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PART II

Statutory Notifications (S. R. O.)

GOVERNMENT OF PAKISTAN

REVENUE DIVISION

(Federal Board of Revenue)

NOTIFICATION

Islamabad, the 28th August, 2020

(CUSTOMS)

S. R. O. 798(I)/2020.—The following draft of certain further amendments, which the Federal Board of Revenue proposes to make in the Customs Rules, 2001, in exercise of the powers conferred by section 219 of the Customs Act, 1969 (IV of 1969), section 50 of the Sales Tax Act, 1990, section 40 of the Federal Excise Act, 2005 and section 237 of the Income Tax Ordinance, 2001 (XLIX of 2001), is hereby published for information of all persons likely to be affected thereby and, as required by sub-section (3A) of section 219 of the Customs Act, 1969 (IV of 1969), notice is hereby given that objections or suggestions thereon, if any, may for consideration of the Board be sent within fifteen days of the publication of the draft amendments in the official Gazette. Objections or suggestions which may be received from any person, before the expiry of the aforesaid period, shall be taken into consideration by the Federal Board of Revenue, namely:—

1783(1-50)

Price : Rs. 80.00

[5964 (2020)/Ex. Gaz.]

DRAFT AMENDMENTS

In the aforesaid Rules, after Chapter-XXXI, the following new Chapter-XXXII shall be added, namely:—

“CHAPTER-XXXII

Authorized Economic Operator Rules

740. The provision of this chapter shall apply to the authorized economic operators (AEOs) certified by a designated authority under section 212A of the Act.

741. **Definitions.**—Unless there is anything repugnant in the subject or context, for the purpose of this chapter,—

- (a) “AEO board” means board of officers constituted under these rules by the Federal Board of Revenue to allow or disallow authorized economic operator status to an entity;
- (b) “authorised economic operator” or “AEO” means a certified entity which fulfills the security criteria and other laid down obligations and derives benefits as prescribed under these rules and may include manufacturers, importers, exporters, custom house agents, brokers, shipping lines, carriers, consolidators, intermediaries, ports operators, airports operators, terminal operators, integrated operators, warehouses, distributors, freight forwarders and logistic service providers;
- (c) “Director or Collector” means the Director or Collector AEO in whose jurisdiction business premises of an authorized economic operator is located and if more than one such premises exist then the Director or Collector in whose jurisdiction the principal office or head office, duly registered in the sales tax is located.
- (d) “Customs Computerized System” means the customs computerized system as defined in clause (ia) of section 2 of the Act;
- (e) “certificate” means a certificate issued to an entity by the Certifying Authority under these rules;
- (f) “certifying authority” means a Director or Collector AEO in whose jurisdiction business premises of an authorized economic operator is located and who certifies an entity as authorized economic

operator under section 212A of the Act after approval from AEO Board;

- (g) “economic operator” means any entity like a legal person, undertaking or establishment which in the course of business is involved in activities covered under the Act or rules made thereunder;
- (h) “Regulatory Directorate or Collectorate” means the Directorate or Collectorate of AEO in whose jurisdiction an authorized economic operator is located;
- (i) “Mutual Recognition Agreement or MRA” means an international agreement by which two or more countries agree to recognize conformity assessments of authorized economic operators of each other. After signing of MRA, AEO certification notified by one country is recognized by other agreeing country on reciprocal basis; and
- (j) “SAFE framework of Standards” means set of standards devised by World Customs Organization that provide supply chain security and facilitation at a global level to promote certainty and predictability in international trade.

(2) All other words and expressions used, but not defined herein, shall have the same meanings as are assigned thereto in the Customs Act, 1969 (IV of 1969), the Sales Tax Act, 1990 and Federal Excise Act, 2005.

742. Types of authorised economic operator (AEO) certificates.—
The Director or Collector AEO may, on filing application by an economic operator, after approval from the AEO Approval Board, issue the following Authorized Economic Operator Certificates (hereinafter referred to as AEO certificate) to which the applicant may be eligible as per the eligibility conditions and criteria laid down under rule 744:

- (a) Gold Certificate may be granted to importers or exporters. For the purpose of this certificate,—
 - (i) the economic operator shall fulfill the criteria mentioned in sub-rule (2) of rule 744; and
 - (ii) all other requirements as stipulated in sub-rules (3), (4), (5), (6) and (7) of rule 744 shall be considered to have been fulfilled if information and documents submitted by the applicant have been physically verified by customs by visiting

the concerned places or premises of the applicant and found to be true to the satisfaction of the Director or Collector AEO.

- (b) Platinum Certificate may be granted to importers or exporters. For the purpose of this certificate,—
 - (i) the economic operator shall be eligible for Platinum certification after successfully availing the status of Gold category for at least twelve months; or
 - (ii) the economic operator must be a Gold certificate holder, and its other business partners namely importers or exporters, Logistics service providers, Custodians, Terminal operators, Customs Brokers and Warehouse operators are holders of Gold or Silver certificate or any other equivalent AEO certificate granted by foreign Customs.
- (c) silver certificate may be granted to categories of economic operators other than importers and exporters, including Logistics Providers, Custodians or Terminal and off-dock terminal Operators, Customs Agents and Warehouse Operators. For the purpose of this certificate:—
 - (i) the economic operator should fulfill the criteria mentioned in sub-rule (2) of rule 744; and
 - (ii) all other requirements as stipulated in sub-rules (3), (4), (5), (6) and (7) of rule 741 shall be considered to have been met if the information and documents submitted by the applicant have been physically verified by the customs by visiting the concerned places or premises of the applicant, and found to be true to the satisfaction of the Director or Collector AEO.

743. Application for AEO status.—(1) Application for AEO status may only be accepted from an economic operator which in the course of business is involved in activities covered by customs legislation.

(2) An applicant for grant of any of the aforesaid three AEO statuses, namely gold, platinum and silver, should submit the application as per Appendix-A, which contains ten annexures. An applicant is required to fill-in and submit only those annexures which may be applicable to him, as mentioned in the Table below, namely:—

TABLE

Sr. No.	Annexure	Subject	Application for grant of		
			(4)		
			Gold	Platinum	Silver
(1)	(2)	(3)	(i)	(ii)	(iii)
1	Annexure-A	Application Form	YES	YES	YES
2	Annexure-B	Security Plan	YES	YES	YES
3	Annexure-C	Business Process Map	YES	YES	YES
4	Annexure-D	Site Plan	YES	YES	YES
	Annexure-E	Self-Assessment Form			
5	Annexure-E.1	General Compliance	YES	YES	YES
6	Annexure-E.2	Legal Compliance	YES	YES	YES
7	Annexure-E.3	Managing commercial and (where appropriate) transport records	YES	YES	YES
8	Annexure-E.4	Financial Solvency	YES	YES	YES
9	Annexure-E.5	Safety and Security	YES	YES	YES
10	Annexure-F	Business Partner Details	NO	YES	NO

Note: Annexure E.5 itself is in seven parts E.5.1 to E.5.7 and all of them need to be filled in for grant of Gold, Platinum or Silver status.

(3) In case the applicant is already holder of any one of the three AEO certificates, he shall clearly highlight in its application all the changes in respect of any information and documents submitted earlier, with a view to expeditious processing of the application by the regulatory directorate or collectorate.

(4) The applicant shall nominate a readily accessible central point or contact person within the administration of the applicant, in order to make available to the regulatory directorate **or** collectorate all the information necessary for proving compliance with the requirements for issuing the AEO certificate.

(5) The application should be sent to the director or collector AEO having jurisdiction of the competent regulatory directorate or collectorate.

(6) All communication between AEO applicants and Customs shall be online through secure communication mediums including registered e-mail.

744. Eligibility conditions and criteria for grant of AEO status.—(1) Any economic operator applying for AEO status must fulfill the following criteria in order to qualify for an AEO authorization—

- (a) have an appropriate record of compliance with customs requirements;
 - (b) have a satisfactory system of managing commercial and, where appropriate, transport records, which allows appropriate customs controls;
 - (c) demonstrate, where appropriate, proven financial solvency;
 - (d) practical standards of competence or professional qualifications directly related to the activity carried out; and
 - (e) maintenance of appropriate security and safety standards.
- (2) Eligibility to apply for AEO certificate—
- (a) any entity involved in the international supply chain that undertakes Customs related activity in Pakistan can apply for AEO status. Such entity may include exporters, importers, logistic providers such as carriers, airlines, freight forwarders, etc., custodians or terminal operators, Customs House Agents and Warehouse Owners, port operators, authorized couriers, stevedores etc. In case of importers and exporters, at the time of filing of AEO application, annual turnover of the business must be 2.5 million USD or above while applying for gold or platinum status;
 - (b) businesses that are not involved in Customs related work or activities will not be entitled to apply. Thus banks, insurance companies, consultants and the like categories of businesses shall not be eligible for AEO status;
 - (c) application for AEO status will only cover the legal entity of the applicant and shall not automatically apply to a group of companies;
 - (d) there is no provision to grant AEO status to specific site, division or branch of legal entity of the applicant. The application must cover all the activities and locations of the legal entity involved in the international supply chain and the prescribed criteria will be applied across all those activities and locations;
 - (e) in order to apply for AEO status, the office of the applicant must be established in Pakistan. For this purpose, the applicant should provide evidence which may include—

