

AEO Mutual Recognition

Strategy Guide

World Customs Organization

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I. General Information

Introduction

The Authorized Economic Operator (AEO) is a partnership programme that many Customs administrations are pursuing as a means to both secure and facilitate global trade, by providing incentives to both Customs and traders that have decided to work in partnership to improve supply chain security. The World Customs Organization (WCO) SAFE Framework of Standards to Secure and Facilitate Global Trade (SAFE FoS)¹ is a document that provides overall guidance for this purpose. One of the key goals for Customs administrations is to establish Mutual Recognition Arrangements/Agreements (MRA) of their AEOs. MRAs provide a platform for AEO programmes to provide additional benefits to their members through international recognition with partner countries.

This document is designed to provide streamlined guidance for the efficient and effective implementation of the MRA process. The document is also meant to supplement already existing WCO tools and instruments such as the Revised Kyoto Convention (RKC) and the SAFE package (Customs Guidelines on Integrated Supply Chain Management, AEO Implementation Guidance, AEO Compendium, Model AEO Appeal Procedures, AEO Benefits, Trade Recovery Guidelines, the Authorized Economic Operator and the Small and Medium Enterprise (FAQ), and Mutual Recognition Arrangement/Agreement Guidelines).

Mutual Recognition

Mutual Recognition (MR) is a broad concept embodied within SAFE, whereby two countries close an agreement or arrangement to mutually recognize AEO authorizations that has been properly granted by one Customs administration. Under SAFE, Customs Administrations are encouraged to develop partnerships with business and between each other to secure and facilitate trade. Further, it calls upon Customs Administrations to work together to develop processes for MR of AEO validations and authorizations, Customs security control standards and control results to eliminate or reduce duplication of effort.

Current Status

There are several MRAs in the global AEO universe which have been concluded and several others being negotiated. Based on SAFE, each Administration develops its own approach to MR. While based on WCO tools and instruments, the MRA process can and does vary from Administration to Administration. The collective experience of several Members provides a set of examples, guidance, lessons learned, best practices, futuristic concepts and points of contact for Administrations that may not have any experience in MRAs or in processes established to place them on the path to successful negotiation and achievement of MRAs.

¹ http://www.wcoomd.org/en/topics/facilitation/instrument-and-tools/tools/safe_package-for-new-site.aspx

II. Mutual Recognition Arrangements/Agreements Guiding Principles

It is important to ensure that the guidance within this document is based on a foundation of common interests and thus the following fundamental principles that support the guidance being presented are:

- **Reciprocity** so that AEOs are recognized by the other customs administration and are entitled to receive reciprocal benefits.
- **Technology** should be utilized to support, maintain and implement AEO programmes and their MRA relationships. National AEO programmes should be managed through information technology systems for the secure exchange and storage of information pertaining to AEO Programmes. Systems should have the ability to disseminate pertinent information to Members in a timely and efficient manner. Systems should be designed with the capability to electronically exchange data under an MRA in order to be informed of AEOs' status and provide them with facilitation benefits.
- **Transparency** for the trade members should be promoted by national AEO programmes in order to maximize the value of partnership. Trade members should be regularly consulted to provide constructive input on ways to continually improve national AEO programmes and their relevant MRAs to facilitate the secure movement of legitimate cargo in the global supply chain.
- **Coordination** between national AEO programmes and trade members should be maximized particularly in the area of bilateral education. Customs authorities who manage national AEO programmes and trade representatives should tap into their internal network of supply chain security experts and other relevant subject matter experts to share best practices, trends and training methodologies. Furthermore, Customs Administrations should coordinate between each other on the subject of MRA in order to maximize efficiencies and standardization of the processes.
- **Vision** towards the future of AEO and MRA should be encouraged within Administrations to advance the concepts beyond current parameters. Progressive thinking will lead to higher levels of global supply chain security and trade facilitation. The future of Customs depends upon innovative solutions and aspirational models in order to be successful.

III. Mutual Recognition Arrangements/Agreements Preparation

Prior to Engaging other Customs Administrations

Several factors should be taken into account before one Customs Administration engages another Customs Administration towards the goal of reaching MR, including, but not limited to, the risk associated with the supply chains originating within the respective countries, import/export volumes, and the maturity of respective AEO schemes. Prior to any consideration of MR, a Customs Administration should have the following qualifiers in place:

- *Trade Volume* - respective administrations should undertake an analysis of bilateral trade between prospective partners to determine whether entering into MR is of significant benefit.
- *Political Will* – If the MRA partner in question is a priority for the country and its Customs Administration and the MRA will stem from a larger agreement such as a Customs Mutual Assistance Agreement (CMAA), Supply Chain Security Agreement or Letter of Intent, this will foster high-level interest and provide the political support necessary for success.
- *SAFE Framework of Standards (SAFE)* – If the respective countries are signatories to SAFE, the critical Customs to Business Pillar fundamentals will already be in place to foster a healthy negotiating environment.
- *Enforceable Customs Mutual Assistance Agreement or another form of common legal basis for the MRA* . The usefulness of the MRA is dependent on the partners' ability to exchange information. The cornerstone of information exchange is its Customs Mutual Assistance Agreements (CMAA) or Customs Co-operative Arrangements. This document outlines the capabilities of, and constraints with regard to sharing law enforcement information. Given that the overall objective of an MRA is to strengthen trust and security in the supply chain as a method of preventing nefarious activity, a legal basis for enhanced cooperation may be explored (e.g., CMAA).
- *Senior level Commitment* - It is critical that high-level internal commitment within the Customs Administration exists prior to initiating into an MRA negotiation.
- *Resource Allocation and Availability* - It is important to clearly define the length of time required/expected to complete the MRA negotiation process as well as determine the level and availability of human and financial resources.
- *Existence of a fully operational programme*- A potential MRA partner should have a fully-operational programme that meets the minimum security standards outlined in SAFE and of each Administration's respective programme. The partner's programme should have a strong security component that contains a rigorous validation methodology.
- *Joint Work Plan* - A joint work plan should be developed and completed between the Customs Administrations interested in pursuing MR. A joint work plan helps to maintain momentum throughout the process by providing direction that both Customs Administrations need in order to get to the MRA negotiating stage. A joint work plan helps identify areas of focus for each Customs Administration.

- *Benefits and IT Solutions* – The respective Administrations should establish that they can provide reciprocal benefits for their AEO members.

Today's Tip

If the eventual MRA will be managed through an electronic data exchange solution (the optimal solution), it is imperative that the Customs Administrations' IT experts begin discussions as early as possible in order to be prepared to facilitate the data exchange effectively once the MRA becomes operational. It is recommended to involve IT experts from the onset and to start with the development once the side-by-side comparison including site visits have been finalized.

The WCO also has a Globally Networked Customs Utility Block which Customs Administrations can utilize as clear guidance to establish an automated data exchange for their MRA.

Today's Tip

The Customs-to-Customs pillar of SAFE underpins MRAs by providing standards for risk assessment and information exchange on cargo. For example, in order to facilitate information sharing between administrations, each respective MR partner should endeavour to have the key elements of this pillar in place, such as:

- A risk management system for identifying and selecting potential high-risk shipments, including for example, advance electronic information about cargo shipments.
- Ability to work with the prospective MR partner on joint targeting or screening of cargo; development of targeting criteria and exchange of information on risk cargo
- Ability to conduct outbound inspections of risk cargo
- Apply the seal integrity programme for shipments as outlined in the SAFE framework and the Revised Kyoto Convention

Tomorrow's Trend

Development of the information sharing protocols will support the implementation of Customs-to-Customs Pillar. For example, MR partners should look to establish and test a 24/7 communications mechanism for sharing of risk information, or could require respective targeting centres to manage this information sharing protocol/mechanism. Customs administrations should also be working towards putting in place the WCO data model, which defines a maximum set of data for export and import processes. Application of the Data Model enables Customs administrations to work with the same datasets for information exchange.

Tomorrow's Trend

MR partners should also plan to develop protocols for business resumption, and develop approaches for recovery of trade between the two countries. Global coordination through the WCO should be a future goal for Administrations when preparing to enter into MRA negotiations. The WCO is in a uniquely strategic position to maximize coordination among its Members seeking an MRA by having the world view of AEO/MRA activity and how to best provide support to Members working towards MRA.

MRA Training Curriculum

Additionally, Customs Administrations should also consider an MRA training curriculum and skill sets of AEO validators/auditors prior to engaging another Customs Administration for MR. One of the critical stages in an MR process is the validation observation (including joint validation where required) by negotiating administrations which determines the level of performance alignment of the respective validation process.

To that end, the skill set necessary to be an effective AEO validator/auditor is unique and appropriate, initial and reoccurring training should take place. AEO validators/auditors should be selected from an administration's current, experienced workforce. They should have a significant amount of experience in Customs activities to ensure a broad understanding of security, supply chain mechanics and trade issues. It is also important to recognize that these employees will often be performing their duties within a corporate business environment (often foreign to Customs officers). Initial classroom training should be conducted to ensure a baseline understanding of:

- The WCO SAFE Framework
- The concept of Authorized Economic Operator programmes and MRA
- Utilization of the WCO AEO Validator Guide
- How supply chains operate
- Security
- Specific processes and procedures of their domestic AEO programme

Practical exercises are a critical element to the training curriculum and should be utilized liberally to maximize results. It is recommended to leverage the Customs – Trade partnership to tap into industry logistics and security experts to assist in training as appropriate. Reoccurring training should continue on a regular basis utilizing a combination of e-learning, classroom and on the job training strategies. New validators/auditors should be required to work closely with those with more experience when conducting initial site validations.

It is also important to create and maintain awareness training of the AEO programme among front-line officers to ensure proper recognition and appropriate facilitation of domestic and foreign AEO members.

Today's Tip

Establish a National Training Coordinator along with field training officers (FTO). The National Training Coordinator should be responsible for the content of the training and then disseminates the information to the FTOs so that all employees can complete the required training. Training should also be offered in the form of online courses and webinars. The online courses and webinars are the fastest way to provide training to a workforce that travels frequently.

Tomorrow's Trend

Global standards or guidance for training curriculums should be a goal for all AEO programmes as aligning knowledge and performance at the operational level will lead to more streamlined MRA negotiations and ultimately to higher levels of security in the global supply chain network.

IV. Elements of a Mutual Recognition Arrangement/Agreement

There are a number of WCO Member administrations which are developing AEO programmes that have expressed interest in mutual recognition and would like to know more about the type of text that should be included in an MRA. Based on the experiences and texts of Member administrations which have already signed MRAs, the following elements and information have been identified as potentially useful and should be recommended for inclusion in MR texts :

Element 1 : Responsible Entities

- This section should expressly identify the name of the two Customs administrations which are engaging in the Arrangement/Agreement, rather than generally refer to the “governments”.
- If the AEO certification process or parts/sections thereof is delegated to a designated party by an authorizing Customs administration, there shall be an agreed upon mechanism and standard for preserving that designated party.

Element 2 : Compatibility

- This section should include text that ensures that any standards put forward remain compatible with respect to the application process for AEO certification, assessment of AEO applications, approval and monitoring of AEO status, etc.
- It might also be valuable to include a specific reference to the compatibility and consistency of the AEO Programmes with the WCO SAFE Framework.
- Post-authorization mechanism to maintain the authorized security situation.

Element 3 : Mutual Recognition

- This should be the strongest and focal point of the Agreement/Arrangement, which includes the core concepts of MR.
- There should be provisions noting that the participants will accept the validation and approval status of their counterpart’s AEO Programmes, while reserving the right to conduct risk assessment, up to and including targeted inspections, once the consignment is under their own control.
- There should be an explicit reference to the fact that, because the programmes have been identified as compatible, companies within the counterpart’s programme are to be considered as being of low risk.
- There should be a reference to the agreed benefits that can be delivered to the AEOs covered by the MRA.
- There should be a reference to the procedures to be followed if one MRA partner finds irregularities involving the AEOs of the other partner country's AEO Programme.

- Text might also be included indicating the authority of one administration to unilaterally revoke and/or suspend the benefits of particular AEOs or all AEOs of the MRA partner pursuant to agreed procedures and with prompt communication to their counterpart.
- There could be a reference to business/trade resumption resulting from the disruption of trade flows. AEO status is one of the beneficial aspects that could allow a company consideration for prioritization in trade resumption following such an event.

