

Introduction to Authorized Economic Operator (AEO)



What is WCO?



World Customs Organization
Organisation Mondiale des Douanes

WCO Vision Statement

- Borders divide, Customs connects Dynamically leading modernization and connectivity in a rapidly changing world.



WCO Vision Statement

- The WCO provides leadership, guidance and support to Customs administrations to secure and facilitate legitimate trade, realize revenues, protect society and build capacity.



WCO - History

- The history of the WCO began in **1947** when the thirteen European Governments represented in the Committee for European Economic Co-operation agreed to set up a Study Group.
- This Group examined the possibility of establishing one or more inter-European Customs Unions based on the principles of the General Agreement on Tariffs and Trade (GATT).

WCO - History

1947	Thirteen Governments represented in the Committee for European Economic Co-operation set up a Study Group to examine the possibility of establishing one or more Customs Unions between the various European countries in accordance with GATT principles.
1948	The Study Group decided to establish two Committees: an Economic Committee which later evolved into the Organisation for Economic Co-operation and Development (OECD), and a Customs Committee which later became the Customs Co-operation Council (CCC).

WCO - History

1952	The Convention establishing the CCC enters into force on 4 November.
1988	The WCO's International Convention on the Harmonized Commodity Description and Coding System (HS Convention) enters into force on 1 January.
1993	The WCO Council adopts the Arusha Declaration on Customs Integrity.
1994	The WCO Council adopts the informal name "World Customs Organization" to better reflect the Organization's global nature.

WCO - History

1999	The WCO Council adopts the revised International Convention on the Simplification and Harmonisation of Customs Procedures (Revised Kyoto Convention)
2002	The WCO celebrates its 50th anniversary and is honoured with a visit by HM King Albert II of Belgium accompanied by the Hon. Didier Reynders, the Belgian Deputy Prime Minister and Minister of Finance.
2005	The WCO Council adopts the Framework of Standards to Secure and Facilitate Global Trade.
2007	The HS Nomenclature 2007 Edition enters into force on 1 January.

WCO - History

2012	The HS Nomenclature 2012 Edition enters into force on the 1 of January.
2014	The WCO launches the Mercator Programme to assist Customs administrations with implementation of the WTO Trade Facilitation Agreement (TFA).
2017	The HS Nomenclature 2017 Edition enters into force on the 1 of January.

Authorized Economic Operators includes

Manufacturers

Importers

Exporters

Brokers

Carriers

Consolidators

Intermediaries

Ports

Airports

**Terminal
operators**

**Integrated
operators**

**“Warehouses
and
distributors”**

SAFE

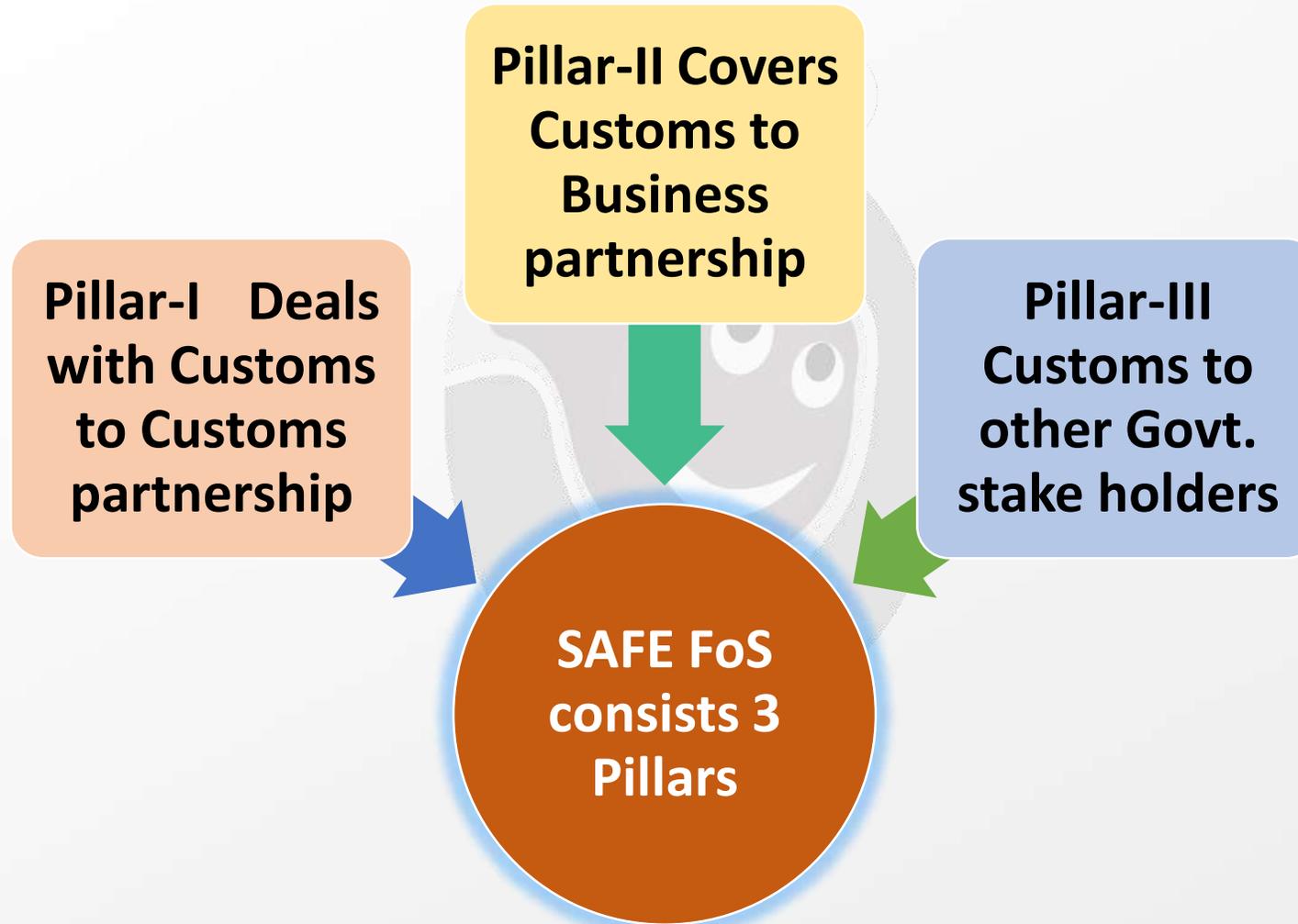
(SECURITY AND FACILITATION IN GLOBAL ENVIRONMENT)