- (i) NTN and STRN certificates;
 - (ii) a certificate of registration issued by the Registrar of Companies;
 - (iii) details of places and locations where goods are being handled, e.g. loading, unloading, storage etc., in the course of supply to or from international supply chain; and
 - (iv) proof that the business has its own accounts;
- (f) the applicant should have business activities for at least three financial years preceding the date of application. However, in exceptional cases, on the basis of physical verification of internal controls of a newly established business entity, the Director or Collector AEO may consider it for certification;
- (g) an AEO status shall apply only to the legal entity applying for such status in its own capacity and covering only its role in the international supply chain, and will not confer similar status on its business partners or clients who will need to apply separately for that status;
- (3) Legal Compliance—
- (a) an entity must have a clean tax profile which means that there should be no show cause notice issued during last three financial years involving serious violations of law including fraud, forgery, outright smuggling, illegal removal of goods, illegal claim of duty drawback or sales tax refunds, illegal availing of tax exemptions;
 - (b) there should be no case wherein prosecution has been launched or is being contemplated against the applicant or its senior management;
 - (c) if the quantum of disputed duty demanded or drawback demanded or sought to be denied, in all the show cause notices issued under the Act other than those mentioned in clause (a) and (b) during the last three financial years, is less than ten percent of the total duty paid and drawback claimed during the same period, a review would be taken of the nature of cases and decision for eligibility may be taken by the Director or Collector AEO after taking into account all aspects and circumstances of the disputed cases.

Explanation: for clauses (a), (b) and (c) the cases where the show cause notices have been dropped or decided in favour of the

applicant by the adjudicating or appellate authorities shall not be considered;

- (d) where applicable, the applicant has satisfactory procedures in place for the handling of imports and exports connected to prohibitions and restrictions including measures to distinguish goods subject to the prohibitions or restrictions from other goods and measures to ensure compliance with those prohibitions and restrictions;
- (e) an applicant will also need to demonstrate that he has—
 - (i) procedures in place to identify and disclose any irregularities or errors to the Customs authorities or, where appropriate, other regulatory bodies; and
 - (ii) taken appropriate remedial action when irregularities or errors are identified;
- (f) once an error has been identified, the applicant is expected to take steps to ensure that they do not happen again or, at least, to ensure that they are immediately rectified if they do arise. Failure to take such steps could count against applicant;
- (g) in case of applicant being a sole proprietorship, the criteria laid down in clauses (a) to (f) shall be considered to be fulfilled if, over the last three years, the applicant and where applicable the person in charge of the applicant's customs matters have not committed any serious infringement or repeated infringements of customs legislation and taxation rules and have had no record of serious criminal offences relating to their economic activity;
- (h) in case of applicant not being a sole proprietorship, the criterion laid down in clauses (a) to (f) shall be considered to be fulfilled where, over the last three years, none of the following persons has committed a serious infringements of customs legislation and taxation rules or has had a record of serious criminal offences relating to his economic activity—
 - (i) the applicant;
 - (ii) the persons in charge of the applicant company or exercising control over its management; and
 - (iii) the person in charge of the applicant's customs matters:

Provided that the criterion referred to in sub-rules (a) to (f) may be considered to be fulfilled where the regulatory directorate or collectorate considers an infringement to be of minor importance, in relation to the number or size of the related operations, and the customs authority has no doubt as to the good faith of the applicant;

- (i) in case the applicant entity is established for less than three years as a result of a corporate re-organization, the customs authorities shall consider the customs activities performed by the pre-existing company provided that they are un-changed;
- (j) the applicant or the person in charge of the applicant's customs matters complies with one of the following practical standards of competence—
 - (i) a proven practical experience of a minimum of three years in customs matters; and
 - (ii) the applicant or the person in charge of the applicant's customs matters has successfully completed training covering customs legislation consistent with and relevant to the extent of his or her involvement in customs related activities, provided by any of the following, namely:—
 - (A) a customs training authority providing such qualification;
 - (B) a national or foreign educational establishment recognized by the customs authorities, for the purposes of providing such qualification; and
 - (C) a national or foreign professional or trade association recognized by the customs authorities for the purpose of providing such qualification;
- (k) it should be noted that the person in charge of the applicant's customs matters can be an employee of the applicant or a contracted person. The applicant has to prove that the contracted person is actually the one in charge of the applicant's customs matters;
- (l) in case of outsourced customs activities, it is sufficient that either the applicant, the applicant's employee in charge of customs matters or contracted person fulfils the criterion. If the applicant

outsources its customs activities to more than one contracted person, the criterion must be fulfilled by all of them; and

- (m) it should be noted that when the applicant has an internal office or department involved in customs matters which allows the supervision and control on the customs formalities that have been outsourced, the criterion can be fulfilled by the applicant.

(4) Managing commercial and (where appropriate) transport records.—

- (a) the applicant must have a satisfactory system of managing commercial and, where appropriate, transport records. To enable the regulatory directorate or collectorate to establish that the applicant indeed has such a system, the applicant shall—

- (i) maintain an accounting system consistent with Generally Accepted Accounting Principles (GAAP) or International Financial Reporting Standards (IFRS) which facilitates audit-based Customs control;
- (ii) have an administrative set up which corresponds to the type and size of business and which is suitable for the management of the flow of goods and have internal controls capable of detecting illegal or irregular transactions;
- (iii) wherever applicable, have satisfactory procedures in place for the handling of licenses and authorizations connected to export or import;
- (iv) have satisfactory procedures in place for archiving of the company's records and information, and also for protection against the loss of information;
- (v) ensure that employees are made aware of the need to inform the Customs authorities whenever compliance difficulties are discovered and establish suitable contacts to inform the Customs authorities of such occurrences;
- (vi) have satisfactory procedures for verifying the accuracy of Customs declarations; and
- (vii) have appropriate information technology security measures to protect the applicant's computer system from un-authorized intrusion and to secure the applicant's documentation.

- (b) allow the customs authority physical access to its accounting systems and where applicable, to its commercial and transport records; and
 - (c) allow the customs authority electronic access to its accounting systems and where applicable to its commercial and transport records where those systems or records are kept electronically;
 - (d) have satisfactory procedures in place for the archiving of its records and information and for protection against the loss of information; and
 - (e) have appropriate security measures in place to protect the applicant's computer system from un-authorised intrusion and to secure the applicant's documentation.
- (5) Financial solvency—
- (a) financial solvency shall mean a good financial standing which is sufficient to fulfill the commitments of the applicant, with due regard to the characteristics of the type of business activity. Generally, consistent profitability of a business (importers or exporters), having annual turnover of 2.5 million USD or above, will be considered financially solvent, however, there may be exceptions in certain cases when sisters companies operate and consistent profitability of one business provides financial support to the related business which might not be profitable directly, but it contributes to the profitability of the other related business. For instance, a marketing company and a manufacturing company can operate as sister concerns in such a way that the marketing company only incurs expenditure while promoting sales of the manufacturing company and the considerable or consistent profits made by the manufacturing company, then, render both sister-concern companies as financial solvent. Thus, in case of group of companies, over all model of operations and profitability needs to be observed while deciding the condition of financial solvency;
 - (b) the applicant's financial solvency shall be deemed to have been met if his solvency can be proven for the last three years. If the applicant has been established for less than three years, his financial solvency shall be judged on the basis of records and information that are available;
 - (c) evidence of financial solvency can be provided through any of the following, namely:—
 - (i) a statement from the applicant's auditors or an audited report;

- (ii) a copy of their finalised accounts if the accounts have not been audited;
- (iii) evidence from a bank or financial institution;
- (iv) a guarantee from a parent company regarding financial support;
- (v) a list of any personal assets that are used to support the solvency of the business;
- (vi) official records of insolvencies, liquidations and administrations;
- (vii) the record for the payment of customs duties and all other duties, taxes or charges which are collected on or in connection with the importation or exportation of goods during the last three years;
- (viii) the published financial statements and balance sheets of the applicant covering the last three years in order to analyse the applicant's ability to pay their legal debts;
- (ix) draft accounts or management accounts, in particular any interim reports and the latest cash flow, balance sheet and profit and loss forecasts approved by the directors or partners or sole proprietor, in particular where the latest published financial statements do not provide the necessary evidence of the current financial position or the applicant has a newly established business;
- (x) the applicant's business case where the applicant is financed by a loan from a financial institution and confirmation from that institution;
- (xi) the conclusions of credit rating agencies or credit protection associations;
- (xii) other evidence which the applicant may provide, for example a guarantee from a parent (or other group) company that demonstrates that the applicant is financially solvent; and
- (xiii) higher annual turnovers with consistent net profits will be an important indication that a business is financially viable and solvent.

- (d) an applicant must be financially solvent during the three financial years preceding the date of application. The applicant should not be listed currently as insolvent, or in liquidation or bankruptcy. Further, the applicant should not have defaulted in payment of due Customs duties during the past three years. The applicants must submit an undertaking regarding its solvency and a Solvency Certificate issued by the Statutory Auditor of the applicant.