Element 4 : Information Exchange and Participant Communication

- Text should be included noting that administrations share relevant information with their counterpart on changes or evolution within their AEO Programme, or any significant related training activities.
- Text should be included that stipulates how suspensions and revocations of AEOs by one partner administration performed in its own programme are communicated to the other partner to suspend the granting of mutual recognition benefits. This should be distinguished from unilateral suspensions described in the section above.
- Administrations should consider including a reference to the exchange of supply chain security and risk management information, possibly utilizing national targeting centres where applicable, or other relevant information and threat analysis bodies within their Customs organizations.
- If the two administrations have previously signed a relevant information-sharing agreement, such as a Customs Mutual Assistance Agreement (CMAA), then a reference should be included noting the consistency of the MRA's information exchange functions with the agreement. If no such CMAA exists, administrations might need to specifically identify what types of Customs information should be shared and how it will be used in this section.

Element 5 : Future Endeavours

- AEO programmes are often in constant evolution, and therefore it may be necessary to focus on some items that, while they cannot be immediately acted upon operationally within the current programme, may be future endeavours for mutual cooperation.
- Text might also include a reference to potential future benefits of the MR which are presently not available, but might become so given future expansion of the programme.

Element 6 : Modification and Consultation

- Reference should be made that the MRA may be modified with the consent of both participants.

Element 7 : Status of Arrangement/Agreement

- This section might include references to the fact that the MRA does or does not create legally binding commitments (based on the particulars of the text), obligations under international or national law, rights or privileges for particular parties.
- The text might also note that the MRA does not limit cooperation and assistance related to other international provisions, agreements, treaties, and domestic law and practices.

Element 8 : Commencement and Discontinuation/Termination

- Should include language on when specifically the MRA is to take effect (generally upon signature, although partners might choose other timeframes) and what the process is for the suspension, discontinuation or termination of the MRA (generally either administration has the power to discontinue the arrangement immediately, but should strive to provide its counterpart with a certain advance timeframe).

V. Mutual Recognition Process

MRA Process Overview

There are four fundamental areas that should be covered during the MRA process.

- *Programmes Comparison* – A comprehensive crosswalk of respective programs should be completed by sharing programme information and documentations, completing a side-by-side comparison of the AEOs to ensure programme compatibility and reciprocity. Gaps identified within the operational level activities should be addressed during the Site Validation Observations.
- *Site Validation Observation* – It is critically important to analyze the respective programmes at the operational level by coordinating multiple observations in each Administration’s respective country to ensure that programme operations and site validations are comparable and compatible. Observations are to ensure that there is a systematic approach to validations and to ensure that the security criteria are being reviewed. These observations are not to evaluate the companies, but rather to evaluate the AEO Programmes. There are no set numbers of observations that will occur, but they should include different business entities that belong to the programme in order to provide a sufficient cross section of the AEO programmes.
- *Text Negotiation* – It is helpful to exchange initial draft text early so that sufficient legal review and amendments can be done by internal stakeholders concurrently while the other MRA processes are taking place.
- *Implementation* – It is often said that reaching agreement and signing an MRA is the easy part; actually putting into operation is the real challenge. It is critical to outline a clear plan for the implementation of the MRA as this is where the AEO member companies will reap the rewards of a successful MRA.

Today’s Tip

For MRAs between larger AEO programmes, a phased approach to implementation can improve effectiveness, particularly for granting reciprocal benefits to eligible traders.

Tomorrow’s Trend

Future MRA negotiations may want to capitalize on work which has already been effectively completed by consulting other Customs Administrations who have reached MRA and accepting some of the observation work that they completed during their own negotiation process.

MRA Negotiating Process

Once the decision by senior leadership has been made to negotiate an MRA with a partner country/programme, it is critical to establish the negotiation process and hold preliminary discussions on expectations in order to provide clear vision and appropriately manage expectations. Some of the areas to be defined within this stage are:

- Parameter of scope for the negotiation
- Identification of roles

- Timeframes
- Draft legal text
- Evaluation mechanisms
- Communication plan

These areas can be effectively addressed by:

- An exchange of letters between the Heads of each Customs Administration, formally initiating the MRA negotiation process to affirm the commitment of each administration. It also serves to assert commitment within the administration to support activities required internally for the negotiation process.
- Discussing about the legal premises of the MRA text may be considered at the onset of the negotiations in order to avoid any misunderstandings of language or intention. (ex: binding vs. non-binding text, exchange of potential draft text).
- Establishing a clear understanding of the types of MRA benefits that can be offered by each country and the application procedures of each as well as any IT requirements that may be necessary for the exchange of information.

Today's Tip

Establishing an MRA Project Team and making it responsible for coordinating all the activities with the potential partner country will ensure continuity of the process.

Tomorrow's Trend

Administrations should consider the potential for plurilateral/regional MRAs of AEOs. Such efforts will lead to superior alignment of programmes, coordinated border management improvements, regional integration, cost and resource optimization, etc.

Additionally, administrations could explore the concept of cross-accreditation/recognition of MR for the improved efficiency of the negotiation and implementation process.

MRA Implementation

Implementation timelines and expectations of each party need to be carefully managed and negotiated as early as possible during the MRA negotiation process. AEO identifiers and system capabilities often differ for each customs administration; therefore it is important to have the proper mechanisms in place to recognize foreign AEO programme members in order to provide benefits. It is important to consider the following:

- *AEO Identifiers* – Each administration may recognize its AEO members differently. With the lack of a global common identifier, it is important to understand how each country will recognize each other members' in their respective IT systems.
- *AEO Recognition* – The process for recognition of AEOs in the other country should be clearly understood. This may require procedures to be shared with AEOs in order for them to obtain benefits in the other country.

- *Benefits*- Each country should clearly outline the benefits available to their AEO programme members as well as those they are capable of providing to the foreign AEO programme members.
- *Transparency* - Both parties should be transparent when defining their capabilities for the exchange of information (ex: future IT improvements, interim solutions, and expectations).
- *Privacy Laws* – Privacy laws and guidelines for the protection of information may vary for each country. It is important to respect each other’s limitations for the exchange of customs information.
- *Exchange of information*- The type of information to be exchanged, the frequency of exchange, contact person(s), and the circumstance under which this could change (ex: notification if a member’s privileges are revoked) should be agreed upon.
- *Testing of notification protocols* – Now that reciprocal benefits will be applied based on the MRA and AEO member companies’ status, it is critical to test agreed upon notification protocols to ensure that timely notification is achievable in the event of a change in status of a company.
- *Protection of information*- While the MRA should cover information security requirements, protection of data should be addressed in the implementation procedures.
- *Awareness raising/FAQs*- Administrations should work together to develop an awareness raising material (e.g, brochure, FAQ, etc) to ensure that AEOs understand how they can benefit from MRAs.

Today’s Tip

Prior to fully implementing the MRA, Administrations should test their notification protocols. After the initial exchange of information, the most important update is the certification status. As AEOs withdraw, are suspended, or are removed from the AEO programme, the MRA partner should be made aware of this change in a timely manner. Remember that the MRA partner may be providing a reduced targeting, or expedited customs clearance, and this will need to cease immediately if the AEO member withdraws, is suspended, or removed.

Tomorrow’s Trend

Administrations should strive to seek greater involvement of private sector partners during the implementation phase(s) to ensure transparency and to identify more opportunities to facilitate those trusted partners.

Administrations could explore whether there are opportunities to leverage each other’s risk assessment of companies to manage risk.

MRA Maintenance (after the signature and start of the implementation of an MRA)

It is of paramount importance to maintain fluid communication with MRA partners beyond the regular exchange of AEO member lists and programme status. Information not only directly related to AEO programme members but to each respective AEO programme should be exchanged as often as necessary to ensure maximum efficiency and effectiveness of the MRA. This can include updates or changes to the AEO policies or procedures, IT systems,

staffing levels, etc. This critical communication is further formalized through regular observations of each other's validation process. It is highly recommended to coordinate these observations so as to cover a significant representation of various business entities in the respective Administrations' AEO membership. These periodic reviews/observations would also provide an opportunity for both programmes to collaborate and discuss potential ways to enhance the MRA.

Additionally, MRA partners need to establish clear protocols for handling situations where infractions occur with the AEO in one country and if/how the action taken impacts a related AEO in the other country. Such protocols should include specific timeframes for reporting, so that any action taken is done so in a timely manner to ensure that the security of the international supply chain is not compromised.

Today's Tip

Regular operational contact which includes validation exercises, testing and piloting can ensure a high level of performance from the AEO programmes. Establish working groups to examine issues under the MRA. Annual meetings at Chief Executive or Director-General level of the respective MRA administrations ensure a continued, high-level commitment.

Tomorrow's Trend

As the numbers of MRAs grow globally, more and more administrations will have common and overlapping MRA partners. These administrations should seek to coordinate multilaterally to establish MRA monitoring visit work plans which bring together multiple administrations at the same time in the same location to do the same thing. Efficiencies can be gained and communication can be improved.

VI. Lessons Learned

- *Consultation and Co-creation with stakeholders* - In order to receive support for programme enhancements and changes, it is important to engage internal and external stakeholders during the developmental stages of an AEO programme. Establishment of a consultative committee of industry representatives has proven to be an invaluable asset. Such Committees provide a formal mechanism to exchange and discuss programme issues between government and industry. Involving private industry in programme development and changes will ensure the future success of your AEO programme and lead to more successful MRAs.
- *Resource Allocation* - The establishment of resources dedicated to the development and maintenance of an AEO programme is essential to the future viability of a programme. Allocation of resources should include administration, training, delivery, monitoring, reporting, information technology, marketing and outreach.
- *Automation/IT Systems* - The biggest lesson learned is developing a system that is automated. Automation is the key to AEO programme growth. Additionally, Customs administrations need to focus on the long term goal when developing an automated system for capturing all the data. Automated data exchange between AEO Programmes would cut down on the “human error” factor that comes from exchanging information manually. It also provides real time updates and can reflect when programme members are suspended and benefits need to be removed.
- *Internal Communications* –Maintaining communication within the AEO programme and amongst specialists can be facilitated through routine meetings, such as monthly teleconferences, and the use of existing and emerging Information Technologies for real-time messaging and situational awareness.
- *Exchange of Benefits* - Benefits should be reciprocated to AEO members. A mechanism to establish the identification of AEO members and provide similar level of benefits is essentially an automatic expectation by MRA partner countries.
- *Partner Government Agencies* – Administrations should work closely with their Partner Government Agencies to ensure that duplications are being avoided and that maximum efficiencies are being exploited.
- *Dedicated staff and leadership*: A dedicated staff and leadership to the program is crucial for programme success. Furthermore, it was equally important to increase the number of employees relative to programme growth. AEO programmes need to have dedicated leadership that can lead the vision of the programme.
- *Develop MRA selection criteria* – Such criteria to select MRA partners will ensure that MRAs meet the standards of the WCO SAFE Framework.
- *MRA Roadmap/Joint-Work Plan* - Establish a roadmap for MRA negotiations and agree on the roadmap with the prospective partner.
- *Website and Public Outreach* – Transparency is tremendously helpful especially since AEO could not exist without the private sector. Developing a public website which provides information about MRA with keep partners engaged and aware of

negotiations. Furthermore, AEO representatives should be encouraged to attend and participate in private sector forums.

Conclusion

The concept of AEO and MRA is alive and well and there is no reason to believe that it is going away anytime soon. Therefore, it is our responsibility as Members of the WCO to ensure that we continue to analyze and improve these concepts and processes so that they remain relevant in the ever-changing global Customs landscape. As Customs administrations continue to enhance trade facilitation, it is our duty to identify opportunities within AEO and MRA to provide even more facilitation for those trusted partners who have made and continue to make investments in improving security in their global supply chains. Maintaining a flexible posture, listening to the voice of trade and always seeking to improve will position Customs administration for the future.

Annexes

This Guide is supplemented by ANNEXES which provide additional explanatory information and guidance.

