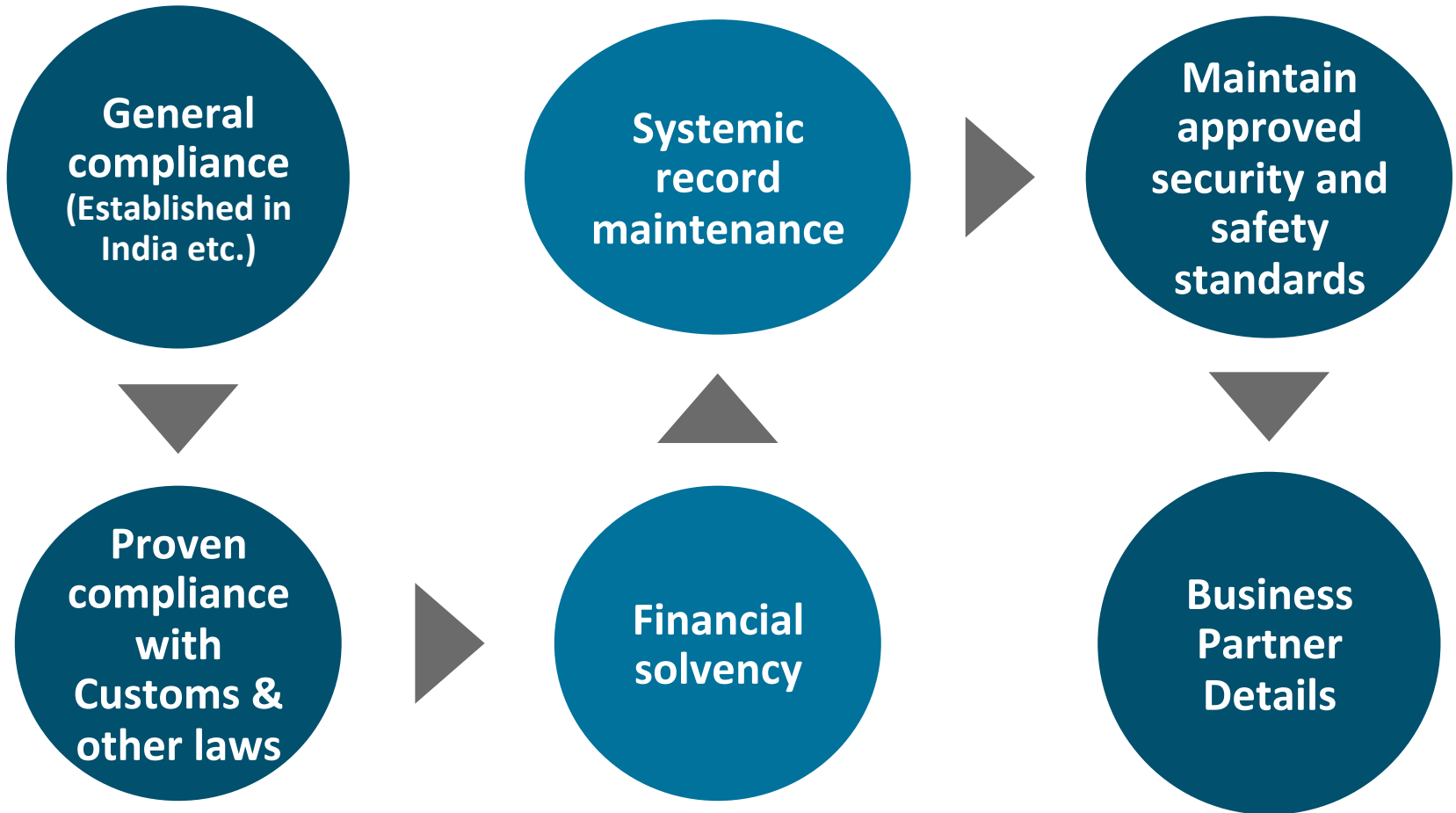
Salient Features

Multi Tiered Structure





Eligibility criteria for a business entity





AEO-Eligibility criteria

- to suit the needs of a developing economy

- Any entity in international supply chain– no restrictions
- Anyone handling 25 documents per annum - low threshold
- AEO status for the legal entity and not site/branch/division specific
- Coverage of Medium, Small and Micros Enterprises (MSME) - no size/business profile restrictions
- Simplified Legal Compliance...only Fraud/forgery/suppression of facts/outright smuggling restrict eligibility.





Salient Features

Decentralized Processing

- Enhanced outreach through 13 Customs Zones all over the Country.
- Sector specific focus (Pharma, textiles, auto manufacturers etc.) for effective enrolment
- CRM (Client Relationship Manager) in each zone dedicated for AEOs.
- Data support based on import/export pattern and volume of trade.