(6) Safety and security- The applicant must have in place appropriate internal controls and measures to ensure safety and security of applicant's business and supply chain, in addition to any specific legal requirements that may be applicable to the business. In order to satisfy the requirements of AEO status, the applicant shall need to ensure security of procedures, cargo, conveyances, premises, personnel and business partners. The applicant's security and safety standards shall be considered to be appropriate if the following conditions are fulfilled, namely:—

(a) Procedural Security—

- (i) in order to ensure security of the international supply chain, the applicant must have in place appropriate internal controls and measures to ensure safety and security of procedures relating to applicant's business and his supply chain. With this view, following criteria should be fulfilled by the applicant;
- (ii) the applicant must develop and maintain a security policy and procedure manual containing detailed guidelines on procedures to be followed to preserve the integrity of the cargo while in custody, during loading and unloading from transport conveyance and during transport. The manual should also stipulate how seals are to be controlled and affixed to cargo and transport conveyances;
- (iii) security measures must be in place to ensure the integrity and security of processes relevant to the transportation, handling, and storage of cargo in the supply chain;
- (iv) proper documentation of management procedure must be in place to ensure that all documentation used in the clearing of cargo is legible, complete, accurate and protected against the exchange, loss or introduction of erroneous information;
- (v) procedure must be in place to ensure that information received from business partners is reported accurately and timely as well as declared in the time limit regulated by Customs; and

- (vi) procedure must be in place to ensure that—
 - (A) import and export cargo are reconciled against the information on the bill of lading;
 - (B) the weights, labels, marks and piece count of the import or export cargo are accurately indicated;
 - (C) import and export cargo are verified against purchase or delivery orders;
 - (D) drivers delivering or receiving cargo are positively identified before cargo is received or released; and
 - (E) all shortages, overages, and other significant discrepancies or anomalies must be resolved or to be investigated appropriately.

- (b) Premises security, in order to ensure security of the international supply chain, the applicant must ensure that the buildings to be used in connection with the operations to be covered by the certificate are constructed of materials which resist unlawful entry and provide protection against unlawful intrusion. In addition, the applicant must ensure that appropriate access control measures are in place to prevent unauthorized access to loading, unloading areas and cargo areas. The following criteria shall be fulfilled by the applicant, namely:—
 - (i) buildings must be secure against unlawful entry;
 - (ii) all gates, fences and windows must be secured with locking devices or alternative access monitoring or control measures;
 - (iii) authorized personnel must control the issuance of locks and keys;
 - (iv) adequate internal and external lighting must be provided especially for entrances and exits, cargo handling and storage areas, fence lines and parking areas;
 - (v) gates through which vehicles or personnel enter or exit must be manned, monitored or otherwise controlled. Vehicles accessing restricted areas must be parked in approved area and their license plate numbers furnished to Customs upon request;

- (vi) only properly identified and authorized persons, vehicles and goods may be permitted access;
 - (vii) access to document or cargo storage areas may be restricted;
 - (viii) there should be appropriate security systems for access control;
 - (ix) restricted areas should be clearly identified;
 - (x) integrity of structures and systems must be periodically inspected;
 - (xi) perimeter fencing should enclose the areas around cargo handling and storage facilities;
 - (xii) clear demarcation within a cargo handling structure should be created to segregate domestic, international, high value and hazardous cargo;
 - (xiii) the number of gates should be kept to the minimum necessary for proper access and safety;
 - (xiv) unauthorized vehicles should be prohibited from parking in or adjacent to cargo handling and storage areas;
 - (xv) a large manufacturer might have to have a perimeter wall or fence, security guards, and CCTV; and
 - (xvi) cameras etc. while for a customs agent operating from a single room in a building with locks on doors, windows and filing cabinets it may be sufficient to have a detailed procedure for access control including responsibilities;
- (c) Cargo security- In order to ensure security of the international supply chain, the applicant must have in place appropriate measures for the handling of goods which include protection against the introduction, exchange or loss of any material and tampering with cargo units. The following criteria shall be fulfilled by the applicant, namely:—
- (i) only properly identified and authorized persons should have access to the cargo;

- (ii) integrity of cargo should be ensured by permanent monitoring or keeping in a safe, locked area;
 - (iii) all seals must meet the international standards for high security seals, for containerized cargo, only PAS or ISO 17712 seals shall be used, however in case of loose cargo, security seals compatible with international standards shall be used;
 - (iv) the integrity of container seals should be checked by the authorized person by following the procedure prescribed in the security policy manual;
 - (v) only authorized personnel should distribute container seals and safeguard their appropriate and legitimate use;
 - (vi) when appropriate to the type of cargo container used, a seven-point inspection process is recommended: front wall, left side, right side, floor, ceiling or roof, inside or outside doors, outside or undercarriage;
 - (vii) appropriate procedures should be laid down on measures to be taken when an unauthorized access or tampering is discovered;
 - (viii) goods should be uniformly marked or stored in designated areas and procedures should exist to weigh and tally them and also to compare these against transport documents, purchase or sales orders and customs documents;
 - (ix) internal control procedures should exist when discrepancies or any irregularities are discovered;
 - (x) there must be designated areas for all stages. Goods shall not be left unsupervised outside of their designated areas; and
 - (xi) if the company uses container seals, they must be stored, handled and fixed appropriately. They shall be stored under lock and key, removal recorded, and fixed by two persons.
- (d) Conveyance security- In order to ensure security of the international supply chain, the applicant must ensure that the conveyances to be used in connection with the operations to be covered by the certificate are handled in a manner which ensures security of the cargo. With this view, the applicant shall—

- (i) ensure to the extent possible that all conveyances used for the transportation of cargo within the supply chain are capable of being effectively secured;
 - (ii) ensure to the extent possible that all operators of conveyances used for transport of cargo are trained to maintain the security of the conveyance and the cargo at all times while in its custody;
 - (iii) require operators to report actual or suspicious incident to designated security department staff of the applicant company as well as to maintain records of these reports, which should be available to the regulatory directorate or collectorate;
 - (iv) ensure that potential places of concealment of illegal goods on conveyances are regularly inspected;
 - (v) ensure that transporters make sure that conveyance integrity is maintained while the conveyance is en-route transporting cargo to export and import points or import or transit containers by utilizing a tracking and monitoring activity log or records.
 - (vi) ensure that pre-determined routes are identified by the dispatcher, and procedures must consist of random route checks along with documenting and verifying the length of time between the loading point or trailer pickup and the delivery destinations;
 - (vii) ensure that drivers must notify the dispatcher of any route delays due to weather, traffic and re-routing; and
 - (viii) ensure that the management of transporters must perform a documented, periodic, and random verification process to ensure the logs are maintained and conveyance tracking and monitoring procedures are being followed and enforced.
- (e) Personnel security: In order to secure the international supply chain, the applicant must conduct, as far as possible, security screening of prospective employees to be employed in security sensitive positions, and carry out periodic background checks. With this view, following criteria should be fulfilled by the applicant, namely:—

- (i) all reasonable precautions must be taken when recruiting new staff to verify that they are not previously convicted of security-related, Customs or other criminal offences;
 - (ii) periodic background checks must be conducted on employees working in security sensitive positions;
 - (iii) employee identification procedures should require all employees to carry proper identification that uniquely identifies the employee and organization;
 - (iv) procedures to identify, record and deal with unauthorized or unidentified persons, such as photo identification and sign-in registers for visitors etc. must be ensured at all points of entry; and
 - (v) procedures must be in place to expeditiously remove identification and access to premises and information for employees whose employment is terminated.
- (f) Business partner security: In order to secure the international supply chain, the applicant must have implemented measures to ensure a clear identification of his business partners. With this view, following criteria should be fulfilled by the applicant, namely:—
- (i) the applicant must have written and verifiable process, including the capability of financial soundness and compliance with the safety requirement set by the contracts as well as the capability of detection and correction of safety defects, for the selection of business partners;
 - (ii) for those business partners having AEO certification, the applicant must get those business partners' copies of certification;
 - (iii) for non-AEO partners, the applicant must get written confirmation of meeting AEO equivalent security criteria. Such business partners must have one of the following written documents demonstrating their compliance with security criteria, namely:—
 - (A) contractual document;

- (B) a completed self-assessment security questionnaire from the applicant;
 - (C) a written statement from the business partner demonstrating their compliance with AEO security criteria provided under these rules;
 - (D) senior business partner officer attesting to compliance; and
 - (E) documents from the business partners demonstrating their compliance with an equivalent and accredited security program administered by a foreign Customs authority; and
- (iv) periodic reviews of business partner's processes and facilities must be conducted based on risk, and must maintain the security standards required by the applicant.
- (g) Security Training and Threat Awareness.—In order to secure the international supply chain, the applicant must ensure that its concerned employees actively participate in security awareness programmes. With this view, following criteria should be fulfilled by the applicant, namely:—
- (i) the applicant should ensure that—
 - (A) a threat awareness program is established and maintained for employees to foster awareness of the threat at each point in the supply chain;
 - (B) employees are aware of the procedures the company has in place to address a situation and how to report it; and
 - (C) specific training is offered to assist employees in maintaining cargo integrity, recognizing internal conspiracies and protecting access controls.
 - (ii) supply chain security training of employees must include the following items, namely:—
 - (A) security policy of the company;
 - (B) potential risk to internal security of the company;

- (C) maintaining cargo security;
 - (D) access control measures of the company;
 - (E) identifying and reporting suspicious cargo and personnel; and
 - (F) conveyance management and cargo security for conveyance management personnel.
- (iii) Records of security training must be maintained and made available for verification by the AEO Team and the Customs.
- (7) Risk based Management System—
- (a) a risk based management system shall be in place, which shall allow for—
 - (i) a continual cycle of identifying needs or requirements;
 - (ii) evaluating the best means for complying with the requirements;
 - (iii) implementing a managed process for applying the selected management actions;
 - (iv) monitoring the performance of the system; and
 - (v) maintaining evidence of the application of processes used to meet business objectives, and identify functional or business improvement opportunities, including reporting mechanisms on gaps, incidental mistakes and possible structural errors.
 - (b) above aspects shall be in place within the framework of complying with the legal and regulatory requirements to which the organization subscribes or is required to comply;
 - (c) risk and threat assessment should cover all risks relevant for AEO status, keeping in mind the role of the economic operator in the supply chain and shall include, namely:—
 - (i) security and safety threats to premises and goods;
 - (ii) fiscal threats;

- (iii) reliability of information related to customs operations and logistics of goods;
 - (iv) visible audit trail and prevention and detection of fraud and errors; and
 - (v) contractual arrangements for business partners in the supply chain;
- (d) the risk and threat assessment for security and safety purposes should cover all the premises that are relevant to the economic operator's customs related activities.