Annex I

Annex II

Annex III

Annex IV

ANNEXES to the MRA Strategy Guide

Annex I : Negotiation Guidance (covering Parts I to IV of the MRA Strategy Guide)

Annex II : MRA Implementation Guidance (covering Part V of the MRA Strategy Guide)

Annex III : Process Flow of MRA Benefits

Annex IV : Frequently Asked Questions (FAQ)

Annex I : Negotiation Guidance (covering Parts I to IV of the MRA Strategy Guide)

Part I: General Information

Annex I aims at providing a better understanding of the MRA negotiation process. It is not exhaustive. It is intended to incorporate new elements, lessons learned and practices as WCO Members acquire more experience, knowledge and insights through their respective MRA experiences.

Part II: Mutual Recognition Arrangements / Agreements Guiding Principles

Reciprocity of Benefits:

1. Mutual recognition of AEO programmes should provide benefits at the Customs-to-Customs level as well as at the Customs-to-Business level. By enhancing Customs-to-Customs co-operation and recognizing each other's AEOs, mutual recognition will allow Customs to target high-risk shipments more effectively and expedite low-risk shipments.
2. MRAs are formal arrangements between Customs administrations with similar high quality standards for supply chain security – this ultimately equals faster clearance at the border. MRAs demonstrate the commitment of Customs administrations to global trade security through an effective implementation of the SAFE Framework of Standards.
3. MRAs help facilitate trade – but this also depends on the existing border clearance regime. Under an MRA, AEO members are much less likely to undergo cargo examination at port of arrival.
4. MRAs essentially treat imported goods from trusted traders as a low security risk. By establishing a more secure and predictable supply chain, this allows companies to secure competitive advantages in accessing foreign markets faster (i.e. fewer checks at border).
5. A list of indicative MRA benefits can be found under section : Benefits to the Authorized Economic Operator of Annex IV of the SAFE Framework of Standards.
6. Through mutual recognition, AEOs could benefit from:
 - Improved economic efficiency through reduced time and costs associated with cross-border Customs controls due to priority treatment.
 - Reduced costs and time delays through priority inspections when cargo is selected facilitating just-in-time deliveries.
 - Improved predictability and precision in moving goods from one's own territory to the territory of the trading partner whilst improving the competitiveness of business.
 - Reduced cargo theft and pilferage by improving the security of the bilateral supply chain.
 - Target examinations so as to allow non-selected cargo belonging to the same trader to proceed without delay to the destination to the extent possible.
 - Reciprocal or comparable compliance benefits whenever equivalent programmes are provided.

A more detailed list of MRA benefits can be found under Part F of the List of AEO Benefits in Annex IV of the SAFE Framework of Standards.

7. In order for a system of mutual recognition to work, it is advisable that:

- The partners are committed to building a cooperative partnership.
- Prospective partners are a signatory to the SAFE Framework with intent to implement all three Pillars and have a Customs-to-Business programme along with the following elements of the Customs-to-Customs pillar :
 - A system of automated risk management.
 - Ability to receive advance electronic information on cargo for risk analysis screening purposes.
 - Ability to examine high-risk cargo using modern technology before loading for export.
 - Willingness to agree to conduct pre-load examinations upon reasonable request from the other partner(s).
 - Legal ability, willingness, and capacity to share information on risk.
- The partners have developed collaborative frameworks with other government agencies and inter-government agencies.
- The partners have an agreed set of common standards that include clear and objective “action” provisions for both Customs and AEOs.
- AEO programmes are transparent and well published.
- Standards are applied in a uniform manner so that one Customs administration may have confidence in the authorization of another.
- Understanding of a partner country's actual clearance procedures, cargo control environment, etc.
- Legislation to enable mutual recognition is in place and published.
- Data security and data protection provisions are compatible.
- The partners to have the ability to identify each other’s AEO number

Transparency and Coordination

8. The Following key instruments may be referred to when developing AEO programme and MRAs. They provide detailed standards and frameworks for establishing enhanced cooperation with businesses in a transparent and trusted manner.

<p><i>The WCO SAFE Framework of Standards</i> (Link)</p>	<p><i>The WCO Customs-Business Partnership Guidance</i> (Link)</p>
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Part III: Mutual Recognition Arrangements / Agreements Preparation

Modes of Engaging Prospective MR Partner

2 The decision of two countries to enter into an MRA is an important one that is taken at the highest level of an Administration, or could even be influenced by broader political or economic factors, including trade promotion, enhancing security, and improving bilateral relations.

3 Political will and senior level commitment is often manifested in the form of articulated or documented statements by Political Office Holders or Heads of Customs Administrations. This could take the form of:

- A Letter of Intent or Action Plan signed by high-level representatives of the Customs Administration, or Political Office Holders, particularly if this was a requirement under a country's national laws before official negotiations can commence;
- If a signed letter of intent or roadmap is not required as a domestic legal enabler, a joint communiqué or public announcement by the high-level representatives of the Customs Administration, or Political Office Holders, articulating a commitment to commence work on a bilateral MRA;
- Inclusion of MRA into a broader framework of high-level collaborations that may include collaboration areas beyond Customs, but Customs would be responsible for MRA as a key deliverable in this broad palette of bilateral collaboration formally agreed upon by the government of both countries.

Modes of Mutual Recognition

4 The reason for the distinction between Mutual Recognition **Arrangement**, and **Agreement**, lies in the differing nature between the two. While both types of MR-Arrangements and MR-Agreements seek to mutually recognize AEO programmes and award benefits to AEOs, MR-Arrangements are non-binding, while Agreements are binding.

5 MR-Arrangements can also be supplemented with Customs Mutual Assistance Agreements (CMAA), or Customs Co-operative Arrangements, if desired between the signing partners, to extend the scope of cooperation to law enforcement cooperation, but the two are generally mutually exclusive.

6 The choice between an Arrangement and Agreement, and whether an MRA needed to be accompanied by a CMAA or a legal basis, can have a political dimension. It has to be agreed to by both partners². At the very least, parties to an MRA must be able to share information that would allow them to mutually identify AEOs, and to make queries on AEOs participating in MRAs. In the absence of a formal legal basis to share trader's information with an MR partner, countries may be required by law to seek their AEO's consent before sharing. This does not impede MR implementation as AEOs would typically be keen to take advantage of the benefits of MRAs.

7 MRAs take time to conclude. Joint commitment, persistence, resource, planning and patience are needed to see them through to fruition. A joint work plan that sets out a timeline for achieving targeted milestones is recommended for ensuring momentum. Officials at various levels should also maintain regular contact with one another to address issues

² MRA may not necessarily be signed between two countries; it may be signed between a country with a regional bloc or between two regional blocs.

raised in a timely manner, and to maintain good relations so that misunderstandings are avoided.

Part IV : Elements of a Mutual Recognition Arrangement/Agreement

8 The MRA texts of EU can be found at this [link](#).

MODEL TEMPLATE FOR AN MRA

ARRANGEMENT/AGREEMENT BETWEEN

THE

Official Department Name
Official Customs Administration Name
Country Name

AND

THE

Official Department Name
Official Customs Administration Name
Country Name

THEIR

AUTHORIZED ECONOMIC OPERATOR PROGRAMMES

The *Official Department Name*, *Official Customs Administration Name* and the *Official Department Name* hereinafter referred to as “the Participants”,

CONSIDERING that a joint evaluation has concluded that *Official Customs Administration’s Name AEO Programme Name* and *Official Customs Administration’s Name AEO Programme Name*, hereinafter referred to as the “Programmes”, are security initiatives that strengthen end-to-end security of the supply chain;

RECOGNIZING that the Programmes apply internationally recognized security standards in accordance with national laws and the standards advocated by the World Customs Organization;

ACKNOWLEDGING the specialized nature of each country’s border management processes, procedures, mechanisms and legislation governing the management of their programme;

UNDERSTANDING that the integration of these Programmes with other Customs-to-Customs measures contributes significantly to end-to-end supply chain security;

HAVING REGARD FOR the *Agreement between the Government of Country Name and the Government of Country Name Regarding Mutual Assistance in Customs Matters* (“CMAA”) or another form of common legal basis signed at *location* on *date*;

HAVE COME TO THE FOLLOWING UNDERSTANDING:

SECTION I RESPONSIBLE ENTITIES

Official Customs Administration Name and *Official Customs Administration Name* are the entities responsible for implementation of this Arrangement.

SECTION II COMPATIBILITY

For purposes of consistency, the Participants intend to:

- A. Maintain compatible standards for each Programme with respect to the following matters:
1. Application process for membership;
 2. Assessment of membership applications; and
 3. Approval of membership.

- B. Operate each Programme within the context of the Customs-to-Customs Pillar of the World Customs Organization 2018 Framework of Standards to Secure and Facilitate Global Trade, as it may be amended with the concurrence of *Official Customs Administration Name* and *Official Customs Administration Name*.

SECTION III MUTUAL RECOGNITION

- A. Each Participant intends to accept the validation and approval status granted to members of the other Participant's Programme, but reserves the right to conduct its own validations of entities that are members of the other Participant's Programme, when deemed necessary and after prompt communication to the other Participant.
- B. Each Participant is expected to treat members of the other Participant's Programme in a manner comparable to the way it treats members in its own programme, to the extent practicable and possible and consistent with applicable law and policy.
1. The Participants should take membership in the other Participants' trade partnership programme into account in conducting risk assessment for the purpose of inspecting cargo.
 2. Each Participant is to provide the other Participant with sufficient information regarding its members to support the other Participant's risk assessments.
- C. Each Participant may suspend treatment consistent with Section III (B) to members of the other Participant's Programme. Such suspension of treatment is to be promptly communicated to the other Participant, along with additional information regarding the basis for suspension, as appropriate.
- D. The Participants intend to maintain the ability to revoke membership in their respective Programme procedures. The fact of the revocation by one Participant of a member whose status has been accepted by the other Participant should be promptly communicated to the other Participant.

SECTION IV INFORMATION EXCHANGE AND PARTICIPANT COMMUNICATION

- A. The Participants endeavour to achieve greater communication by:
1. Providing updates on their respective Programme's operation;
 2. Engaging in mutually beneficial information exchanges regarding supply chain security;
 3. Sharing information regarding members of the Programmes, as appropriate in connection to mutual recognition efforts; and
 4. Designating and providing the contact points of their respective Programmes to the other Participant.
- B. Information sharing activities are expected to be conducted consistent with the terms of the CMAA, this MRA and each Participant's domestic law and policy.
- C. *Official Customs Administration Name* may share information obtained under this Arrangement with other entities within *Official Department Name*, provided that such entities have an official need to know such information.

**SECTION V
MUTUAL COOPERATION AND FUTURE ENDEAVORS**

- A. The Participants intend to engage in actions to strengthen end-to-end supply chain security, including through periodic joint site validations.
- B. The Participants intend to focus their efforts on the achievement of the following mutual objectives:
 - 1. Development of a joint business continuity mechanism between the Participants' Programmes to respond to disruptions in trade flow resulting from heightened security alert levels, border closures, and/or the occurrence of natural disasters, hazardous emergencies or other incidents of significance; and,
 - 2. Expansion of Programme membership through the reciprocal promotion of trade facilitation achieved through the mutual recognition of the Programmes.

**SECTION VI
MODIFICATION AND CONSULTATION**

- A. This Arrangement/Agreement may be modified with the written consent of both Participants.
- B. All issues related to the interpretation or implementation of this Arrangement/Agreement should be settled by consultations between the Participants.

**SECTION VII
STATUS OF ARRANGEMENT**

- A. This Arrangement/Agreement represents the intention of the Participants and does not create rights and obligations binding under international law or the law of any other jurisdiction, nor does it create or confer any right, privilege, or benefit on any person or party, private or public.
- B. All activities of each Participant under this Arrangement/Agreement are to be carried out consistent with applicable laws and regulations, as well as international agreements to which that Participant is a party.
- C. This Arrangement/Agreement is not intended to prevent either Participant from cooperating and from granting assistance consistent with the provisions of applicable international treaties and agreements, national laws and practices.
- D. The Participants are expected to be responsible for their own costs incurred as a result of this Arrangement/Agreement.

**SECTION VIII
COMMENCEMENT AND DISCONTINUATION**

- A. This Arrangement/Agreement is expected to be implemented upon signature of the Participants.
- B. Either Participant may discontinue cooperation under this Arrangement/Agreement at any time with immediate effect, but should strive to provide at least thirty (30) days written notice thereof.

