

**[BOC CUSTOMS MEMORANDUM ORDER NO. 14-
2013, December 03, 2013]**

**ESTABLISHING RULES AND REGULATIONS FOR THE
AUTHORIZED ECONOMIC OPERATOR (AEO) PROGRAM**

Pursuant to Customs Administrative Order, (CAO), 1-2012, and Section 608 of the Tariff and Customs Code of the Philippines, as amended (TCCP), the following rules and regulations relative to the AEO Program are hereby promulgated:

1.0 OBJECTIVES

- 1.1 To comply with the commitment of the Philippines to implement the World Customs Organization (WCO) Framework of Standards to Secure and Facilitate Global Trade (SAFE Framework, for brevity).
- 1.2 To establish a voluntary certification program to be known as the AEO Program, consistent and aligned with the WCO's AEO Program which shall be administered by the Bureau of Customs (BOC) to help certain economic operators in the international supply chain adopt acceptable control measures to enhance the security of such chain.
- 1.3 To enhance BOC-Business partnership on trade security and trade facilitation based on trust and mutual respect.
- 1.4 To establish accreditation procedures that offer certain benefits and incentives to economic operators considered as BOC's trusted allies.

2.0 SCOPE AND PHASE OF IMPLEMENTATION

- 2.1 This Order shall initially apply to exporters/locators inside the Clark Freeport Zone that are within the jurisdiction of the Port of Clark.

Subsequently, and upon the directive of the Customs Commissioner, this Order shall cover AEO applicants in other selected air/sea ports.

3.0 GENERAL PROVISIONS

- 3.1 The AEO Program shall be administered by the Port concerned but directly supervised by a Committee headed by the Deputy Commissioner for Assessment and Operations Coordinating Group (AOCG). The Committee shall be in charge of the following:
 - 3.1.1 Accreditation of AEOs;
 - 3.1.2 Gather and evaluate relevant data for the implementation of the AEO Program in the Philippines;
 - 3.1.3 Conduct consultations with the private sector/stakeholders;

- 3.1.4 Establish and enhance benefits and incentives of the AEO Program;
- 3.1.5 Review, revise and draft rules and regulations for the AEO Program;
- 3.1.6 Perform such other functions necessary for the implementation of the AEO Program.

The Committee shall be composed of Officials designated by the Commissioner of Customs. The District Collector of the Port having jurisdiction of the AEO applicant however, shall sit as an ex-officio member of the Committee.

3.2 Minimum Standards for a company to apply for AEO Program Accreditation shall include, but not be limited to, the following:

- 3.2.1 At least One Hundred Million Pesos (Php100M) in Authorized Capital Stock, (ACS), or its equivalent in US Dollars;
- 3.2.2 No pending cases involving the applicant in matters such as intracorporate disputes, tax and customs issues and other cases analogous to the foregoing; and,
- 3.2.3 A positive Debt-to-Equity ratio.

3.3 Application for the AEO Program must include the following:

- 3.3.1 Duly filled up Application Form (Annex A), and Self-Assessment Questionnaire (Annex B), both of which shall be under oath.
- 3.3.2 Payment of the Application and Security Assessment Fees. (These fees shall cover the administrative costs for the implementation of the AEO Program).
- 3.3.3 Supporting documents which include:

- 3.3.3.1 Mayor's Permit and/or Certificate of Registration if applicant is a Freeport/Ecozone locator;
- 3.3.3.2 SEC/Board of Investments, (BOI), Certificate of Registration;
- 3.3.3.3 General Information Sheet, (GIS);
- 3.3.3.4 Income Tax Return, (ITR), for the last three (3) fiscal years, when applicable;
- 3.3.3.5 Audited Financial Statements, (AFS), for the last three (3) fiscal years, when applicable; and,
- 3.3.3.6 Other documents as may be required by the BOC.
- 3.3.3.7 The application and its supporting documents shall be submitted in triplicate and in Certified True Copy form.

- 3.3.4 Upon submission of the requirements, mandatory interview(s) and/or conference(s) shall be held by the Committee as part of the evaluation and accreditation process.