745. Procedure for issuing AEO certificates.—(1) Each application shall be acknowledged and recorded in the WeBOC module.

(2) If application is incomplete or deficient, the applicant shall be suitably informed within thirty days of the receipt of application. In following cases, the application shall not be processed until the deficiencies are rectified, namely:—

- (i) when application is incomplete — it may be resubmitted with the complete information;
 - (ii) where the application has not been made by a legal person — It can only be resubmitted by the concerned legal entity;
 - (iii) where no responsible person is nominated as the Point of Contact — This can only be resubmitted when the applicant nominates a responsible person who will be the point of contact for the AEO Programme;
 - (iv) where the applicant is subject to bankruptcy proceedings at the time the application is made — This may be resubmitted when the applicant becomes solvent; and
 - (v) where a previously granted AEO status has been revoked — Application may not be resubmitted until the period as prescribed in sub-rule (6) (d) of rule 751 has elapsed after the date of revocation.
- (3) Rejection of application—
- (a) the application shall not be accepted in any of the cases, namely:—
 - (i) where the applicant is not eligible for grant of AEO status; or

- (ii) where the deficiency noticed in the application cannot be rectified.
- (b) the information regarding the rejection of such application shall be given to the applicant by director or collector AEO within thirty days of the receipt of the complete application; and
- (c) such applicant shall have right to file appeal to review the Customs Department's decision within thirty days from the date of receipt the decision. The Director General/Chief Collector AEO shall review and issue review order within forty-five days from the date of receiving the appeal. The review order shall be considered final.
- (4) Processing of application—
 - (a) on receipt of the complete application and after ensuring that the applicant is eligible to apply, the information and documents submitted by the applicant shall be scrutinized to assess whether or not the eligibility conditions and criteria for granting the AEO certificate as mentioned under the rule 744 are met by the applicant;
 - (b) if necessary, further information and/or documents in support of the claim of the applicant may be called for by an officer not below the rank of Assistant Director/ Collector. Such request shall be sent in writing;
 - (c) all such requests for additional information and/or documents shall be sent in writing;
 - (d) the applicant shall submit such information and/or documents within a reasonable time;
 - (e) in case of an application for grant of Gold or Silver status, the information and/or documents submitted by the applicant shall be scrutinized, and if they are found eligible to the satisfaction of the Director/Collector AEO, the applicant shall be duly intimated within thirty days of submission of the information and/or documents. Thereafter, the successful application will be assigned to a specific AEO Team comprising of two appraising officers, two assistant or deputy directors and one additional director within fifteen days to carry out physical verification of the information and documents. The date for physical verification would be decided by the team in consultation with the applicant. AEO team will proceed in the following manner, namely:—

- (i) the AEO Team of the Directorate/Collectorate will, within thirty days, visit the business premises for verification of the information and documents provided. Such visit shall be made on a convenient date after consulting the applicant;
- (ii) if within forty five days of the date of intimation issued in terms of sub-rule (e), the applicant has not been contacted by the AEO Team for visit, then the applicant should contact the Additional Director/Collector AEO immediately;
- (iii) during the course of such verification, the applicant, for Gold or Silver status, should be prepared to answer questions or provide additional information on all aspects of the application to the visiting AEO team;
- (iv) evaluation of the criteria laid down under rule 744 shall be carried out for all the premises which are relevant to the customs related activities of the applicant for Gold or Silver, status. The evaluation as well as its results shall be documented by the AEO team;
- (v) in case several premises of the applicant are run in a similar way by standard systems of record keeping and security etc. there will be no need for the AEO Team to visit all of them. However, if the business of the applicant covers a range of activities or different premises have different methods of operating, then it may be necessary for more visits to be made;
- (vi) the duration of visit or verification would depend on the size of business, number of premises, how they operate etc. The AEO team will give the applicant for Gold or Silver status an estimate of time required, though this may have to be amended once the verification has commenced. The date(s) for physical verification would be decided by the team in consultation with the applicant. The evaluation by the Team will be carried out as per prescribed criteria provided under rule 744;
- (vii) during the course of physical visit/verification, the person who is nominated in the application form as point of contact must ordinarily be available unless un-foreseeable situation arises. In addition, individuals responsible for specific business activities such as transport, record keeping and security should also be available;

- (viii) on completion of verification, the AEO Team will prepare their report and make a recommendation to the Director/Collector AEO within sixty days of completion of visits or verification. The contents of report and recommendation can be seen by applicant who shall get the opportunity to sign the same, but this shall not be a mandatory requirement; and
- (ix) within thirty days of such recommendation by the AEO Team, the applicant shall be suitably informed, including issue of the appropriate AEO certificate for Gold or Silver status, by the Director or Collector AEO;
- (f) where the application for grant of Gold or Silver status is not accepted by the Director or Collector AEO after verification by the AEO Team, the applicant will be intimated of the criteria that have not been met and the applicant will be given sufficient time to adapt procedures to rectify the deficiency. If applicant is unable to make required changes within the specified time limits, the Director AEO will issue a decision, in writing, to reject applicant's AEO application, explaining the reasons for such rejection;
- (g) in exceptional cases, the physical verification may be held in abeyance by consensus between the applicant for grant of Gold or Silver status and the Director or Collector AEO in order for the applicant to provide additional information or to permit minor problems to be addressed. The period of such suspension or stoppage of physical verification will normally not be longer than six months and applicant will be informed in writing of the date when the AEO verification will recommence and the revised date by which applicant can expect a decision on his application;
- (h) in case, an application for grant of platinum status is submitted by a holder of Gold status, who has been continuously enjoying the Gold status for a period of twelve months or more, the applicant shall be issued the Platinum certificate within thirty days of submission of the application. However, in case of any significant changes in the business or the processes since the previous physical verification by an AEO Team, the applicant may be subjected to physical verification as may be deemed necessary by the Director or Collector AEO by following the procedures under clauses (e), (f) and (g);
- (i) in case, an application for grant of Platinum status is submitted by a holder of Gold status, who has not been continuously enjoying the Gold status for a period of twelve months or more, but who satisfies

the eligibility condition mentioned at sub-rule (c) (ii) of rule 742, the application will be assigned to a specific AEO Team within fifteen days to carry out physical verification of the information and documents submitted in Annexure-F only. The date for physical verification would be decided by the team in consultation with the applicant. Thereafter, the procedures as mentioned in sub-rules (e), (f) and shall be followed:

Provided that in case of any significant changes in the business or the processes since the previous physical verification by an AEO Team, the applicant may be subjected to physical verification as may be deemed necessary by the Director AEO by following the procedures as mentioned in sub-rules (e), (f) and (g).

- (5) Time limit for processing an application—
- (a) The time limit for processing an application is one hundred and twenty days from the date the application is accepted. If the customs authority is unable to meet this deadline this period may be extended by further period of sixty days; and
 - (b) If issues of non-compliance with the qualifying criteria are discovered during the preliminary checks or during the physical inspection the applicant should be given an opportunity to address the issues. In these circumstances, the time period mentioned in sub-rule (4) may be extended indefinitely.

746. **Evaluation by the AEO Team.**—(1) It is the responsibility of the AEO Team to plan and carry out the evaluation with a view to obtaining reasonable assurance as to whether the applicant is compliant with the prescribed criteria.

(2) When carrying out checks for possible infringements, the following shall be taken into account, namely:—

- (a) the assessment of compliance should cover compliance across all customs activities of the applicant;
- (b) the term “infringement” refers not only to the acts which are discovered by Customs on the occasion of checks carried out at the time when the goods are introduced into the customs territory, or being placed under a customs procedure. Any infringements of the customs rules discovered on the occasion of any post clearance control carried out at a later stage, will also be considered and assessed, as well as any infringements that could be discovered

through the use of other customs authorisations and any other source of information available to Customs;

- (c) infringements made by freight forwarders, customs agents or other third parties acting on behalf of the applicant must be also taken into account. The applicant should show evidence that appropriate measures have been put in place to ensure the compliance of persons acting on its behalf such as clear instructions to those parties, monitoring and checking of the accuracy of declarations and remedial action when errors occur;
- (d) failure to comply with National non-customs legislation by the applicant shall not be ignored, although in this case those failures should be considered in the light of the entity's good faith and relevance to its customs activities; and
- (e) where penalties related to a specific infringement are revised by the competent authority following an appeal or review, the assessment of the seriousness of the infringement should be based on the revised decision. Where the penalty for an infringement is withdrawn in full, the infringement shall be deemed not to have taken place.