SIGNED at _____, in duplicate, this ____ day of _____, 2013.

Insert Signature Block

Insert Signature Block

MODEL TEMPLATE FOR A JOINT WORK PLAN

JOINT WORK PLAN

BETWEEN

THE

Official Department Name
Official Customs Administration Name
Country Name

AND

Official Department Name
Official Customs Administration Name
Country Name

**REGARDING MUTUAL RECOGNITION OF THEIR RESPECTIVE
AUTHORIZED ECONOMIC OPERATOR PROGRAMMES**

The *Official Department Name*, through *Official Customs Administration Name*, and *Official Customs Administration Name*,

RECOGNIZING the long-standing relationship between the *Country name* and *Partner Country name* with regard to supply chain security matters;

UNDERSTANDING that *Name of AEO Programme* and *Name of AEO Programme* (hereinafter referred to as the “Programmes”) are consistent with the Authorized Economic Operator (“AEO”) guidelines contained within in the World Customs Organization SAFE Framework of 2018;

BEING AWARE that Mutual Recognition of AEO programmes contributes significantly to both end-to-end supply chain security and trade facilitation; and

TAKING INTO ACCOUNT the *Agreement between the Government of Country Name and the Government of Country Name Regarding Mutual Assistance in Customs Matters* or another form of common legal basis signed at *location* on *date*;

HAVE COME TO THE FOLLOWING UNDERSTANDING:

I. PURPOSE

The Participants intend to pursue Mutual Recognition of their AEO programmes through the completion of a four-phase process.

II. PHASE I: STUDY OF AEO PROGRAMMES

A. To enable an examination of the compatibility of the two programmes, the Participants intend to share information regarding their respective Programmes, in particular:

1. the process for granting or denying authorization or certification;
2. the authority to suspend or remove a certified member and relevant processes;
3. validation process;

4. trade facilitation that may be provided to members of the programmes;
 5. information technology (IT) systems which support each Programme;
 6. risk management concepts provided by company applicants;
 7. data security and protection requirements;
 8. monitoring of certified members;
 9. training programmes for Programme officers;
 10. management and oversight of Programme personnel, particularly those individuals conducting the validations on behalf of the Programmes;
 11. interaction with the private sector; and
 12. other information as deemed appropriate to evaluate the compatibility of the Programmes.
- B. The method of determining the compatibility of the Programmes is to be a side-by-side comparison of programme security requirements.
- C. Each Participant is to identify the level(s) of trade facilitation it expects its Programme to provide to members of the other Participant's Programme under a Mutual Recognition Arrangement/Agreement ("MRA").

III. PHASE II: JOINT VALIDATION VISITS

- A. The Participants intend to conduct a comprehensive and rigorous evaluation of each Participant's Programme validation process.
- B. The Participants intend to select at least *insert agreed upon number* companies located in *Country Name* and at least *insert agreed upon number* companies located in *Country Name* which are engaged in commerce between the *Country Name* and *Country Name* for validations and observation during Phase II. Any validations or observations are subject to the approval of the selected companies.
- C. Composition of the Participants' respective evaluation teams.
1. At least two (2) different teams of AEO auditors should conduct the AEO validations under this phase.
 2. At least two (2) different teams of Supply Chain Security Specialists/AEO validators should conduct the AEO validations under this phase.
- D. All activity related to conducting validations is to be coordinated by the respective Programme Managers within each Participant's Headquarters Offices.

IV. PHASE III: DEVELOPMENT OF MUTUAL RECOGNITION OPERATIONAL PROCEDURES

The Participants intend to jointly develop the necessary written mutual recognition operational procedures, including those associated with information sharing.

V. PHASE IV: CONSIDERATION OF RESULTS

After the Participants consider the results of Phase I through III, the Participants intend to consider whether a MRA should be developed.

VI. POINTS OF CONTACT

- A. The *Insert Appropriate Title* of the Administration’s central point of contact for this effort.
- B. The *Insert Appropriate Title* of the partner Administration’s central point of contact for this effort.

VI. STATUS OF JOINT WORK PLAN

- A. This Joint Work Plan represents an understanding between the Participants and does not give rise to rights or obligations binding under international law or the law of any other jurisdiction, nor does it create or confer any right, privilege, or benefit on any person or party, private or public.
- B. The Participants are expected to be responsible for their own costs incurred as a result of this Joint Work Plan, unless otherwise mutually specified by the Participants in writing. All activities under this Joint Work Plan are subject to the availability of appropriated funds and other resources.

VIII. COMMENCEMENT AND DISCONTINUATION

- A. This Joint Work Plan is expected to be implemented upon signature of the Participants.
- B. Either Participant may discontinue cooperation under this Joint Work Plan at any time with immediate effect, but should strive to provide at least thirty (30) days written notice.

IX. MODIFICATION AND CONSULTATION

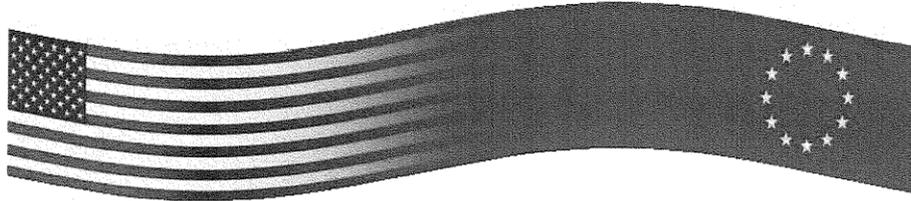
- A. This Joint Work Plan may be modified by the written consent of both Participants.
- B. All issues related to the interpretation or implementation of this Joint Work Plan should be addressed by consultations between the Participants.

SIGNED at _____ on the _____ day of _____, 2012.

Insert Signature Block

Insert Signature Block

Example of a Roadmap towards Mutual Recognition



**Abridged External Partner Version of the U.S.-
EU Joint Customs Cooperation Committee
Roadmap Towards Mutual Recognition
of Trade Partnership Programs**

January 2009

Version 1.0

INTRODUCTION:

The United States (U.S.) and the European Union (EU) are the two largest trading blocks in the world. As such, Customs and Border Protection (CBP) has collaborated extensively with the EU to facilitate this trade and enhance security cooperation. In 1997, under the U.S.-EU Customs Mutual Assistance Agreement (CMAA), the U.S.-EU Joint Customs Cooperation Committee (JCCC) was established. The JCCC is co-chaired by the Commissioner of CBP and the Director General of the Taxation and Customs Union Directorate (TAXUD) of the European Commission.

On April 22, 2004, the former Irish Finance Minister, Charlie McCreevy, on behalf of the EU's Council of Ministers, and the former Secretary of the Department of Homeland Security, Tom Ridge, signed an agreement to intensify and broaden the 1997 CMAA in Customs matters between the U.S. and the European Community (EC). Following this historic signing, two expert working groups were established under the direction of the JCCC: one to focus on joint efforts in security standards and the other to focus on customs-trade partnerships.

In November 2004, CBP and TAXUD agreed to a set of action items in the areas of cargo security and industry partnership, which were made into a working agenda for the JCCC. The action items were established to further develop minimum standards for risk-management techniques and controls and the improvement of public - private partnerships to secure the supply chains of transatlantic trade. Furthermore, to the extent practicable, achieving reciprocal standards and systems for securing and facilitating legitimate trade on both sides of the Atlantic.

In 2006, in support of the World Customs Organization's SAFE Framework of Standards, the U.S. and EU agreed to assess the feasibility of establishing "mutual recognition" of respective security trade partnership programs - CBP's Customs-Trade Partnership Against Terrorism (C-TPAT) and the EU's security Authorized Economic Operator (AEO). This work would be carried out under the JCCC work plan. Mutual Recognition allows the companies of one supply chain security program to receive benefits identical or comparable to those conferred to companies participating in another supply chain security program.

In 2007, the U.S. and the EU adopted a Framework for advancing transatlantic economic integration and began efforts to implement Mutual Recognition. The initial steps consisted of completing an in-depth comparison of both the U.S. and EU AEO programs as well as conducting a pilot program in which CBP observed security components of the EU's AEO audit process. Based on the conclusions drawn from these U.S.-EU efforts, a Roadmap towards Mutual Recognition was drafted and endorsed setting key performance-based stages required to reach Mutual Recognition.

CBP and TAXUD will continue their efforts to achieve the Mutual Recognition of their respective programs in 2009 by concentrating on addressing the Roadmap tasks outlined as follows.

Version 1.0

OPERATIONAL/TECHNICAL			
Action Description	Lead	Status	Accomplishments
Agree upon proper data elements to be exchanged in order to enable mutual recognition of C-TPAT or AEO status	Joint effort	In progress	
Determine the appropriate guidelines/parameters for exchanging information on C-TPAT/AEO members as well as the exchange of status	Joint effort	In progress	
Establish an expert-level working group to develop an information technology (IT) platform to conduct information exchanges as well as identify various IT needs to enable a fully automated data exchange	Joint effort	In progress	TAXUD IT and Policy experts visited the U.S. to hold a joint discussion on respective IT systems to provide basic understanding, which will allow for development of further IT support. Implementation of the first phase of the EU's AEO IT project has been completed.
Update one another on legal and policy developments, respectively, which might affect the work towards Mutual Recognition	Joint effort	Ongoing	CBP and TAXUD regularly update one another on developments in their respective programs via the Joint Customs Cooperation Committee.
Exchange training modules and participate in one another's training programs, workshops and/or conferences as a mechanism to exchange best practices	Joint effort	Ongoing	EU Member State Customs representatives participated in the annual C-TPAT Conference held in February 2008 and will be invited to participate in the April 2009 C-TPAT Conference. The EU shared the AEO training module developed for Member States and Industry.
Participate jointly in AEO/C-TPAT audits/validation visits for the purposes of exchanging best practices and creating a better understanding for each others auditing/validation methods	Joint effort	Ongoing But subject to regular review	During the pilot project, CBP experts participated in AEO audits conducted within various Member States, which concluded with a Customs-Customs discussion and exchange of best practices. EU officers are occasionally invited to participate in C-TPAT validation visits taking

Version 1.0

				place within the EU by participating companies.
Join together subject matter experts from CBP and the EU's 27 Member States to participate in a "Sharing of Best Practices Seminar"	Joint effort	Pending	Target date:	
Provide business with information on Mutual Recognition developments and Roadmap activities, including identification of benefits for Mutual Recognition participants	Joint effort	Ongoing		
Gather feedback from the business community and incorporate within the Roadmap as appropriate	Joint effort	In progress		
Organize a joint conference involving high-level U.S. and EU government representatives and trade representatives in order to promote the benefits of Mutual Recognition	Joint effort	In progress		

LEGAL

Action Description	Lead	Status	Accomplishments
Develop an export component within the C-TPAT application, certification and validation processes in order to address the export related security requirements for C-TPAT exporters consigning goods to the European Union	Customs and Border Protection	In progress	CBP is working with various U.S. Government entities to conduct a review of U.S. export processes.
Continue information exchange in existing forums and/or via the established information channels with the objectives to avoid delays that may arise as a result of various policy developments	Joint effort	Ongoing	CBP and TAXUD utilize the Steering Group, the JCCC as well as frequent electronic and telephonic correspondence to exchange information on policy developments.
The U.S. and EU will explore options and come to agreement upon the legal framework necessary to implement Mutual Recognition. Once concurrence is reached on the legal framework, the U.S. and EU will draft a document to support the effort, which will be endorsed and signed by both parties	Joint effort under the JCCC	In progress	CBP and the EU have engaged in legal consultations regarding the proper framework for implementation of Mutual Recognition
Draft proper document, supporting the implementation of	Joint effort	Pending	

Version 1.0

Mutual Recognition to be endorsed and signed by the U.S. and EU	under the JCCC		
Establish a legal basis by which C-TPAT, despite previous proprietary arrangements, may share member information with the EU under the auspices of Mutual Recognition	Customs and Border Protection	In progress	C-TPAT members interested in participating in Mutual Recognition may "opt-in" to disclose information for purposes of Mutual Recognition

EVALUATION

Action Description	Lead	Status	Accomplishments
Possible participation in joint verification exercises prior to implementation of Mutual Recognition.	Joint effort	Pending	
Evaluate the benefits received by AEO/C-TPAT members under Mutual Recognition post implementation including reduced cross border customs controls	Joint effort	Pending	

X

X

X

Example of User Requirements for AEO data exchange with partner countries



AEO DATA EXCHANGE WITH PARTNER COUNTRIES

User requirements ver. 1.3

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1. Introduction

A. Purpose of this document

This document primarily specifies the user requirements for the envisaged unique AEO data exchange procedure between the EU central system and its partner countries. It shall provide for a detailed and stable baseline for any decision making and after that for the elaboration of the functional and technical specifications.