Procedural Simplification

- Guidance note issued for ensuring processing/procedural uniformity.
- Legal and Solvency compliance standards eased and streamlined.
- **Coordination with PGAs (Partner Government Agencies)** - Discussions going on with other regulatory agencies to grant specific benefits for AEOs.



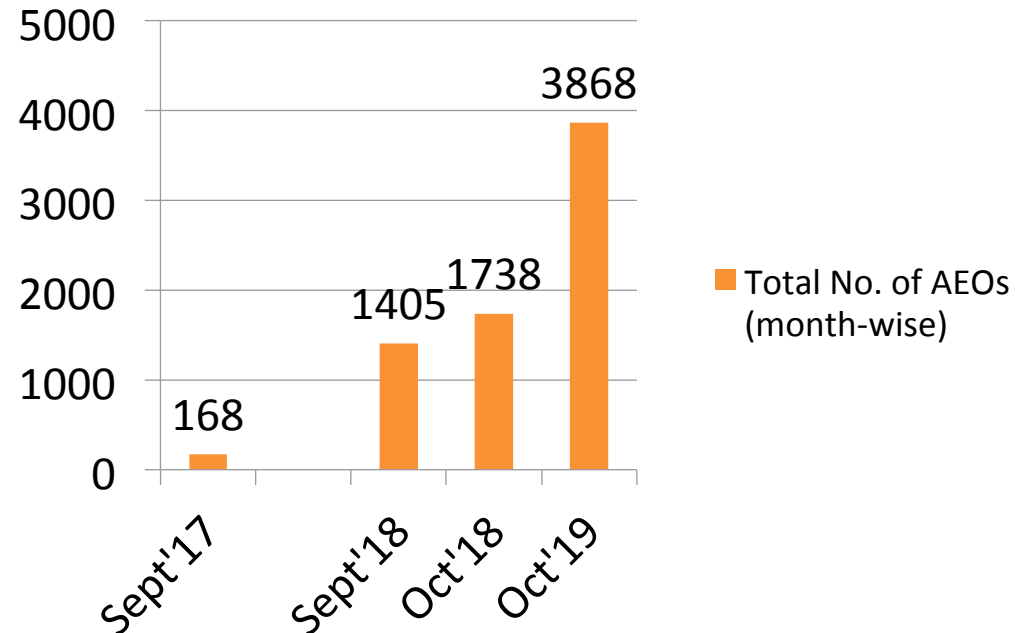
AEO - CURRENT STATUS

(as on 15-10-2019)

AEO T1	2703
AEO T2	459
AEO T3	6
AEO LO	700
Total	3868

Growth

Total No. of AEOs





Customized Benefits

Higher facilitation as compared to non-AEO entity	Impact
Direct port delivery/entry	<ul style="list-style-type: none">• Cost saving to the tune of 35% found
Reduced Bank Guarantees	<ul style="list-style-type: none">• 50% for T1, 25% for T2 and nil for T3; cost effective provisional clearances
Deferred payment of Duty (excluding T1)	<ul style="list-style-type: none">• Cost saving and separation of release, assists in nil cargo hold time on this ground
ID cards/Earmarking of space in warehouses	<ul style="list-style-type: none">• Privileged treatment & access, no moving around for space, ease of business
Refund and Drawback	<ul style="list-style-type: none">• Special focus through dedicated staff & priority processing
Self Declaration for licensing authority	<ul style="list-style-type: none">• Easier discharge of export obligation.





Major Benefits for other AEOs

Logistic Service Providers	<ul style="list-style-type: none">• Waiver of Bank Guarantee for transshipment• Facility of running Bond• Exemption from case to case permissions
Custodian and Terminal Operators	<ul style="list-style-type: none">• Waiver of Bank Guarantee• Extended period of approval of Custodianship period for 10 years
Custom Brokers	<ul style="list-style-type: none">• Waiver of Guarantee/fees• Extended period of Validity of license
Warehouse Operators	<ul style="list-style-type: none">• Faster approval for new warehouses• Waiver from antecedent verification/ solvency certificate/ security for extension of warehousing / security for sensitive goods



Lessons Learnt in SASEC - AEO design

AEO Strategy

- Trade compliance and/or Supply chain security
- Which players?
- Phasing

AEO program design

- Criteria
- Benefits

Process design

- Accreditation,
- Monitoring & evaluation
- Risk assessment methodology

Organizational

- Taskforce
- Central/regional
- Capacity building



Lessons Learnt – Implementation

Design phase

- Draft AEO program
- Internal approval procedure

Implementation phase

- Pilot preparation
- Pilot selections
- Pilot phasing
- Evaluation

Launch of the AEO program

- Regular accreditation process
- Outreach

MRA negotiations

- Partner selection
- Mutual validations
- Finalizing Agreements...