(3) AEO team shall carryout a site visit, starting at the goods inward department and finishing in the accounts department, via manufacturing, warehousing and goods outward. AEO team may observe the following while evaluating an applicant list is not conclusive and may include other questions as per nature of business and plan chalked out by the AEO Team, namely:—

- (i) receipt of goods and how they are recorded into the system;
- (ii) how are unexpected deliveries of goods managed;
- (iii) ask to see a copy of recent receipts for goods;
- (iv) how is receipt of goods verified before payment is made;
- (v) how are imported and locally purchased goods identified;
- (vi) how are goods tracked into the manufacturing or production process check daily production documents;
- (vii) how are the finished goods tracked into stocks or storage;
- (viii) how are goods released for shipment;

- (ix) what accompanies goods to docks or customer;
- (x) who completes customs documents;
- (xi) who makes customs declarations; and
- (xii) who arranges or books transport;
- (xiii) who owns the goods used by the applicant and where are they stored prior to loading;
- (xiv) how and by whom are the goods checked before loading;
- (xv) depending on the type of goods, is the 7-point check conducted on containers; appropriate;
- (xvi) in relation to the reporting of incidents with incoming goods, storage, production or outgoing goods, who has responsibility;
- (xvii) the company to move its goods normally uses what means of transport;
- (xviii) incoming goods — where and how are they received, are they physically checked, and how are they secured;
- (xix) is there comparison of the goods with the paper work;
- (xx) are goods always expected;
- (xxi) do there exist any requirements for the suppliers?
- (xxii) storage: are regular stock-takes carried out;
- (xxiii) if parts of the processes are carried out at other premises, is this part of the production line;
- (xxiv) process secure? are goods tracked during the production process;
- (xxv) are outgoing goods sealed;
- (xxvi) are paper checks undertaken against the physical goods, do customers impose any security requirements on the packing and loading of goods;
- (xxvii) has functionality of the audit trail been established;

- (xxviii) what computer system does the company use - Mainframe, mini, PC network, or stand alone PC;
- (xxix) does the system suit the volume and type of business being conducted by the operator;
- (xxx) what is the separation of functions between the development, testing and operational areas;
- (xxxix) what is the separation of functions between the different company departments?
- (xxxii) who is responsible for what;
- (xxxiii) it must be confirmed with the economic operator that customs be given physical or electronic access at all times;
- (xxxiv) how is access to various parts of the system controlled;
- (xxxv) are different systems used for the financial and logistical administration, what software packages are used, is it bespoke (tailored package) or a standard package?
- (xxxvi) who supplied the software package and who provides maintenance;
- (xxxvii) if applicable, does the system able to differentiate/separate between imported and locally purchased goods;
- (xxxviii) what are the links between the financial and logistical systems;
- (xxxix) where are computer activities undertaken, are any computer or accounting activities undertaken off site;
- (xl) check the procedures for staff in the purchase, storage, production and sales department;
- (xli) does the applicant regularly and fully review/audit procedures? if procedures are changed, how are the changes notified to staff;
- (xlii) can the applicant provide any evidence of where remedial action was taken to correct deficiencies;
- (xlili) have any of these procedures been ISO approved or subject to any external audit?

- (xliv) what are their procedures for changing standing data;
- (xlv) what are the applicant's procedures for the sale/purchase of goods and delivery of goods to their premises;
- (xlvi) what procedure has the applicant for controlling stock movements and manufacturing processes;
- (xlvii) check the procedures for back up, recovery, fall back, archiving and retrieval of business records;
- (xlviii) how long are records kept;
- (xlix) where is the main server located;
 - (l) details of how the main server is secured;
 - (li) in relation to firewalls, virus protection, access and password control, what are the documented procedures;
 - (lii) what procedures are in place for the protection of documents and paper records;
 - (liii) how are the external boundaries of the premises secured? (type of buildings, windows, gates and fences, burglar alarm systems and CCTV systems);
 - (liv) how many access points to the building are there and how are they controlled, loading bay doors should be locked unless container is present;
 - (lv) is there key control and key holders;
 - (lvi) is there adequate lighting, where required;
 - (lvii) who controls the codes for alarms;
 - (lviii) how long are CCTV images retained, who monitors the screens;
 - (lix) does the plant operate on a twenty four hours and seven days a week basis;
 - (lx) how is visitor and subcontractor access controlled, do visitors report to reception and wear badges, are badges returned;

- (lxi) are there car park controls;
- (lxii) how would an unauthorised access be handled;
- (lxiii) is there internal control of movement of staff and visitors, only authorised personnel should have access to loading bays;
- (lxiv) are there regular checks made on buildings and access controls;
- (lxv) does applicant employ a recognized consultant that will perform a background check on their behalf while making recruitments; and
- (lxvi) while making recruitments, does there exist sufficient checks to ensure hiring of employees with clean background.

747. **Approval.**—All AEO applications, after being thoroughly evaluated, as provided under these rules, shall be placed before the AEO Board for decision regarding grant of AEO status or otherwise. AEO Board can allow or disallow AEO status to an applicant on the basis of evaluation report, and can also order for further evaluation.

748. **Certification.**—(a) upon approval to grant AEO status, Director/ Collector AEO shall issue the Certificate of AEO status to the applicant in hard copy along with endorsing an electronic copy through WeBOC;

(b) the Certificate shall bear the ‘AEO logo’ that may be used by an AEO at entity’s stationary, on vehicles or at other publicity materials where it is appropriate to do so. The copyright for the logo shall be owned by the Directorate General or Collectorate of AEO on behalf of Pakistan Customs; and

(c) the AEO status shall be registered and activated in WeBOC. The AEO, after acquisition of a valid AEO Certificate, shall apply for AEO user ID to the WeBOC Registration Authority which shall be issued within a week from the date of issuance of AEO Certificate.

749. **Benefits of an AEO Certificate.**—The scope of the benefits to the AEOs based on their status would be as under:

- (1) Benefits for Gold status—
 - (a) priority placement/front line of treatment shall be accorded under WeBOC module for all processes including assessment, examination and scanning to ensure shorter cargo release time;

- (b) facility of Direct Port Delivery (DPD) of their import Containers and or Direct Port Entry (DPE) of their Export Containers would be available. A special space shall be earmarked at port or terminal area for handling AEO containers for speedy clearance;
 - (c) ID cards to be granted to authorized personnel for hassle free entry to Custom Houses, terminals, off-dock terminals and dry ports;
 - (d) wherever feasible, they will get separate parking space and sitting/waiting area earmarked in Custom Houses, terminals, off-dock terminals, dry ports etc;
 - (e) in case they are required to furnish a Bank Guarantee, the quantum of the Bank Guarantee would be fifty percent of that required to be furnished by an importer and exporter who is not an AEO Certificate Holder; and will provide PDC or corporate guarantee for the remaining fifty percent;
 - (f) they will not be subjected to regular transactional PCA, instead of that onsite entity-based PCA will be conducted;
 - (g) they will be allowed 24/7 clearances on request, if required, at all customs clearance stations;
 - (h) in case where laboratory analysis is required for assessment purposes, the sample from AEO consignment shall be retrieved and consignment shall be released provisionally except for agricultural goods; and
 - (i) the duty drawback claims filed through Customs Computerized System along-with Bank Credit Advice (BCA) shall automatically be placed at top of the queue and processed on priority;
 - (j) The refund claims of Sales Tax and Federal Excise Duty, after submission of complete documents, shall be processed on priority.
- (2) Benefits for Platinum status may be provided over and above the benefits offered in, Gold category, namely:—
- (a) they shall get trade facilitation by a foreign Customs administration with whom Pakistan enters into a mutual recognition agreement or arrangement.
 - (b) in case they are required to furnish a Bank Guarantee/pay order, the AEO Certificate Holder may provide Post Dated Cheque or corporate guarantee for the required amount.

- (c) they shall be given choice of location for control and clearance (on-site inspection and examination) of goods at the premises of the authorized economic operator.
- (d) random select on for checks, without prior approval from FBR, will be avoided by other government agencies. An approach based on specific information and Risk based interventions, in case of requirements originating from the Acts administered by other Government Agencies and Departments, will be adopted for providing better facilitation in imports and export of their consignments.
- (e) automated disbursal of drawback amount and sales tax refunds by giving priority treatment.
- (f) the duty drawback claims filed through Customs Computerized System along with Bank Credit Advice (BCA) shall automatically be placed at top of the queue and processed on priority;
- (g) the refund claims of Sales Tax and Federal Excise Duty, after submission of complete documents, shall be processed on priority.