Since it is assumed that the AEOs being granted security and safety certificates should be identified in the customs transaction systems which are processing data lodged for the purpose of security and safety risk analysis, the document also identifies the impact on these systems and on the risk analysis systems and defines the respective basic user requirements arising from this initiative.

However, the application of AEO benefits, the impact of the AEO status on the risk assessment, on the risk scores and on the level of inspections are not subject to scrutiny in this document.

B. Structure of this document

This document consists of the following main parts:

- Introduction: providing relevant background information, definitions and acronyms and explaining the purpose, scope and the specific objectives of this project;
- List of user requirements;
- Specifications for the data to be exchanged;
- High level business process model (BPM).

C. Introduction

I. Intended readership

The document is addressed to:

- Any person involved in the establishment of an international agreement on mutual recognition of AEO;
- Any person responsible for AEO systems;
- Any person responsible for accepting and issuing AEO certificates and dealing with AEO procedure/regulations;
- Any person responsible for the elaboration of the functional and technical specifications for the envisaged AEO data exchange system and for its integration in existing systems and infrastructures;
- Any person responsible for the definition of tests and for testing the envisaged AEO data exchange system.

II. Acronyms and abbreviations

The following acronyms are used in this document:

Acronyms	Description
AEO	Authorised Economic Operator
BPM	Business Process Modelling
EU	European Union
EOS	Economic Operator Systems
ISO	International Standard Organisation
IT	Information Technology
TIN	Trader Identification Number

III. Definition of partner countries

In the context of this document the term 'partner country' is used to refer to the EU and the third countries agreeing to mutual recognition of AEO secure trade programs with the EU and on the use of the data exchange system to be created by this project.

Currently the AEO exchange system focuses on the mutual recognition agreements envisaged with the following countries:

Partner countries	Expected date for the legal framework on mutual recognition of AEO with the EU
NORWAY	1 July 2009*
SWITZERLAND	1 July 2009*
USA	2010
JAPAN	2010
CHINA	2010
CANADA	Date?

* Transitional rules (up to 01.01.2011) are in place for the safety and security provisions.

However, since mutual recognition is envisaged also with other partner countries, the same solution should also serve for the exchange of data with these countries.

IV. Definition of AEO

In the context of this document the term 'AEO' is used to refer to Authorised Economic Operators as defined in the World Customs Organisations' SAFE Framework of Standards and stands for the following individual terms used by the partner countries:

Partner country	Term used by the partner countries for 'AEO'
EU	AEO
USA	C-TPAT
JAPAN	AEO
CHINA	AEO
NORWAY	AEO
SWITZERLAND	AEO
CANADA	PIP

V. Legal framework

- This document deals with the user requirements resulting from the legal framework (mainly, article 5a paragraph 2, last indent Reg. 2913/1992 and article 14g, paragraph a, Reg.2454/1993) but not with the legal framework itself.

VI. Purpose and scope of the project

The purpose of the project is to support the legal framework by:

- Enabling economic operators submitting data for goods entering or leaving the customs territory to declare its secure supply chain partners, certified by other partner countries, and due to this be eligible for benefits mutually agreed.
- Enabling the customs authorities to identify security/safety AEOs certified by partner countries and declared in their customs transactions in order to grant the AEO benefits mutually agreed.

The scope of this project is to create a system for the exchange of agreed AEO data between the EU central system and its partner countries.

VII. Specific requirements/objectives

In order to achieve the expected results, following specific requirements/objectives shall be met:

- For the economic operator sending data to customs authorities for goods entering or leaving the customs territory:
 - To have at its disposal up to date data of certified AEOs in the relevant partner countries;
 - To be able to declare the AEO status (e.g. granted by a partner country) of its secure supply chain partners involved in a specific customs transaction.
- For the customs authorities:
 - To have on its disposal up to date data of AEOs certified by any of the partner countries;
 - To be able to identify and recognise these AEOs when declared in declarations for goods entering or leaving the customs territory;
 - To be able to take account of the AEO status granted by any of the partner countries when performing the security and safety risk analysis;
 - To grant the level of agreed benefits to economic operators corresponding to the AEO status of themselves and of their supply chain partners;
- For the AEOs involved in a specific customs transaction:
 - To be eligible for the appropriate level of AEO benefits if its own AEO status is declared and recognised in an ENS or in an EXS or in Customs declaration replacing entry/exit summary declaration for goods entering or leaving the customs territory.

D. User requirements for the data exchange system

I. Contact points

Identifier	User requirement	Remarks
UR ORGA 1	<p>All partner countries shall establish following contact points and make their details available to all other partner countries.</p> <ul style="list-style-type: none"> - contact point for technical issues; - contact point for business and organisational issues; 	<p>No system functionality shall be implemented for this purpose; the exchange of the contact details shall be made using alternative means of communication.</p> <p>Business and organisational issues: The EU will identify a central contact point at Commission level and a contact point for each Member State. The EU contact point will have the role of keeping the contact both with TC and MS. No direct contact is envisaged between TC and MS.</p>

II. Security

Identifier	User requirement	Remarks
UR SECU 1	The data exchange between partner countries shall be secured, the information and the information system shall be protected from unauthorised access, use, disclosure, disruption, modification or destruction	The technical means to secure the data exchange shall be agreed on technical level. Data will be exchanged at EU level. No data exchange is envisaged at MS level.
UR SECU 2	Access to the exchanged data shall be restricted to authorised actors and for authorised purposes.	<p>The user groups being granted access shall be defined:</p> <ul style="list-style-type: none"> - within the Customs - for other authorities <p>Economic operators should be able to consult only published and publicly available information and arrange to exchange the required AEO data between themselves.</p>
UR SECU 3	It needs to be decided whether there is a need to agree on rules for the traceability of creation, modification and deletion of data.	It needs to be checked whether rules of the EU's AEO system could be implemented by all the partner countries.

III. Business cases to be supported

Identifier	User requirement	Remarks
UR BCAS 1	<p>The following generic business cases shall be supported and communicated between the partner countries:</p> <ul style="list-style-type: none"> - creation of a new AEO record; - update of an existing AEO record (e.g. in cases where the AEO address details change); - deletion of an existing AEO record; 	Deletion: For data protection reasons, partner countries receiving AEO records from other partner countries shall delete these records on request of the sending partner country.
UR BCAS 2	<p>The following status changes shall be communicated to the partner countries:</p> <ul style="list-style-type: none"> - suspension of an AEO status; - revocation of an AEO status; - annulment of a suspension; - annulment of a revocation; 	The most suitable mechanism to communicate status changes shall be specified at technical level.
UR BCAS 3	The exchange shall be for economic operators holding AEO security and safety certificates only.	EU: The exchange is for AEO security and safety certificates

		<p>(Art. 14a 1b CCIP) and combined customs simplification/security and safety certificates (Art. 14a 1c CCIP).</p> <p>US: C-TPAT members at level 2 & 3 should be accepted. It is not necessary to distinguish between level 2 and level 3 C-TPAD AEOs, the benefits to be granted by the partner countries are the same.</p> <p>China/Japan all certified AEOs.</p> <p>CH: All certified AEOs?</p> <p>NO: All certified AEOs?</p> <p>CA: All certified PIPs</p>
UR BCAS 4	<p>A partner country shall have the possibility to unilaterally suspend/revoke the benefits for all of the AEOs of another partner country without delay.</p> <p>This requires a functionality to identify in the system the partner country for which the benefits are suspended or revoked.</p>	<p>Partner countries are entitled to suspend benefits of other partner countries' AEOs on their territory but are not entitled to revoke or suspend their AEO status as such. In this context whenever talking about benefits, the reference is to the benefits listed in the relevant mutual recognition agreement.</p> <p>Unilateral suspensions and revocations shall be communicated without delay and by alternative means to the partner country which has granted the AEO status (no system functionality to be created for this purpose).</p>
UR BCAS 5	<p>A partner country shall have the possibility to unilaterally suspend/revoke the benefits for specific AEOs of another partner country without delay.</p> <p>This requires a functionality to identify in the system the AEO of the partner countries for which benefits are unilaterally suspended or revoked.</p>	Same as UR BCAS 4

IV. Data to be exchanged

Identifier	User requirement	Remarks
UR DATA 1	The business data elements to be exchanged are specified in 0 of this document.	Other data elements may be added if necessary for technical reasons.
UR DATA 2	<p>The AEO shall have freely given specific and informed written consent for sending its data to the partner country</p> <p>Consent should be for all partner countries (no selective consent depending on the partner country).</p>	<p>Functionality is needed to identify (in the system) records for which the AEO has given its consent.</p> <p>For new records it could be envisaged to implement the consent in the application advising the operator that the lack of consent prevent him to benefit from mutual recognition. (It could be a consequence of the AEO certification, an operator could decide to not give the consent and still apply for the status. The consequence will be that it could not benefit from mutual recognition).</p>

UR DATA 3	Whether an AEO has one or more security and safety certificates is irrelevant. The Trader Identification Number shall be communicated only once.	The assumptions are: <ul style="list-style-type: none"> - That the AEO can be identified based on its Trader Identification Number (see IV). - That an AEO can have only 1 valid and relevant security/certificate per partner country at a given moment in time.
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V. Trader Identification Number (TIN)

Identifier	User requirement	Remarks
UR IDEN 1	Each of the AEO shall have a TIN that is unique for each partner countries.	The ISO alpha 2 country codes should be used as a pre-fix to the TIN.
UR IDEN 2	The TIN shall be processable by the IT systems of any of the partner countries and shall be in Latin characters.	It is proposed to use ASCII characters only and not to use language depending and special characters.
UR IDEN 3	The partner countries (systems) shall be able to recognise and cope with TINs assigned by other partner countries.	
UR IDEN 4	The partner country (systems) in which the AEO records are held should offer a functionality which enables its users to query for all the existing TIN (records) for the same trader.	For the partner countries to decide. This is not a user requirement that sets obligations for the envisaged data exchange system.
Multiple numbers for the same AEO		
UR IDEN 5	<p>The partner countries (systems) shall be able to cope with situations where an AEO has been certified by one or more partner countries, but not by themselves.</p> <p>It is possible that a partner country receives records for AEOs that are not certified in its own AEO program but in those of other partner countries.</p> <p>It is possible that a partner country receives records for the same AEO from more than one partner country, each of them referring to a different TIN (if the economic operator was granted an AEO status in several partner countries).</p>	
UR IDEN 6	<p>The partner countries (systems) shall be able to cope with situations where an AEO has been certified by one or more partner countries and also by themselves.</p> <p>It is possible that a partner country receives records for AEOs that were assigned a TIN there but have also been registered already under another TIN in its own AEO program.</p>	

VI. Languages and character sets

Identifier	User requirement	Remarks
UR LANG 1	The partner countries shall be allowed to register the AEO data in their own language.	For the partner countries to decide. No impact on the exchange system to be created.
UR LANG 2	The data exchanged between partner countries shall be processable by the receiving IT system (also by the IT system of the traders processing the AEO data). Only commonly agreed character sets shall be used.	Character sets shall therefore be agreed. TIN: see UR IDEN 2 For the other data elements to be exchanged it is proposed to use UTF-8.