FRAMEWORK OF STANDARDS (FOS) BY WCO IN 2005

- Growth of global trade and increasing security threats to international cargo
- Shift in Customs focus to secure international trade flow and facilitation.
- To secure and facilitate global trade
- To act as deterrent to international terrorism
- To promote trade facilitations world wide
- To secure revenue collections



SAFE FoS and AEO



SAFE FoS and AEO



AEO is core part of Pillar-II of SAFE FoS.



The SAFE Framework sets forth the criteria by which businesses in the supply chain can obtain authorized status as a secure partner.



Criteria / Requirement incorporated in CBEC Cir. 33/2016 dated 22.07.2016



Aims & Objectives of Indian Customs AEO Programme

1. To provide business entities an internationally recognized certification
2. To recognize business entities as “secure and reliable” trading partners
3. To incentivize business entities through defined benefits that translate into savings in time and cost



Need for a new AEO program

Limitations of the extant ACP/AEO scheme

In-line with the Government's impetus on ease of doing business

Reduced transaction and logistics costs

Faster clearances and reduced paperwork

Provide Indian traders an internationally accepted certification and benefits

Increase in business opportunities

Attractions

Deferred duty payment scheme

Direct Port deliveries for import and export

Fast tracking of refunds and drawbacks

Fast Tracking of adjudications

Request based on-site inspection/examination

Recognition by partner government agencies

Mutual Recognition with other countries

Essential features

Legal compliance norms rationalized

Substantial benefits have been provided

Open to all economic operators, low threshold

Three Tier scheme as opposed to One earlier

Special conditions of SME/MSME's to be taken into account

Objective criteria for any down gradation

Proven compliance trusted and rewarded

Coverage

Anyone handling 25 documents per annum