(3) **Benefits for Silver status.**—The following benefits would be provided to Silver category:

Sr. No.	Entity	Facilities to be provided
(1)	(2)	(3)
1	Bonded Carrier, Transport Operator	(a) Waiver of 25% bank Guarantee in case of trans-shipment or transit of goods.
2	Terminal Operators and Off Dock Terminals	(a) Substitution of 25% bank Guarantee with corporate guarantee.
3	Customs Agents or Brokers	(a) Waiver of submission of security certificates. (b) Extended validity (till validity of AEO status) of licenses granted under Customs Rules 2001. (c) Waiver from fee for renewal of license required under Customs Rules 2001.
4	Warehouse Licensees or Operators	(a) Faster approval for new warehouses within 15 days of submission of complete documents. (b) Waiver of insurance.

750. **AEO Code.**—AEO code shall be constructed as follows, namely:—

- (a) part 1: the first two letters shall always indicate the country, *i.e.* Pakistan.

- (b) part 2: the next four letters will indicate the Directorate or Collectorate that issued the authorization;
- (c) part 3: the next two letters or digits will indicate the type of authorization i.e. Gold, Platinum and Silver.
- (d) part 4 the final part of the number will be a series of 8 digits issued automatically by the system;
- (e) an example of an AEO number for Gold Certificate is as follows: PK-EPPQ-GD-00000027 [*i.e.* Pakistan (PK) Exports Port Qasim (EPPQ) GC (Gold Certificate) Serial Number 00000027].

751. Post-certification Provisions.—

(1) **Validity of AEO Certificate.**—The validity of AEO certificate shall be two years for Gold, three years for Platinum and Silver.

(2) **Renewal of AEO certificate.**—The AEOs, if they so desire to continue their AEO status and avail the benefits, must submit their application for renewal of AEO certificate before expiry of validity as per the following:—

Sr	AEO Status	Time limit for submission of application for renewal before lapse of validity
(1)	(2)	(3)
1	Gold	45days
2	Platinum	45 days
3	Silver	45 days

- (b) while submitting the application for renewal, the applicant shall clearly highlight the changes from the last application; and
 - (c) Director or Collector AEO and AEO team may consider the renewal applications by following the procedure adopted while granting fresh AEO status.
- (3) **Maintenance of AEO Status—**
- (a) after obtaining AEO status, the AEO status holder should maintain their eligibility by adhering to the prescribed criteria.
 - (b) The holder of a Certificate of AEO Status is required to inform Director or Collector AEO any significant change in business and

processes which may affect the AEO status. These changes may include the following:

- (i) changes to the legal entity;
 - (ii) change of business name and address;
 - (iii) change in the nature of business i.e. manufacturer or exporter etc.;
 - (iv) changes to accounting and computer systems;
 - (v) changes to the senior personnel responsible for Customs matters;
 - (vi) addition or deletion of locations or branches involved in international supply chain;
 - (vii) Any other change relevant to the AEO holder;
- (c) the AEO status holder should notify the AEO Team as soon as the change is known or, at least within 14 days of the change taking place;
- (d) if the legal entity changes, the AEO status holder needs to reapply for AEO in the name of new legal entity; and
- (e) if the AEO status holder makes customs related errors, they must be reported to the relevant “Deputy Collector AEO Relationship” as well as the AEO Team. Errors that are voluntarily disclosed will not impact the AEO status provided that the AEO status holder has;
- (i) examined the reasons for the errors; and
 - (ii) taken appropriate remedial action to prevent recurrence;

(3) Review of AEO status,-The AEO team shall review AEO status periodically to ensure continued adherence to the conditions and standards of grant of certificate of AEO status. The AEO status holder shall continue to re-assess its compliance with the conditions of certification and act upon any identified problems as soon as they arise. The frequency of such review shall be two years, three years and three years in case of Gold, Platinum and Silver respectively. As far as possible, the review and the onsite Post Clearance Audit, if applicable, shall be conducted simultaneously and necessary liaison will be

maintained between the Directorates of PCA and the Directorates or Collectorates of AEO.

(Note: AEO evaluation primarily evaluates the governance of an entity while Post Clearance Audit aims to check legality of clearances and correct payment of leviable duty or taxes).

- (4) Suspension or downgrading of AEO status—
- (a) an AEO authorization may be suspended by the AEO Board in the following circumstances:—
- (i) where any non-compliance with the conditions or criteria for the Certificate of AEO status has been detected; or
- (ii) where there is sufficient reason to believe that an act, which gives rise to criminal court proceedings and linked to an infringement of the customs rules, has been perpetrated by the AEO; and
- (iii) in the case of a Custodian or Custom Agent or Warehouse Operator, where the basic license as a Custodian or Custom Broker or Warehouse Operator, as the case may be, has been suspended by the competent authority;
- (b) if any customs officer discovers any of the above, the competent AEO Directorate should be contacted immediately;
- (c) in the case of an AEO importer or an AEO exporter, if any show cause notice has been issued alleging infringement of duty and taxes, other than those covered under sub-rule (3)(a) of rule 744, the regulatory Director or Collector AEO may downgrade the status of an Platinum to Gold or suspend the status of the AEO, as deemed appropriate. The decision shall be taken after due diligence and on careful evaluation of the material evidence and arguments against the AEO of the case. The regulatory Director or Collector AEO may consult the jurisdictional field formations before arriving at the final decision in this regard;
- (d) depending on the circumstances the authorization may:
- (i) be suspended immediately;
- (ii) the suspension may be postponed pending a court decision; and

- (iii) the operator may be given 30 days to regularize or correct the situation. This period may be extended by another 30 days if the trader can provide evidence;
 - (e) if the operator fails to take the necessary measures within the suspension period provided, the regulatory Director AEO will revoke the authorization and will communicate the same to the operator accordingly; and
 - (f) where an AEO is temporarily unable to meet any of the criteria they may request suspension of their authorization. In such circumstances the trader must specify the reason for the non-compliance, the intended measures to regularize the situation and the time period required to regularize the situation. The time period may be extended if the AEO has acted in good faith. Such suspension shall be communicated to all customs authorities through the central Customs Computerized System database. If the situation is not regularized within the specified time or after a reasonable extension, the authorization will be revoked as provided in sub-rule (6).
- (5) Restoration of suspended or downgraded AEO Status—
- (a) where AEO status had been suspended on account of detection of any non-compliance with the conditions or criteria for the Certificate of AEO Status, and if the AEO holder takes the necessary remedial measures to the satisfaction of the Director/Collector AEO within 60 days of suspension, the AEO Board may restore the AEO status from notified date;
 - (b) where AEO status had been suspended on account of suspension of the basic license as a Custodian or Custom Agent or Warehouse Operator or as the case may be, and subsequently such suspension of the basic license is revoked by the competent authority, the Director or Collector AEO may consider restoration of AEO status, and if deemed appropriate may restore the AEO status from a date to be notified;
 - (c) where AEO status had been suspended on account of issue of a show cause notice, and if the ratio of disputed duty demanded or drawback demanded or sought to be denied in show cause notices issued under the Customs Act, 1969 during the last three years to the total duty paid and drawback claimed during the said period is not more than ten percent, the AEO Board may consider restoration

of AEO status, and if deemed appropriate may restore the AEO status from a date to be notified; and

- (d) in case an AEO status has been downgraded, it shall be open to the entity to apply again for higher status as and when the eligibility conditions and criterion are met by it. AEO Board will consider such applications by following the procedure, which was adopted while granting the fresh AEO status.
- (6) Revocation of AEO Status—
- (a) in following circumstances, the Certificate of AEO Status shall be revoked, namely:—
 - (i) where the Certificate of AEO Status is already suspended and the AEO holder fails to take the remedial measure within 60 days to have the suspension withdrawn; or
 - (ii) where there is a reasonable belief that an act has been perpetrated that is liable to lead to prosecution or is linked to an arrest of person under Customs Act, 1969 as mentioned in sub-rule (3)(b) of rule 744; or
 - (iii) a show cause notice has been issued to them involving fraud, forgery, outright smuggling, clandestine removal of goods or cases where incidence of duty/taxes has been passed on to the customers but not deposited in to the Government treasury as mentioned in sub-rule (3)(a) of rule 744; or
 - (iv) where serious infringements related to customs rules have been committed by the AEO and there is no further right of appeal; or
 - (v) where the AEO status holder requests for the revocation of AEO certificate;
 - (b) all cases for the revocation of AEO status will be placed before the AEO Board for decision;
 - (c) prior to any decision to revoke authorization, the applicant will be issued a show cause notice. Revocation shall apply from the date of revocation as notified; and
 - (d) in case the AEO status is revoked, AEO status holder will not be entitled to reapply for the AEO certificate for a period of one year

from the date of revocation. However, such applicant shall have right to file appeal to review the decision of revocation within thirty days from the date of receipt the decision. The AEO Board shall review and issue review order within forty-five days from the date of receiving the appeal. The review order shall be considered final.

752. **Monitoring.**—AEO section shall issue a letter to the monitoring officer twelve months after the AEO status was granted and thereafter every twenty months requesting submission of the monitoring report.