VII. Consistency of data

Identifier	User requirement	Remarks
UR CONS 1	The business data elements sent shall comply with the business message specifications outlined in this document (content and structure of the message).	It needs to be decided whether error messages need to be implemented and how to deal with them (to be decided on the technical level).
UR CONS 2	With the exception of cases according to UR BCAS 4 and 5 (unilateral suspension/revocation of benefits) data received from other partner countries shall not be amended or deleted by the receiving partner country without agreement of the sending country.	This requirement shall not create a requirement for implementing a function to request the authorisation to update or delete received AEO records.
UR CONS 3	In cases according to UR BCAS 4 and 5 (unilateral suspension/revocation of benefits for all or selected AEOs of a partner country) the receiving partner country shall be allowed to update the status of the relevant AEO records in accordance with UR BCAS 2 (suspended, revoked, suspension annulled or revocation annulled).	<p>Relevant for the EU only:</p> <p>On the level of the EU, it shall be for the Commission to identify unilateral suspensions and revocations in accordance with UR BCAS 4 and 5.</p> <p>A specific user role shall be created for this purpose.</p> <p>Such suspension and revocation decided and recorded in the EOS by the COM shall be valid for all EU Member States.</p>

VIII. Frequency of data exchange

Identifier	User requirement	Remarks
UR DAEX 1	Considering the client availability requirements identified under IX the AEO data shall be exchanged at least once every 24 hours.	
UR DAEX 2	The data exchange shall take place regularly and according to an agreed fixed planning. Data to be exchanged should be made available to all partner countries at the same date and time.	
UR DAEX 3	The data extraction, upload, exchange and download shall not disrupt the availability of the AEO system, the customs declaration transaction systems, the risk analysis systems, nor other relevant systems.	

IX. Availability of exchanged data

a) Availability to the customs transaction systems (declaration systems)

Identifier	User requirement	Remarks
UR AVRI 1	The exchanged AEO data is expected to be used in the context of the (online) validation of declarations for goods entering or leaving the customs territory (including transit). The exchanged data shall therefore be up to date and highly available. An availability of 99% (7X24) should be envisaged.	It is to be recognised that the partner countries are located in various time zones. An availability concept based on opening hours or working hours, considering weekends and public holidays can therefore not be envisaged.

b) Availability to the risk management

Identifier	User requirement	Remarks
UR AVRI 2	The exchanged AEO data is expected to be used in the context of the (online) security and safety risk assessments and the targeting of declarations for goods entering or leaving the customs territory. The exchanged data shall therefore be up to date and highly available. An availability of 99% (7X24) should be envisaged.	It is to be recognised that the partner countries are located in various time zones. An availability concept based on opening hours or working hours, considering weekends and public holidays can therefore not be envisaged.

c) Availability to trade operators

Identifier	User requirement	Remarks
UR AVTO 1	Where national rules provide for, the partner country granting the AEO status may publish their AEO data in the appropriate manner and to the appropriate economic operators.	
UR AVTO 2	Partner countries shall not publish AEO data received from other partner countries.	

X. Infrastructure

Identifier	User requirement	Remarks
UR INFR 1	The choice of the technical infrastructure for the exchange of AEO data on the level of the partner countries is for the partner countries.	
UR INFR 2	The technical infrastructure shall support the business processes, the security and the availability requirements identified in this document.	

XI. Statistical requirements

Identifier	User requirement	Remarks
UR STAT 1	No requirements identified.	

E. User Requirements for customs transaction systems

Identifier	User requirement	Remarks
UR CTAS 1	The partner countries' systems used for declaring goods entering and leaving the customs territory (if relevant including transit) shall contain the data fields needed to declare the relevant AEO status (TIN) assigned by any of the partner countries.	
UR CTAS 2	Where reduced data sets for AEO are implemented and dependent on the AEO status of other parties than the sender of the declaration, the necessary data fields for declaring the other's AEO status (TIN) shall be available in the declarations.	

F. User requirements for the risk analysis systems

Identifier	User requirement	Remarks
UR RANS 1	The partner countries' systems used for analysing the security and safety risk for goods entering and leaving the customs territory shall recognise the declared AEO status (TIN) assigned by any of the partner countries and be able to grant the agreed AEO benefits.	
UR RANS 2	Where the risk analysis has to take account of the AEO status of other parties than the sender of the declaration, the necessary data fields for declaring the other's AEO status (TIN) shall be provided to the risk analysis.	
UR RANS 3	Where the mutual recognition provides for lower risk scores or less controls for AEOs the risk analysis has to take account of the AEO status (TIN) of the relevant declared parties.	

G. Data

I. Dictionary

Data element name	Definition	Remarks
Sending country	ISO – 3166 alpha 2 country code for the partner country sending the record	For records sent by the EU system the code 'EU' shall be used
Receiving country	ISO – 3166 alpha country code for the partner country receiving the record	For records sent to the EU system the code 'EU' shall be used
Sending date and time	Date when the record is sent	Format: ddmmyyyhhmm
Trader Identification Number <input type="radio"/> <input type="radio"/>	Unique identifier for the authorised economic operator allocated by the competent authority and linked to the relevant AEO certificate	The TIN documented in IV shall be used
Language code	ISO 639 alpha 2 language code identifying the language/character set	
Full name	Full name of the AEO	
Short name	Short name of the AEO	Name limited to the max. of 35 characters that are provided for in the WCO data model
Street and number	Street and number of the AEO	
Postcode	Postal code of the AEO	
City	City name of the AEO	
Country code	ISO – 3166 alpha country code for the AEO address	
Operation code	Code to distinguish between created, updated and deleted records	The domain values documented in III shall be used.
AEO certificate status	Code to distinguish between current, suspended and revoked certificates	The domain values documented in III shall be used.
Start date	It is used to define the starting date of the validity period of an AEO TIN. Together with the End Date item, it provides the full picture of the validity of a particular value that the described item may have during its lifecycle."	Format: ddmmyyyy
End Date	It is the end date of the validity period of the AEO TIN. Together with the Start Date data item, it provides the full picture of the validity that the AEO TIN may have during its lifecycle	Format: ddmmyyyy

II. Message structure

a) Message header

Sending country	a2
Receiving country	a2
Sending date and time	n12

b) Message content

AEO	999 999 x	R
AEO TRADER IDENTIFICATION NUMBER	1 x	R
AEO ADDRESS	1 x	R
AEO LIFECYCLE	9999 x	O
AEO STATUS	1 x	R

AEO

Operation Code	R	a1
Language Code	R	a2
Full Name R		an..300
Short Name	R	an..35

AEO TRADER IDENTIFICATION NUMBER

Country code	R	a2
Trader National Identifier	R	an..15

AEO ADDRESS

Street and Number	R	an..35
Postcode O		an..9
City R		an..35
Country Code	R	a2

AEO LIFECYCLE

Start date R	n8
End date O	n8

AEO STATUS

AEO Certificate Status	R	a1
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The structure of the messages will be refined further from the above semantic definition to a more technical level.

III. Business codes

Code name	Format	Length	Domain values; remarks
Operation status	a	1	C = Create U = Update D = Delete
AEO certificate status	a	1	Values: C = Current S = Suspended R = Revoked
Country Code	a	2	Code to specify countries (ISO alpha 2 country code as specified in ISO – 3166).

Language Code	a	2	Language Code (LNG) used to define the language used for declaration purposes and for free text information (ISO Alpha 2 Codification – ISO 639).
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IV. Structure of reference numbers

Country	Trader Identification Number	Example
China	Format an..17 ok The 'Customs registration code' with the country pre-fix 'CN' shall be used.	CN5007931102
EU	Format an..17 ok THE EORI number (Economic Operator Registration and Identification) shall be used. It consist of <ul style="list-style-type: none"> Identifier of the country that issued the Trader Identification Number a2 National unique number an..15 	PL1234567890ABCD E
Norway	Format an..17 ok The Trader Identification number with the country pre-fix 'NO' shall be used. Norway adds its country code as prefix to TINs for its NCTS traders. Hence, the structure of NO TINs corresponds to that of EU EORI. However, TINs for NO NCTS traders are based on traders organisation number (VAT-numbers) maintained in a national central traders register. The same register is also used for NO AEOs.	NO1234566789
Switzerland	Format an..17 ok The Trader Identification number with the country pre-fix 'CH' shall be used.	CH1234
US	Format an..17 ok. <ul style="list-style-type: none"> The C-TPAT number with the country pre-fix 'US' shall be used. 	<ul style="list-style-type: none"> USaplsea00888

V. Data volume

Identifier	User requirement	Remarks
UR VOLU 1	The data exchange systems shall be sized to exchange and handle as a minimum the following number of created records (+ suspensions, revocations + margin) ³	

³ Data volume to be assessed before the technical implementation.

H. Fallback rules

There are various possible fallback situations for which specific solutions shall be put in place. The following table summarises the various cases:

Number	Situation	Impact	Fallback solution
1	Partner country can not automatically send the AEO data to its partner countries	<p>The new or updated AEO data is not available to the receiving partner countries.</p> <p><u>Consequences in the receiving partner countries:</u></p> <ul style="list-style-type: none"> - Unjustified errors when automated validation of the AEO status of declared parties in customs declaration systems takes place. - Automated risk analysis/targeting can not take account of the AEO status of declared parties and can not grant the agreed benefits. The AEO in the sending country is not granted the expected benefit. - Possibly unjustified granting of benefits to AEOs for which updated information of suspended or revoked certificates is not received in time. 	<p>Declarations/notifications containing Trader Identification Numbers of partner countries shall not be rejected due to unavailability of such (to be) exchanged AEO data.</p> <p>The only consequence of such unavailability should be that the AEO benefits mutually agreed should not be applied to those declarations/notifications unless alternative transitional arrangements can be made.</p>
2	Partner country can not receive the AEO data	Same as for 1.	Same as 1
3	System in which the exchanged AEO data is recorded is offline.	<p>The AEO data is not available to users who need to access the data.</p> <p>AEO data can not be extracted and not be sent to any other system or stakeholder.</p> <p>The AEO data is not accessible and available to other systems using the data (e.g. customs declaration systems, risk analysis).</p>	Same as 1
4	The customs declaration transaction systems can not access the exchanged AEO data.	<ul style="list-style-type: none"> - Unjustified errors when automated validation of the AEO status of declared parties in customs declaration systems takes place. - Where reduced data sets for AEO are implemented and depending on the AEO status of declared parties: the pre-conditions for the reduced data sets can not be checked. 	Same as 1
5	The risk analysis/targeting system in which the exchanged AEO data is recorded cannot access the exchanged	<ul style="list-style-type: none"> - Automated risk analysis/targeting can not take account of the AEO status of declared parties and can not grant the agreed benefits. The AEO in the sending country is not granted the expected 	Same as 1

	AEO data.	benefit. - Possibly unjustified granting of benefits to AEOs for which updated information of suspended or revoked certificates is not received in time.	
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Annex II : MRA Implementation Guidance (covering Part V of the MRA Strategy Guide)

Mutual Recognition Arrangement/Agreement (MRA) Implementation Guidance

World Customs Organization

June 2018



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Draft MRA Implementation Guidance

A. Introduction

1. There are several stages involved in putting AEO Mutual Recognition Arrangements/Agreements (MRA) in place: an AEO process review (e.g., programme comparison, identification of comparable benefits), negotiations, joint validation, signing, implementation, maintenance, and improvement. The implementation stage is of crucial importance, as it determines whether and how the MRA can be developed from a mere intention to cooperate into actual operational achievements. This document has been developed as a tool to steer, support, harmonize, and standardize the MRA implementation process globally, given the magnitude of such a step and the complexities involved.

B. Implementation Phases

2. According to successful mutual recognition (MR) practices and experiences, MRA implementation can be divided into three phases:
 - I. Preparation,
 - II. Commencement, and
 - III. Assessment and improvement.

I. Preparation

3. Comprehensive preparation contributes to the better implementation of MRAs. To this end, the following aspects should be considered:
 - Negotiate an MRA implementation plan
4. Where possible, discussion on the implementation plan could begin before signing of MRA. MR partners should negotiate in order to set a start date for the implementation as soon as possible and draw up a detailed implementation plan, as agreed in the MRA, specifying the roles and responsibilities of those involved, the various activities that need to be undertaken and the associated resource requirements and deadlines.
5. Where large numbers of AEOs are involved, and complex system enhancements are needed, adequate time should be allocated for testing, and pilot “soft-launch” as deemed necessary by the MR partners.
 - Publish information about the MRA

6. Prior to the implementation of an MRA, each party should publish the following information about the MRA in an easily accessible manner through official channels, in order to enable traders to access the benefits offered by the MRA :

- (i) the date of the entry into force of the MRA,
- (ii) the scope of the MRA - class/type/tier of AEOs covered,
- (iii) the process of AEO master data exchange and the standardized Trader Identification Number (TIN) format,
- (iv) the process through which traders should provide Customs with the TIN number - the use of the TIN in the Customs Declaration including multiple AEO identifiers.
- (v) MRA benefits,
- (vi) the process of obtaining MRA benefits, and,
- (vii) the conditions related to the benefits.