Should undertake CUSTOMS RELATED WORK

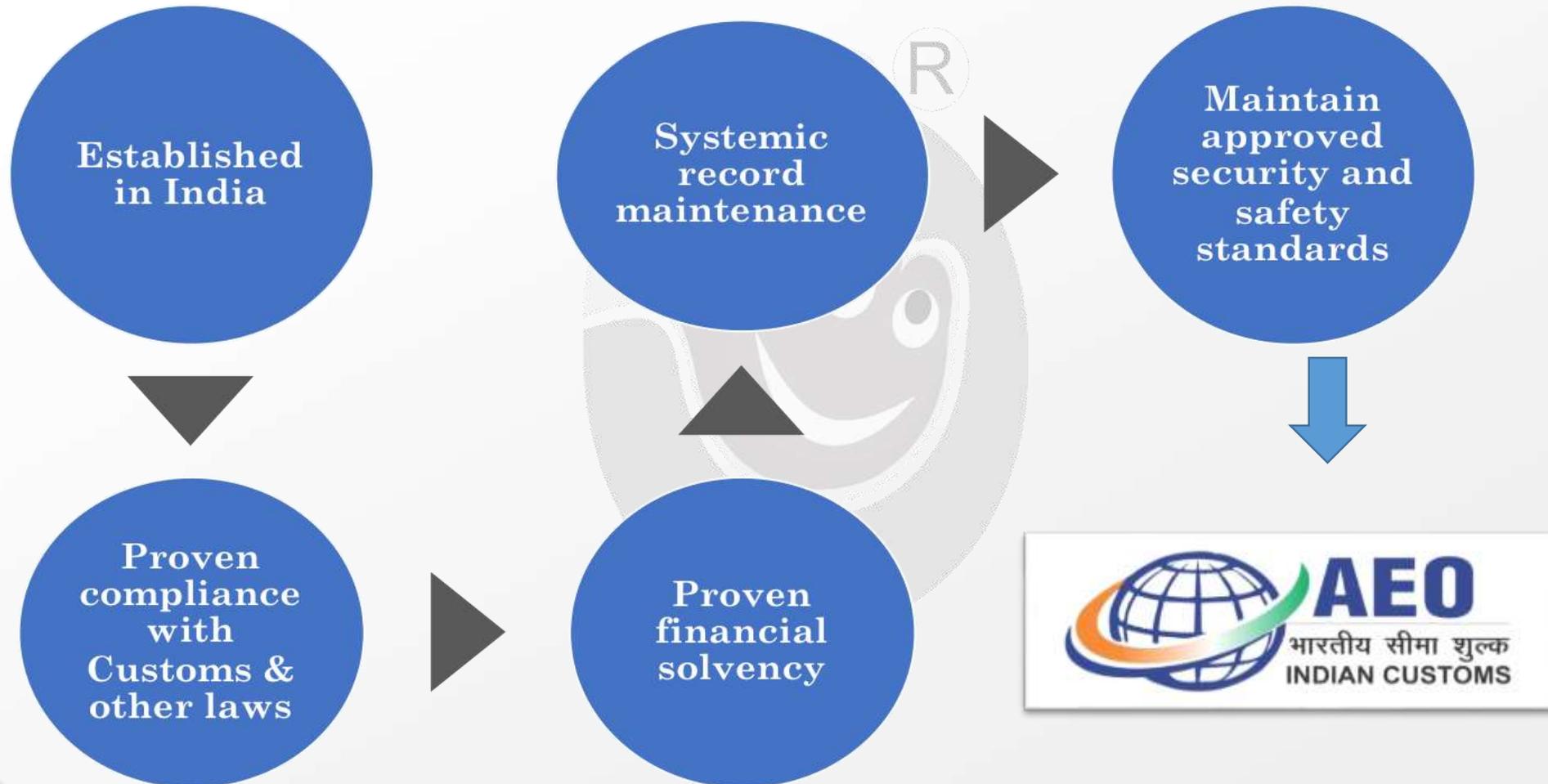
Anyone in international supply chain

Only to legal entity and not group company

Will not be site/branch/division specific

Business activity for three financial years (Can be waived in deserving cases)

Eligibility criteria for a business entity



Who Can Apply for AEO



- Anyone involved in the international supply chain that undertakes Customs related activity in India can apply for AEO status irrespective of size of the business.
- (General, banks, insurance companies, consultants and the like categories of businesses will not be eligible)



Three Tiered AEO Certification for Importer/Exporters.

AEO Tier – 1

- Validity for 3 years
- Comply with paras 3.1,3.2,3.3 and 3.4 of the Circular

AEO Tier – 2

- Validity for 3 years.
- Apart from Tier-1 requirement, conditions of para 3.5 also to be fulfilled

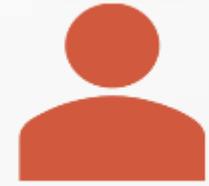
AEO Tier – 3

- Validity of 5 years.
- Should have completed 2 years in AEO T-2 OR all the business partners involved should be AEO – T2 holder or AEO- LO

AEO LO

- Validity of 5 years
- conditions as same as AEO T2

Application



- Application to be submitted as per the Performa given in Annexure of Circular No 33/2016 Cus dated 22.07.2016.
- Applicant to nominate contact person/ authorised representative from company's own administration only.
- Earlier, application was to be addressed to AEO Programme Manager, DGPM, New Delhi. Now, Circular No 03/2018-Cus dated 17.01.2018 has decentralised the process. Public Notice 08/2018 dated 08.02.2018 of Ahmedabad Customs to be referred.

Application



- The application should be sent directly to the respective jurisdictional Customs Chief Commissioner's office with a copy to the AEO Programme Manager, Directorate of International Customs or in case of any doubt, to the AEO Programme Manager, Directorate of International Customs, 10th Floor, Tower II, Jeevan Bharti Building, Connaught Place, New Delhi – 110001.