- (2) The monitoring shall include the following, namely:—
- (i) a walkthrough of the operator’s premises to check that the safety and security procedures examined at evaluation stage are still in place and are being implemented;
 - (ii) specific risks identified during the evaluation and included in the set of conditions should be checked periodically to ensure they are being adhered to;
 - (iii) a random sample of the operator’s Good Declarations (GDs) should be checked for quality and accuracy of data declared on a periodic basis, having regard to the size, type of business, the volume of GDs being submitted and the range of goods being handled;
 - (iv) the operator’s general tax compliance should be checked to ensure that there are no financial solvency issues;
 - (v) reports of any audits, assurance checks or aspect enquiries carried out on the operator should be checked for any issues that might affect the operators AEO status;
 - (vi) findings of monitoring actions undertaken should be submitted to Director AEO in the form of a report by the AEO Team;
 - (vii) intimation by the operator of any issues that may affect their AEO status should be investigated, followed by appropriate action; and
 - (viii) If the operator was established for less than three years at the time the initial evaluation was carried out, the monitoring should be more intensive during the first twelve months of the authorization.

Appendix-A
[see rule 743(2)]

Annexure-A
[see rule 743(2)]

APPLICATION FORM FOR GRANT OF AEO STATUS
(Contains ten annexures A, B, C, D, E.1 to E.5 and F)
(Please fill-up the annexures as may be applicable to the applicant)
(Applicable for grant of Gold, Platinum, and Silver)

1.	Name of Company / Economic Operator:
2.	Category of business entity: (i.e. importer / exporter / Logistic Service Provider/ Custodian or Terminal Operator/Customs Broker/ Warehouse Operator)
3.	Whether already AEO certified? (If yes, annex copy of certificate and furnish following:) 1. Identification number/code: 2. Issued on: 3. Valid upto:
4.	Address: (If there are more than one site/ location, a separate list should be attached for all sites/locations)
5(a).	Contact person:*
5(b).	Designation:
5(c).	Phone number:
5(d).	Mobile No.:
5(e).	Fax No.:
5(f).	Email address:
6.	Company's NTN:
7.	Company's STRN:
8.	List of sites, under control, where import /export goods are handled, e.g. packed / unpacked/ loaded / unloaded / consolidated etc. in the course of supply to/from international supplychain. Please include site address, phone number and contact person. (A separate list can be attached)
9(a).	Major Items of import (in case of importers):
9(b).	Main countries of import (in case of importers):
9(c).	Major Items of export (in case of exporters):
9(d).	Main countries of export (in case of exporters):
10.	Number of import documents filed during the preceding financial year (in case of importers):
11.	Number of export documents filed during the preceding financial year (in case of importers):

12.	Whether the business entity falls under the category of micro, small or medium enterprise(yes/no) (if yes, annex copy of evidence):
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Signature:

Place: Full Name:

Date: Position in Company:

*The applicant should nominate a readily accessible central point of contact person (who should be a senior management official within the administration of the applicant) in order to make available to the Director AEO or to any officer authorized by the Director AEO all the information necessary for the proving compliance with the requirements for issuing the AEO certificate.

Annexure – B
[see rule 743(2)]

(Applicable for grant of Gold, Platinum, and Silver)

SECURITY PLAN

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

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

1. Procedural security.
2. Document security.
3. Physical security.
4. Access controls.
5. Personnel security.
6. Training and skill upgradation.
7. Compliance with other Government security related requirements, if any.

Annexure – C
[see rule 743(2)]

(Applicable for grant of Gold, Platinum, and Silver)

PROCESS MAP

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

It should describe all the activities/ operations and role of the applicant and that of other business partners who are involved in the import-export supply chain in any manner.

Annexure – D
[see rule 743(2)]

(Applicable for grant of Gold, Platinum, and Silver)

SITE PLAN

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

1. The external perimeter of the area, including features such as boundary roads, railway lines, streams/rivers, neighboring properties.
2. All access points to the site (e.g. vehicle, rail and pedestrian entrances) with traffic flows.
3. All buildings identified with access ways (e.g. administration office, export/import storage areas, export/import packing areas, export container movement).
4. Internal and/or external lighting facilities that contribute to security.
5. Other security features (e.g. CCTV, electronic access gates).
6. Visitor, contractor and company personnel parking areas.
7. Perimeter fences with description (e.g. 2-metre high security fence).
8. Areas used for container storage.

Note: Site plan should be submitted with respect to all the sites of the entity.

Annexure-E
[see rule 743(2)]

SELF-ASSESSMENT FORM

Annexure - E.1 General Compliance

Applicable for grant of Gold, Platinum, and Silver

E.1	Compliance	Yes	No	Remarks
(a)	Whether having Customs and/ or other Departments' license/ certificate with respect to category of AEO application? Copy of the same may be provided.			
(b)	Whether having other Customs, Income Tax, Sales Tax, Services Sales Tax and other Department's licenses/ registration/ certificates? If yes, copies of these may be provided.			
(c)	Type of business entity: Whether Proprietorship Firm, Partnership Firm, Public or Private Limited Company etc.? Copy of the concerned registration etc. may be provided.			
(d)	Whether your entity is established in Pakistan? If yes, please provide evidence in Remarks column which may include: 4. (iv) A certificate of registration issued by the Registrar of Companies. 5. (v) Type of business entity, whether Proprietorship Firm, Partnership Firm, Public or Private Limited Company and in that case the details of the Proprietor, Partners and Directors as the case may be should be provided along-with the details of Company Secretary. (vi) Details of places/locations where goods are being handled, e.g. loading, unloading, storage etc., in the course of supply to/from international supply chain. (vii) Proof that the business has its own accounts.			
(e)	Whether your entity has business activities for at least three financial years preceding the date of application?			
(f)	Whether you have filed or handled at least 25 documents <i>i.e.</i> goods declarations, with the Customs Authorities during the last financial year. A summary sheet may be provided.			

(g)	Whether the applicant has ever been convicted of a criminal offence? If so complete details of the same should be submitted.			
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Note:

1. **The Self-Assessment can be carried out by the applicant themselves or through a third party having expertise.**
2. **If some points are not applicable, these should be mentioned in the 'Remarks' column with reason thereof.**

Annexure-E.2 Legal Compliance
[see rule 743(2)]

(Applicable for grant of Gold, Platinum, and Silver)

E.2	Compliance	Yes	No	Remarks
(a)	Whether there is any cases of infringement of Customs Laws by any of the following persons over the three financial years preceding the submission of the application: (i) The applicant; (ii) The person in charge of the applicant company or exercising control over its management; (iii) The person in-charge of dealing with customs related matters If yes, please indicate the details of the cases. Further, submit details related to volume of the customs related operations in 'Remarks' column.			
(b)	Whether any show cause notice (SCN) has been issued during last three financial years involving fraud, forgery, outright smuggling, clandestine removal of goods or cases where incidence of duty/taxes has been passed on to the customers but not deposited in to the Government treasury. If yes, please indicate the details in 'Remarks' column.			
(c)	Whether there is any case against you wherein prosecution has been launched? If yes, please indicate the details in 'Remarks' column.			
(d)	i. What is the amount of disputed duty demanded or recovery of drawback paid in excess or sought to be denied, in all the SCNs issued under thee Customs Act, 1969 during the last three financial years? ii. What is the total duty paid and drawback claimed during the preceding three financial years?			

	iii. What is the ratio of the disputed duty amount involved in the Show Cause Notices (SCNs) to the total duty paid/drawback claimed during the preceding three years?			
(e)	i. Whether procedures are in place to identify and disclose any irregularities or errors to the Customs authorities or, where appropriate, other regulatory bodies? If yes, enclose evidence in support of this. ii. Whether system is in place to take appropriate remedial action when irregularities or errors are identified? If yes, enclose evidence in support of this.			

Annexure E.3
[see rule 743(2)]

**Managing commercial and (where appropriate) transport records
(Applicable for grant of Gold, Platinum, and Silver)**

E.3	Compliance	Yes	No	Remarks
(a)	Whether maintaining an accounting system consistent with Generally Accepted Accounting Principles (GAAP) / International Financial Reporting Standards (IFRS) which facilitates audit-based Customs control?			
(b)	Whether there is an administrative set up which corresponds to the type and size of Business and which is suitable for the management of the flow of goods, and have internal controls capable of detecting illegal or irregular transactions?			
(c)	Wherever applicable, have satisfactory procedures in place for the handling of licenses and authorizations connected to export/import?			
(d)	Whether having satisfactory procedures in place for archiving of the company's records and information, and also for protection against the loss of information?			
(e)	Whether there is a system to ensure that employees are made aware of the need to inform the Customs authorities whenever compliance difficulties are discovered and establish suitable contacts to inform the Customs authorities of such occurrences?			
(f)	Whether there is a satisfactory procedure for verifying the accuracy of Customs declarations?			
(g)	Whether there is an appropriate information technology security measures to protect the applicant's computer system from unauthorized intrusion and to secure the applicant's documentation?			

Note: The applicant should enclose appropriate documentary evidences in support of above claims.

Annexure E.4 Financial Solvency
[see rule 743(2)]

(Applicable for grant of Gold, Platinum, and Silver)

E.4	Compliance	Yes	No	Remarks
(a)	Whether the applicant has been financially solvent during the three financial years preceding the date of application? (Solvency would generally be defined as good financial standing that is sufficient to fulfill the commitments of the applicant including ability to pay duties) Please attach Balance Sheets for last three Financial Years.			
(b)	Whether, where required, the accounts have been filed with Registrar of Companies within the time limits laid down by law?			
(c)	Whether, where applicable, audit qualifications or comments in the annual accounts about the continuation of the business as a going concern?			
(d)	Whether there are any contingent liabilities or provisions?			
(e)	Whether the net current assets are positive?			
(f)	Whether the entity has been defaulted in payment of due taxes during the past three years?			
(g)	Whether there is solvency certificate issued by the Statutory Auditor? If yes, provide the copy.			
(h)	Whether the business entity is currently listed as insolvent, or in liquidation or bankruptcy?			