[Tips : Parties are encouraged to publish the information on the MRA in one or both of the official languages of the WCO (English and French)].

- Raise awareness and provide training on the MRA

7. MR Parties should organize activities and training exercises, whether solely or jointly, to raise public awareness of the MRA and its benefits, and publicize its implementation and associated processes/procedures. This can be achieved through various means, for example, briefings, conferences, promotional materials (such as brochures or FAQs) and social media, in order to enable AEOs from each party to understand the conditions and procedures under which the MRA benefits can be accessed.

- Test IT systems

8. The IT systems are the key to MRA implementation. It is therefore essential to guarantee the connectivity/interoperability of the IT systems of both parties, in particular the capability of the IT systems to handle the AEO master data exchange and the identification of each other's AEOs based on the TIN in Customs transaction systems of both parties. Parties should test the IT systems before the MRA enters into force.

9. The main items to test are :

- (i) the capability of updating and exchanging AEO master data on a real-time or near real time basis,
- (ii) the promptness, completeness, and accuracy of the process of uploading the exchanged AEO data to the parties' respective systems.
- (iii) the matching of previously uploaded AEO master data with the AEO identifier (TIN) declared by traders,
- (iv) the capability of the IT systems to accept the TIN and identify each party's AEOs in order to grant benefits,
- (v) the applicability of benefits based on the result of data matching/validation,
- (vi) the efficiency and effectiveness of the data exchange channel, and
- (vii) the time taken to receive an indication of message receipt and data transmission quality.

- Establish a communication mechanism

10. An effective communication mechanism is the foundation of any MRA implementation, as it helps address potential problems, coordinate progress and develop a sound environment for continual improvements. Points of contact at both management and working level are encouraged in order to ensure efficient communication. A communication and coordination mechanism set up between the respective IT departments of the MR parties may also be established, if necessary. The form of communication may include an automatic information exchange system, telephone, email or fax. Effectiveness and timeliness should be ensured regardless of the method employed.

11. MR parties should maintain timely communication on the following issues :

- (i) any updates or changes to respective AEO programmes,
- (ii) automatic exchange of most up-to-date list of AEOs, to the extent possible,
- (iii) any changes in regulation related to AEO certification or authorization,
- (iv) discussion on possible updates and enhancements of the MRA, including regarding benefits, and
- (v) relevant information obtained from MRAs signed by the MR parties with other countries.

[Tips : In terms of the channel of data exchange, it is highly recommended that an automated data-exchange system be deployed in order to minimize the risk of “human error”. Administrations that cannot exchange data automatically at present should consider the establishment of an automated data-exchange system as a long term goal of MRAs. The WCO GNC Utility Block – AEO Mutual Recognition is a global standard of an automated data-exchange system that is already in use by some countries.

MR parties are encouraged to exchange relevant information within the WCO SAFE Working Group and other working bodies as well as the WTO Committee on Trade Facilitation, as provided for in the WTO Agreement on Trade Facilitation].

II. Commencement

12. The effectiveness of an MRA is ultimately reflected in whether the AEOs of each party can access the benefits provided by its counterpart. After adequate preparation, the following aspects should be considered for this step :

- Regular Data Exchange

13. Each party should assign a point of contact in charge of the data exchange process and regularly provide the information of its own AEOs to its counterpart through the agreed channel (such as an IT supported automated data exchange mechanism or via email), particularly any changes in AEO status.

14. Master AEO data to be exchanged includes, but is not limited to:

- (i) TIN,
- (ii) AEO name and address, date of authorization, AEO status (valid, revoked or suspended), and
- (iii) type of AEO (e.g., importer/exporter/forwarder/customs broker).

[Tips : Given that the TIN format may be different depending on the party, MR parties should reach an agreement with each other on the compatibility of the TIN format. The question of a globally unique TIN format in the context of AEO-MRA, is being

discussed in detail at the WCO so administrations should keep an eye on the progress of the discussions to ensure that any potential developments in the area are considered].

– Data Security

15. Data privacy issues need to be addressed in order to ensure that information being shared is protected. The exchange of data should comply with each party's domestic laws, regulations, and policies as well as mutually agreed international standards. Particularly given the increasing threat of cyberattacks, each party should ensure the security of any data to be exchanged. For the sake of data security, data exchanged through an automated system, by email or using the cloud should be encrypted or secured through other robust mechanisms.

– AEO Identification

16. Each party should automatically identify whether the shipment in question is from an AEO by using a previously agreed-upon identifying method, which should mainly be based on the TIN. When a Customs declaration, transit declaration, entry summary declaration or another declaration, depending on the MRA is lodged, the IT matches the AEO information submitted with the master data provided by its counterpart to verify the authenticity and consistency of the data in order to grant MRA benefits automatically during the clearance process.

– Interaction with AEOs and Problem Solving

17. Each party should communicate regularly with the AEOs in order to ensure a smooth implementation of the MRA. It is important to consider that there may be some teething problems such as the failure to provide benefits, the breakdown of IT systems or malfunctions in the data exchange systems. It is thus critically important to establish an effective mechanism to address such issues in a very timely and efficient manner. Customs administrations should assign nodal contact points and inform the AEOs of their contact information, or set up a hot line or online inquiry, so as to promptly and effectively solve problems which may result from the implementation process.

– Suspension of Benefits and Implementation

18. Each party may suspend the benefits granted to AEOs of its counterpart where there are reasonable grounds to do so according to the provisions of the MRA, including :

- (i) if a counterpart AEO's data has been embezzled or misused
- (ii) where it is discovered that an AEO of the counterpart has committed an offence.

19. In the event of a serious offence, AEO status may be suspended following due procedure.

20. Each party should inform its counterpart of the following information when suspending MRA benefits :

- (i) name and identifier of AEO in question,
- (ii) reason for suspension, as appropriate, and

- (iii) the date on which the suspension will take effect.
21. The benefits should be resumed without delay if the grounds supporting the original suspension have been addressed or the associated issues have been resolved and the MR partner has been duly informed.

[Tips : After signing an MRA, MR parties may conduct a pilot project within chosen areas within their territory or among selected AEOs before the formal implementation of the MRA to test the effectiveness of the MRA and associated processes. Necessary measures may be taken to bridge gaps and address issues stemming from the pilot prior to the fully-fledged implementation on an appointed date.]

III. Assessment and Improvement

22. After the implementation of an MRA, each party should carry out regular assessments and make continual improvements according to assessment results, in order to enhance the efficiency and effectiveness and of the MRA. This will contribute to the development of other MR programs, thus contributing to the overall spread and effectiveness of MRAs at the global level.

– Assessment

23. In order to ensure the effectiveness of the MRA implementation, each party should carry out regular assessments, that may include :

- i. the number of AEOs benefitting,
- ii. volume and value of imports and exports,
- iii. inspection rate,
- iv. release time,
- v. anomalies discovered and corresponding corrective measures including the improvement of the validation and revalidation processes,
- vi. outcomes of random checks,
- vii. expansion of MRAs to include other economic operators, for example service providers (e.g., logistics operators, Customs brokers),
- viii. expansion of MRAs to include transit operations,
- ix. consideration for regional/plurilateral approach to MRAs,
- x. difficulties and examples of good practices encountered in the implementation of the MRA, and
- xi. Feedback on MRA by trade.

24. A variety of assessment methods may be adopted, which include but are not limited to:

- i. the analysis of Customs clearance data for AEOs,
- ii. a survey of AEO companies and the benefits being enjoyed by them,
- iii. a joint working group meetings and teleconferences between MR parties, and
- iv. a joint review and case studies on MRA benefits based on a periodic comparison of the scenario before and after the MRA implementation to gain evidence to support MRA policy enhancement.

25. Assessment results should be used solely for internal purposes such as the enhancement of AEO programs, and should not be disclosed to the public without permission from the counterpart. Nevertheless, if the MR parties recognize that the assessment results are of great value in promoting and developing AEO programs and MRAs worldwide, the parties can present the results in international fora hosted

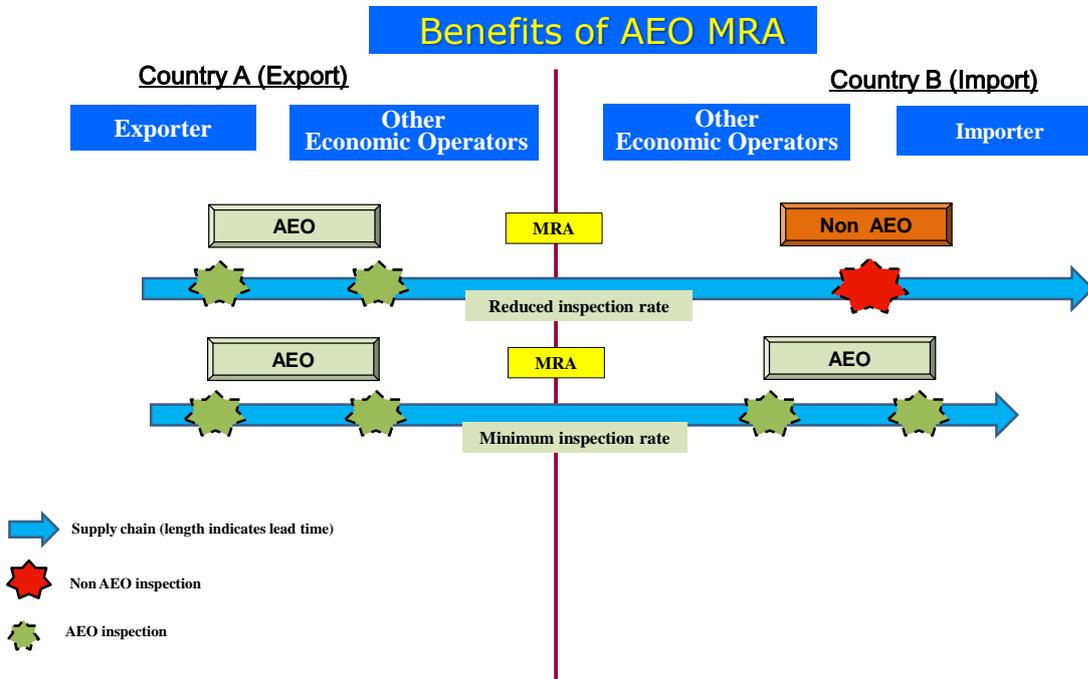
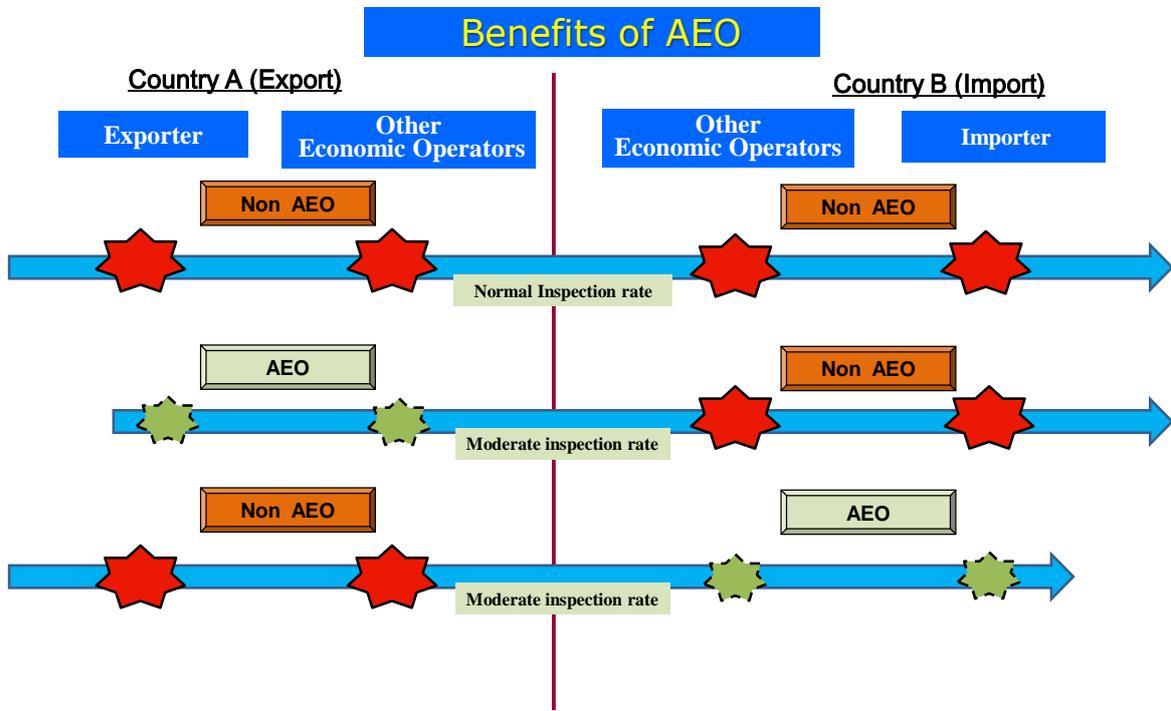
by international organizations such as the World Customs Organization.