3.4 The Security Management System summary must contain the

following information:

- 3.4.1 The company's security policy, security objectives and commitment to security;
 - 3.4.2 The procedures for ensuring that pertinent security management information is communicated to and from relevant employees and other stakeholders;
 - 3.4.3 The procedures for the review of the company's security profile at planned intervals, to ensure its continuing suitability, adequacy and effectiveness; and
 - 3.4.4 Any other relevant information.
- 3.5 The Risk Assessment summary must contain the following information:
- 3.5.1 A flow chart to illustrate the company's risk assessment process;
 - 3.5.2 The risks and vulnerabilities identified from the company's risk assessment process;
 - 3.5.3 The countermeasures put in place to reduce the identified risks and vulnerabilities;
 - 3.5.4 When the risk assessment was conducted;
 - 3.5.5 Who conducted the risk assessment; and,
 - 3.5.6 Any other relevant information.
 - 3.5.7 Newly accredited AEO's shall submit a Risk Assessment summary on an annual basis within 30 days from the anniversary of its accreditation.
- 3.6 The security measures under this Order comprise eight (8) elements that a company must address:
- 3.6.1 Premise security and access controls;
 - 3.6.2 Personnel security;
 - 3.6.3 Business partner security;
 - 3.6.4 Cargo security;
 - 3.6.5 Conveyance security;
 - 3.6.6 Information and Information Technology, (IT), security;
 - 3.6.7 Incident management and investigations; and,
 - 3.6.8 Crisis management and incident recovery.
- 3.7 AEO Accreditation shall be valid for two (2) years, commencing from the date of issuance as indicated in the Certificate of AEO Accreditation;
- 3.8 An AEO shall enjoy the benefits granted under this Order provided the AEO does not violate the terms of its accreditation or other existing customs rules and/or regulations;

3.9 An AEO whose accreditation has expired may file an application for renewal at least thirty (30) days prior to the date of expiration as indicated in its Certificate. For purposes of this Order, a renewal of Accreditation filed after the date of expiration shall be considered as a new application.

3.10 An AEO application for renewal shall include the following:

3.10.1 A duly notarized Omnibus Statement, (Annex C), certifying that "No Material Changes" in the AEO's corporate structure and security measure occurred, if applicable;

3.10.2 A duly notarized statement to the effect that the company undertakes to abide by the commitments made in its original AEO Accreditation;

3.10.3 Updated requirements set forth in Section 3.3.3 above.

3.10.4 The documents under 3.10.1 and 3.10.2 shall be executed by a duly authorized corporate officer as evidenced by a Secretary's Certificate.

3.11 Aside from the consequent benefits resulting from the implementation of robust security measures in the forms of increased visibility of goods in the supply chain, reduction in pilferages and greater efficiency in their supply chain management, companies accredited under the AEO Program shall be recognized as trusted allies by the BOC and shall be entitled to the following:

3.11.1 Dedicated processing lanes for AEO resulting in reduced processing periods;

3.11.2 Accreditation shall be effective for two (2) years;

3.11.3 Last priority on post-entry audit;

3.11.4 Recognition as a "low-risk" company;

3.11.5 Reduced inspection or expedited clearance by other Customs authorities should certified status be also recognized by other countries under Mutual Recognition Agreement established by bilateral or multilateral arrangement(s); and,

3.11.6 Such other trade facilitation benefits that may be afforded by BOC under existing laws and regulations.

3.12 In addition to the terms and conditions stated in the Application Form, an AEO shall have the following responsibilities:

3.12.1 To update BOC when there are significant changes in the company's security profile as well as if there is material information required for disclosure under Sections 3.4 to 3.6 hereof;

3.12.2 To submit a Statement of Commitment, (Annex D),

3.12.3 To inform BOC of any non-conformities by the company with this Order or any subsequent revisions hereof;

3.12.4 The AEO shall also inform the BOC of any material changes, such as but not limited to, corporate structure, ownership and