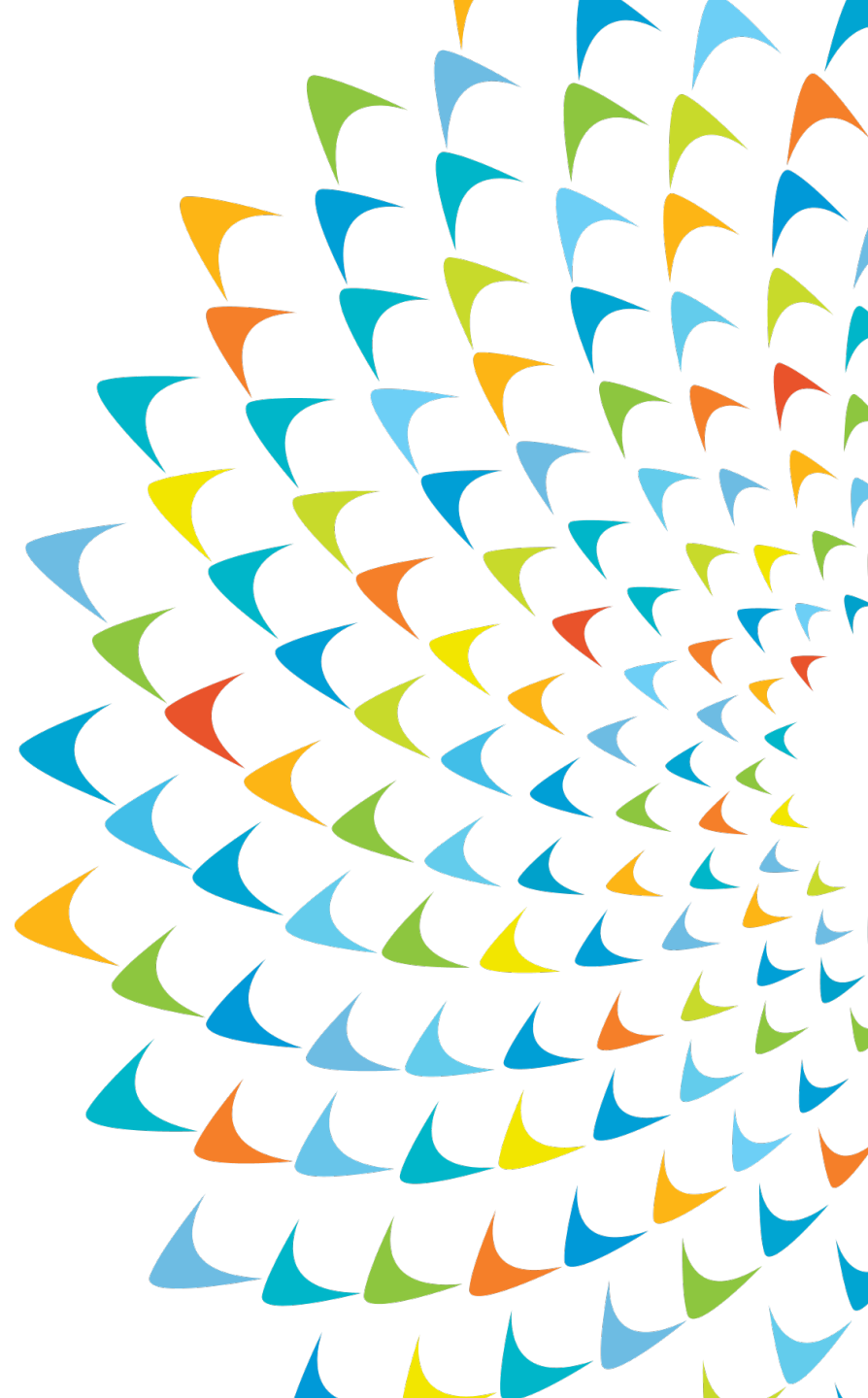
Lessons Learnt.. Road ahead

- In countries with a large MSME sector and varied socio-economic development, a **multi-tiered scheme** is preferred over a monolithic scheme.
 - A preparatory level (AEO T1) encourages the MSME sector to enroll in the program and prepare themselves for improved compliance.
- **Providing customized and relevant benefits** is a key factor for success
- As AEO programme is a voluntary compliance programme, for better advocacy and reach, **decentralization in its processing/enrollment procedure** is important.
- **Continuous awareness-raising**; making trade aware that AEO accreditation acts as a mark of status and quality.
- **Entering into MRA** with important trading partners validates the security of the overall supply chain, leading to growth in secured trade. Will boost exports.