– Improvement

26. Parties are encouraged to seek further improvement to maximize the benefits for AEOs in an efficient and cost effective manner.

27. Part IV of the MRA Strategy outlines the key elements that constitute an MRA. Element 5: Future Endeavours, is important for documenting the mutual intent for continual improvement. Such provisions also provide for a high-level mechanism for MR partners to re-visit, and seek opportunities for further improvements, without having to amend the MRA just to accommodate minor enhancements and improvements

Annex III : Process Flow of MRA Benefits



Annex IV: FAQ

What exactly is Mutual Recognition of AEO programmes?

Mutual Recognition Arrangements/Agreements (MRAs) are bilateral/plurilateral or regional understandings between Customs Administrations which provide a framework to extend AEO benefits across borders in the jurisdiction of the partner country/countries/Customs or economic unions.

Mutual Recognition implies that the security requirements or standards of a partner country's Authorized Economic Operator (AEO) programme based on the SAFE Framework of Standards (Annex IV), as well as its verification procedures, are the same or similar with those of the other country/countries' AEO programme. The objectives of mutual recognition of AEO programme are that a Customs administration :

- recognizes the AEO authorization issued by another Customs administration under its programme; and
- agrees to provide substantial, comparable and, where possible, reciprocal benefits/facilitations to the mutually recognized AEOs.

Mutual Recognition links the various AEO programmes so that together they create a unified and sustainable security posture that assists in securing and facilitating global cargo trade. It promotes end-to-end supply chain security based on programme membership.

How is Mutual Recognition of AEO programmes as a concept recognized by the World Customs Organization (WCO)?

Mutual Recognition as a concept is reflected in the WCO's *Framework of Standards to Secure and Facilitate Global Trade* (SAFE Framework), a strategy being implemented by Customs administrations around the world. The SAFE Framework calls for Customs administrations to develop industry partnership programmes, which the Framework refers to as AEO programme. An AEO is defined by the Framework as "... a party involved in the international movement of goods in whatever function that has been approved by or on behalf of a national Customs administration as complying with WCO or equivalent supply chain security standards".

The SAFE Framework is structured with three supporting pillars: Customs-to-Customs, Customs-to-Business, and Customs-to-Other Government and Inter-Government Agencies. Though linked to all three Pillars of the SAFE Framework, the concept of Mutual Recognition is reflected in the Customs-to-Customs Pillar; that is, the ability of Customs Administrations to work together to improve their capability to detect high-risk consignments and expedite the movement of legitimate cargo. This cooperation between Customs Administrations assists the Customs-to-Business Pillar by providing standardized security requirements of their AEO programmes.

Standard 3 of Pillar 2 of the SAFE FoS, in particular stipulates that Customs administrations should seek mutual recognition of AEO status between or among programmes in order to enhance supply chain security and to expand the benefits offered to their respective AEOs. In addition, the June 2005 Council Resolution of the SAFE Framework calls upon Customs administrations to work with each other to develop mechanisms for mutual recognition of AEO

validations, authorizations and Customs control results, and other mechanisms that may be needed to eliminate or reduce redundant or duplicated validation and authorization efforts.

A list of MRAs signed is available in the WCO AEO Compendium

<http://www.wcoomd.org/en/topics/facilitation/instrument-and-tools/tools/aeo-compendium.aspx>

What does it take to achieve Mutual Recognition of AEOs?

Many factors are taken into account before a Customs administration engages with another Customs Administration towards Mutual Recognition of AEOs, including the risk associated with the supply lines originating in a specific country.

Some key pre-requisites should be met by partner Customs administrations before a formal discussion on Mutual Recognition of AEOs begins:

1. Partner Customs Administrations should have a full-fledged robust operational AEO programme in place – i.e. not a programme in development or a pilot programme.
2. Customs administrations' AEO programmes should have a security component, i.e. AEO Programmes that are only based on compliance would not be eligible.
3. Customs administrations should check whether a CMAA is required or another form of legal basis is required.

What are the steps required to achieve Mutual Recognition?

A Mutual Recognition process involves a multi-stage process:

1. Evaluation - Before formal negotiations of an MRA can begin, potential partners should have the political will to pursue the MRA; if required, a CMAA or another form of common legal basis for the MRA should be signed and in force; and a fully-operational AEO Programme with a security component should be in place.
2. Criteria Comparison - A side-by-side comparison of programme security requirements. This is designed to determine if the programmes align on basic principles based on the requirements and criteria of the SAFE Framework of Standards. During this stage, partner Customs administrations may also request other data from each other – such as eligibility requirements; statistics; trade participation; number of personnel conducting the validation for the programme; and any other data that may help them understand the other's AEO programme better to determine if their respective AEO programmes are indeed compatible.
3. Validation Observations – Potential MRA partners must conduct observations of each other's validation processes to ensure compatibility. Observations are to ensure that there is a systematic approach to validations and to ensure that the security criteria are being reviewed. These observations are not to evaluate the companies but to evaluate the AEO Programmes. There are no set number of observations that will occur but they should include different business entities that belong to the programme, including, importers; exporters, consolidators; carriers, etc. A complete understanding of the applicable criteria for each business sector must be observed.
4. Formalization and Negotiation - After both MRA partners determine that an MRA would be beneficial, the formal MRA process begins. One MRA partner sends a proposed text

and the other responds with detailed comments, noting areas of consensus and those that need to be resolved. The MRA partners will then meet face-to-face or have conference calls to resolve differences until a draft text is achieved. Internal reviews of the draft text are conducted to ensure consistency with legal and policy obligations of each partner.

5. The signing of the MRA. An MRA that recognizes the compatibility between MRA partners' AEO programmes is signed by the senior leaders of each Customs Organization.
6. Implementation - MRA partners will develop operational procedures for the implementation of the MRA, primarily those associated with information sharing and efficient identification of each other's AEOs for extending mutually agreed benefits. Specifically this includes how data flows between MRA partners through official channels and in a secured manner including associated IT systems, messaging standards and protocols.
7. Maintenance - The final step in the MRA process is continual engagement. The partners must be vigilant to ensure that the MRA and accompanying procedures remain relevant. Thus, periodic review is necessary, for example meetings to discuss programme updates, validation observations, etc.

Does Mutual Recognition address both security and Customs compliance issues?

Yes. The over-arching objective of MRA is to enhance supply chain security and efficiency. Mutual Recognition is based on security and compliance criteria; specifically, it is based on the partner Customs administrations' AEO programmes having similar security criteria and verification/validation procedures. AEOs should have a demonstrated compliance record as part of AEO accreditation criteria and requirements. AEOs having serious penalties against them for Customs issues (e.g., undervaluation, incorrectly declaring goods, classification issues, etc) should be suspended and/or removed from AEO programmes. AEO programmes and MRAs also provide compliance related benefits.

How long does the MR process take?

MRAs take time and appropriate resourcing to conclude. There is no definitive timeline established for the MR process that may vary from a few months to a number of years. Treaty level MRAs may take a longer process. However, it can be expedited depending on the nature of the relationship between the two Customs administrations. There are some common steps such as comparison of criteria, requirements and benefits, validation observations, development of MRA text, negotiation and signing, and implementation. Each step must be completed and evaluated before finalizing the process and moving to the next step. Where expedient and practicable, these steps can be taken concurrently.

Resourcing is key – before launching into the process there is a clear need to ensure the requisite staffing, capacity and funding. At times there can be a disconnect between the level of commitment each side putting into MRA negotiations, which can prolong the process. Continuous communication is critical for a smooth and timely completion. One potential way could be to negotiate mutual recognition of AEO programme as a component of Free Trade Agreements (FTAs).

In essence, the time possibly depends on the characteristics of Customs authorities including their experience on MRA, existing cooperation frameworks with the partner Customs administration, collaborative arrangements with other related government agencies and the private sector, and unforeseen external factors.

What is the difference between “arrangement” and “agreement”?

Current practices on MRAs indicate that Members have described them differently; some are legally binding agreements whereas some others are administrative arrangements. These terms have been used interchangeably in the SAFE Framework of Standards and associated tools. When determining the nature of an MRA, Members should bear in mind their domestic legal procedures including possible legislative process.

What are the potential benefits of Mutual Recognition?

Both Customs Administrations and the private sector receive benefits from an MRA, including, but not limited to:

- **Lower Risk Score:** Both Customs and AEO companies are considered trusted members of the trade community whose security standards have been validated by either of the partner Customs Administrations. Therefore, AEO exporters/importers are given a reduction in their risk score by partner Customs Administrations, which will translate into fewer examinations at the port of importation.
- **Risk Assessment Tool:** The status of the MRA partner’s AEO programme’s participant is recognized by each other and is used as a risk-assessment factor.
- **Less Redundancy/Duplication of Efforts:** Traders do not have to go through two or more separate validation visits. The initial validation conducted by the local Customs Administration as being certified under respective AEO programme would be recognized by other MRA partner countries. Moreover, companies will only have to go through one site visit for future revalidations.
- **Common Standard/Trade Facilitation:** Since Mutual Recognition is based on having equally stringent minimum security criteria, one country’s AEO essentially complies with the security criteria of those countries with which it has achieved an MRA with. Common standards among programmes will also aid companies in conducting and documenting their security self-assessments.
- **Transparency:** Closer collaboration among and between Customs Administrations and their AEO programmes participants will lead to more transparency in international commerce. Information exchanged between these partners expedites and facilitates the movement of commerce across nations.

How can an eligible AEO obtain fewer controls by partner MRA Customs administration?

An AEO can enjoy the facilitation benefits provided by the partner Customs administration, only after exchanging their AEO status and associated trader identification number (TIN) to the overseas importers so that overseas importers/brokers can declare exporter AEO’s TIN in their import declarations to enjoy the MRA benefits. Overseas importers need not be AEO-certified.

What type of information is being exchanged under MRAs and how is this protected?

AEO membership information is exchanged between MRA partners in order for members to be recognized as low risk in the other country's Customs clearance systems. The type of data exchanged will vary based on the agreed upon information during MRA negotiations, but generally, data will include: name of the AEO member; address of the AEO member; membership status of the AEO member; and any other details that may be mutually determined between the Customs administrations. Data exchanged and collected by MRA partners are used solely for the purposes of MRA facilitation and adhered to protection of information measures outlined in the MRA between Customs administrations.

If an economic operator's AEO membership is suspended, will it still receive benefits under an MRA?

Only those AEO members with a valid approved membership status are eligible to receive benefits from an MRA.

Are companies doing business in countries having Mutual Recognition exempt from filing the advanced cargo declaration or the security filing requirements?

Mutual Recognition does not exempt any partner's AEOs, from complying with other mandated requirements. By the same token, Mutual Recognition does not replace any of cargo enforcement strategies. Importers, for instance, still need to comply with the security filing requirements: electronic submission of advance electronic data, as required under respective legislation.