Annexure E.5 Safety and Security
[see rule 743(2)]

(Contains seven parts E.5.1 to E.5.7)

(Applicable for grant of Gold, Platinum, and Silver)

(Note: The applicant should enclose appropriate documentary evidences in support of their claims under this section)

E.5.1	Procedural Security	Yes	No	Remarks
(a)	i. Whether there is a security policy and procedure manual which contains detailed guidelines on procedures to be followed to preserve the integrity of the cargo while in its custody, loading and unloading from transport conveyance and during transport? ii. Whether there is any laid down procedures and manual which stipulates how seals are to be controlled and affixed to cargo and transport conveyances?			
(b)	Whether security measures are in place to ensure the integrity and security of processes relevant to the			

	transportation, handling, and storage of cargo in the supply chain.			
(c)	Whether there is proper documentation of management procedure in place to ensure that all documentation used in the clearing of cargo is legible, complete, accurate and protected against the exchange, loss of introduction of erroneous information?			
(d)	Whether there is a procedure in place to ensure that information received from business partners is reported accurately and timely as well as declared in the time limit it regulated by Customs?			
(e)	Whether procedure are in place to ensure that: 1. Import / Export cargo are reconciled against the information on the bill of lading? 2. The weights, labels, marks and piece count of the import/export cargo are accurately indicated? 3. Import/export cargo are verified against purchase/delivery orders? 4. Drivers delivering or receiving cargo are positively identified before cargo is received or released?			
	Whether all shortages, overages, and other significant discrepancies or anomalies are resolved and/or investigated appropriately?			

E.5.2	Premises Security	Yes	No	Remarks
(a)	Whether building is fully secured against unlawful entry?			
(b)	Whether all external and internal gates, fences and windows are fully secured with locking devices or alternative access monitoring or control measures?			
(c)	Whether the issuance of locks and keys is controlled by management or authorised personnel only?			
(d)	Whether adequate internal and external lighting have been provided especially for entrances and exits, cargo handling and storage areas, fence lines and parking areas?			
(e)	Whether gates through which vehicles and/or personnel enter/exit have been manned, monitored or otherwise controlled?			
(f)	Whether vehicles accessing restricted areas are parked in approved area and their license plate numbers furnished to Customs upon request?			
(g)	Whether only properly identified and authorized persons, vehicles and goods are permitted access?			
(h)	Whether access to document or cargo storage areas is restricted?			
(i)	Whether there are appropriate security systems for access control?			

(j)	Whether restricted areas have been clearly identified?			
(k)	Whether the integrity of structures and systems is periodically inspected?			
(l)	Whether perimeter fencing exists for enclosing the areas around cargo handling and storage facilities?			
(m)	Whether interior fencing exists within a cargo handling structure to segregate domestic, international, high value and hazardous cargo.			
(n)	Whether the number of gates is kept to the minimum necessary for proper access and safety?			
(o)	Whether unauthorized vehicles are prohibited from parking in or adjacent to cargo handling and storage areas?			

E.5.3	Cargo Security	Yes	No	Remarks
(a)	Whether only properly identified and authorized persons have access to the cargo?			
(b)	Whether integrity of cargo is ensured by permanent monitoring or keeping in a safe, locked area?			
(c)	Whether all seals meet the required seal standards prescribed by customs for high security seals especially with maritime containerized cargo?			
(d)	In cases of air consignments/courier consignments where it is not possible to procure and use PAS /ISO 17712 seals, whether any international seal compatible with standards of PAS/ISO 17712 is being used?			
(e)	Whether the integrity of container seals are being checked by the authorized person by following the procedure prescribed in the security policy manual of the company?			
(f)	Whether only authorised personnel distribute container seals and safeguard their appropriate and legitimate use?			
(g)	Whether the seven-point inspection process is carried out in respect of containers before stuffing of cargo therein? (These seven points include: Front wall, Left side, Right side, Floor, Ceiling/Roof, Inside/outside doors, Outside/undercarriage.)			
(h)	Whether it is possible to deliver goods to an Unsupervised area?			
(i)	Whether appropriate procedures have been laid down on measures to be taken when an un-authorized access or tampering is discovered.			
(j)	Whether goods are uniformly marked or stored in designated areas only?			
(k)	Whether appropriate procedures exist to weigh / tally the goods and compare them against transport documents, purchase/sales orders and Customs papers?			
(l)	Whether internal control procedures exist to deal with situations when any discrepancies and/or irregularities are discovered?			

E.5.4	Conveyance Security	Yes	No	Remarks
(a)	Whether, to the extent possible, all conveyances used for the transportation of cargo within the supply chain are capable of being effectively secured?			
(b)	Whether, to the extent possible, all operators of conveyances used for transport of cargo are trained to maintain the security of the conveyance and the cargo at all times while in its custody?			
(c)	Whether all operators are required to report actual or suspicious incident to designated security department staff of the applicant company as well as to maintain records of these reports, which should be available to the AEO Programme Team and the Customs?			
(d)	Whether potential places of concealment of illegal goods on conveyances are regularly inspected? (Such places include all internal and external compartments & panels.)			
(e)	Whether the transporters are required to maintain the conveyance integrity while it is en-route transporting cargo to export/import points or import/transit containers by utilizing a tracking and monitoring activity log or records?			
(f)	Whether pre-determined routes are identified by the dispatcher?			
(g)	Whether procedures are in place for random route checks, and for documenting and verifying the length of time between the loading point/trailer pickup and the delivery destinations?			
(h)	Whether there is a system to ensure that the drivers notify the dispatcher of any route delays due to weather, traffic and/or re-routing?			
(i)	Whether the management of transporters is required to perform a documented, periodic and random verification process to ensure that the logs are maintained and conveyance tracking and monitoring procedures are being followed and enforced?			

E.5.5	Personnel Security	Yes	No	Remarks
(a)	Whether all reasonable precautions have been taken when recruiting new staff to verify that they are not previously convicted of security-related, Customs or other criminal offences?			
(b)	Whether periodic background checks are conducted on employees working insecurity sensitive positions?			
(c)	Whether employee identification procedures require all employees to carry proper identification that uniquely identifies the employee and organization?			

(d)	Whether procedures are in place to identify, record and deal with unauthorized or un-identified persons, such as photo identification and sign-in registers for visitors etc. at all points of entry?			
(e)	Whether procedures are in place to expeditiously remove identification and access to premises and information for employees whose employment is terminated?			

E.5.6	Business Partner Security	Yes	No	Remarks
(a)	Whether the applicant has written and verifiable process, including the capability of financial soundness and compliance with the safety requirement set by the contracts as well as the capability of detection and correction of safety defects, for selection of business partners?			
(b)	For AEO business partners, whether the applicant has obtained the copies of their AEO certificate?			
(c)	For non-AEO business partners, whether the applicant has obtained written confirmation from them that they meet AEO equivalent security criteria? The applicant may obtain one or more of the following written documents from such business partners for demonstrating their compliance with security criteria? <ul style="list-style-type: none"> i. Contractual document ii. A completed self-assessment security questionnaire from the applicant. iii. A written statement from the business partner demonstrating their compliance with AEO security criteria. iv. Senior business partner officer attesting to compliance. v. Documents from the business partners demonstrating their compliance with and equivalent and accredited security program administered by a foreign Customs authority. 			
(d)	Whether a system exists to encourage other concerned business entities/trading partners to assess and enhance supply chain security?			
(e)	Whether a system is in place for periodic reviews of business partner's processes and facilities based on risk, and maintenance of security standards by the business partners is as required by the applicant?			

E.5.7	Security Training and Threat Awareness	Yes	No	Remarks
(a)	Whether the applicant has established and maintained a threat awareness program for employees to foster awareness of the threat at each point in the supply chain?			
(b)	Whether employees of the applicant are aware of the procedures which are in place to address a situation and how to report it?			
(c)	Whether specific trainings are offered to assist employees for maintaining cargo integrity, recognizing internal conspiracies and protecting access controls?			
(d)	Whether supply chain security trainings of employees include the following items? i. Security policy of the company. ii. Potential risk to internal security of the company. iii. Maintaining cargo security. iv. Access control measures of the company. v. Identifying and reporting suspicious cargo and personnel. vi. Conveyance management and cargo security for conveyance management personnel.			
(e)	Whether the records of security training are maintained and are available for verification by the AEO Team and Customs.			

Annexure F Business Partners Details

[see rule 743(2)]

(Applicable for grant of Platinum only)

Please furnish list of all the business partners of the applicant, who are in any manner involved in the international supply chain, as under:

Sr. No.	Name and address	Nature of business(Logistics Service providers, Custodians/Terminal operators, Customs Brokers or Warehouse operators)	Whether holder of AEO certificate (Yes/No)

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WAJID ALI,
Secretary (Law & Procedure).