SASEC
South Asia Subregional Economic Cooperation

Thank you.





Dimensions of AEO Security



Procedural Security

Premises Security

Cargo Security

Conveyance Security

Personnel Security

Business Partner Security

Security Training and Threat Awareness





Benefits associated with AEO Tier TI

- High facilitation
- Direct Port deliveries for import and export
- Bank Guarantees reduced by 50%
- Expedited investigation and dispute resolution
- On request 24 x 7 service at all ports and airports
- System based PCA once two years
- ID cards/ Space in customs stations
- E mail alerts on arrival/departure of vessels etc.



Benefits associated with AEO Tier T2

- All facilities of Tier I **PLUS**
- Higher facilitation
- Deferred duty payment
- Appointment of Client Relation Manager
- Waiver of seal verification
- Priority in scanning/assessment
- 25% of normal Bank Guarantee
- Permission to affix MRP stickers in own premises
- Refund/rebate in 45 days
- Faster drawback settlement
- Self-sealing of exports
- PCA once in 3 years



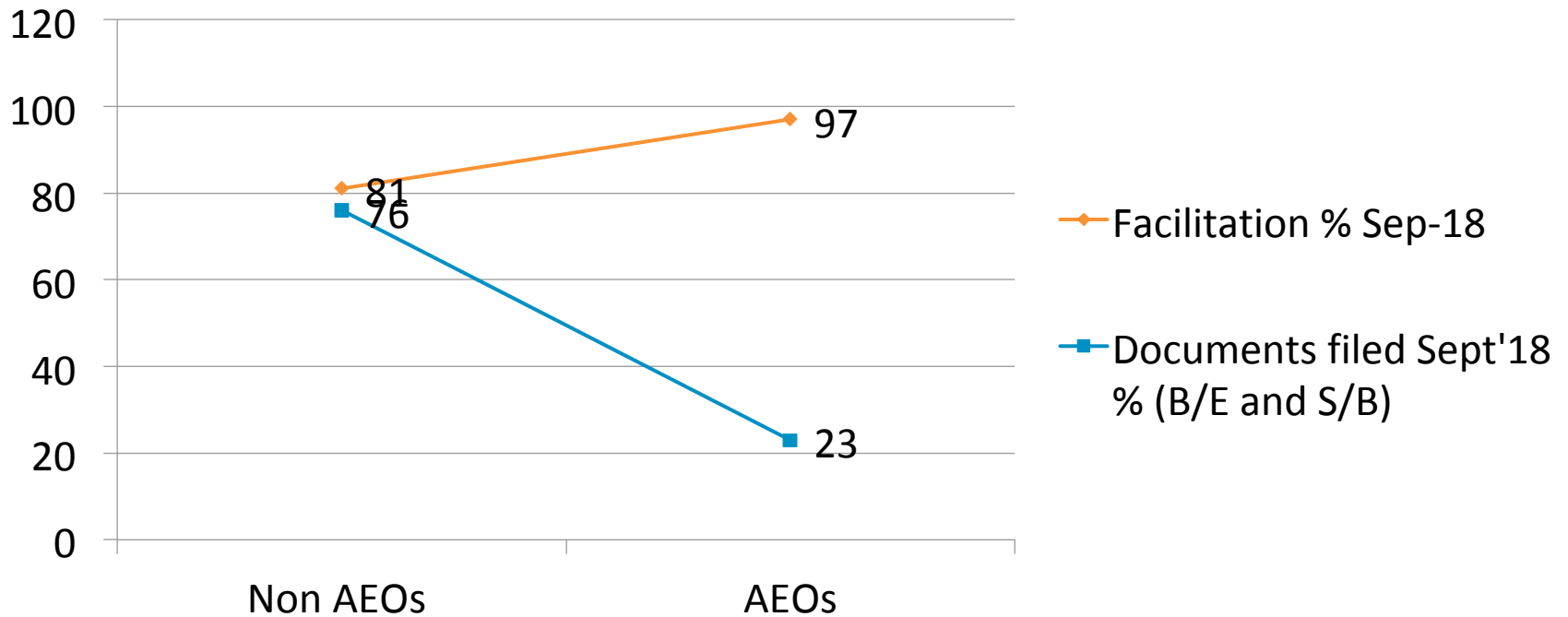


Benefits associated with AEO Tier T3

- All facilities of Tier II **PLUS**
- Highest facilitation
- Scanning only on intelligence
- Reliance on self certified copies
- No Bank Guarantees
- Risk based intervention by other departments
- Refund/rebate in 30 days
- Participation in MRAs



Facilitation comparison for AEOs





Cost - DPD Vs Non DPD container