Legal Compliance Requirements

Infringements by the applicant or responsible persons should not be criminal in nature

No cases of fraud, forgery, outright smuggling, clandestine removal and service tax collected but not deposited

No prosecution sanctioned or contemplated

Ratio of disputed amounts/actual duty drawback etc should be less than 10 %

AEO – T1 CERTIFICATE NORMS

- Importers/exporters fulfilling the eligibility criteria may apply with Documents/information pertaining to
 - General compliance
 - Legal compliance
 - Records Maintenance compliance &
 - Financial solvency.
- If it is found that the records are maintained to the satisfaction of AEO Program Manager then the entity may be awarded the AEO Tier-1 certificate.

AEO – T2 CERTIFICATE NORMS

- In addition to the criteria of AEO- T1, the AEO – T2 applicant should fulfill the following 7 aspects of Safety & Security:

Procedural Security

Premises Security

Cargo Security

Conveyance Security

Personnel Security

Business Partner Security

Security Training and Threat Awareness

AEO – T3 CERTIFICATE NORMS

The economic operator should have continuously enjoyed the status of AEO – T2 for at least two years preceding the date of application for AEO – T3 status.

OR

The economic operator must be an AEO – T2 certificate holder and all its Business Partners have to be holders of AEO – T2 or AEO – LO certificates or equivalent granted by a foreign Customs

Rejection of application

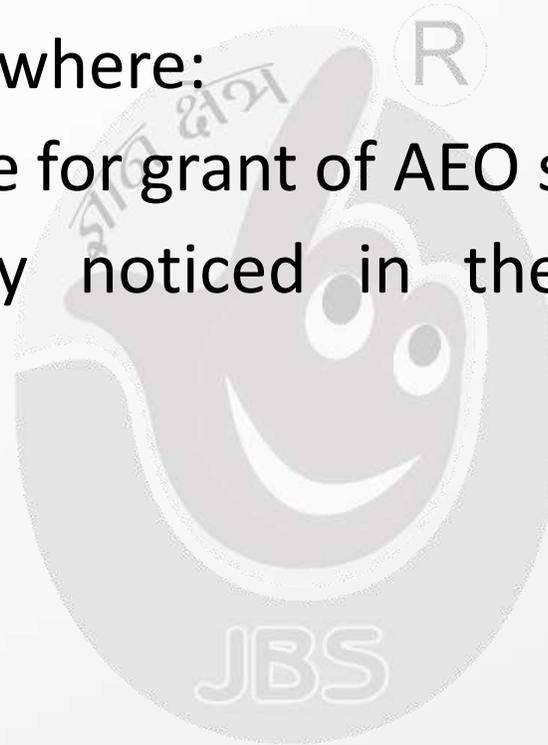


- Application shall not be processed if [4.3]:-
 - Incomplete;
 - Not made by the legal person i.e. by legal entity.
 - Where no Authorize person nominated as point of contact for AEO.
 - Applicant is subject to bankruptcy at the time of application.
 - Where previously granted AEO is revoked.

Rejection of application



- Applications will be rejected where:
 - Applicant is not eligible for grant of AEO status or
 - Where the deficiency noticed in the application cannot be remedied.



Benefits associated with AEO Tier T1

- High facilitation
- DPD/DPE
- BG 50%
- Expedited investigation-dispute resolution
- On request 24 x 7 at all sea-ports and airports
- OSPCA once in 2 years
- ID cards/ Space in warehouse
- E mail on arrival/departure

Benefits associated with AEO Tier T2

- All facilities of Tier I PLUS
- Higher facilitation
- Deferred duty payment
- MRA benefits in other countries
- Waiver of seal verification
- Priority in scanning/assessment
- 25% BG
- On-site inspection/stickers
- Refund/rebate in 45 days
- Faster drawback
- Client Relation Manager
- OSPCA once in 3 years

Benefits associated with AEO Tier T3

- All facilities of Tier II PLUS
- Highest facilitation
- Scanning only on intelligence
- Reliance on self certified copies
- No Bank Guarantee
- Risk based intervention by other departments
- Refund/rebate in 30 days
- OSPCA every five years

Single Tier AEO - LO

- This certification is for Logistics Service Providers, Custodians or Terminal Operators, Customs Brokers & Warehouse Operators.
 - Norms are same as AEO – T2 norms.
 - Validity for the AEO – LO is 5 years.

Major Benefits for AEO – LO

Logistic Service Providers	<ul style="list-style-type: none">• Waiver of BG for transshipment• Facility of running Bond• Exemption from case to case permission for Transit
Custodian And Terminal Operators	<ul style="list-style-type: none">• Waiver of BG• Extension of approval of Custodians for period of 10 years
Custom Brokers	<ul style="list-style-type: none">• Waiver of BG• Waiver from fee for renewal• Validity extended till validity of AEO status
Warehouse Operators	<ul style="list-style-type: none">• Faster approval for new warehouses• WAIVER FROM antecedent verification/ solvency certificate/security for extension of warehousing / security for sensitive goods

Application of AEO

Sl No	Annexure	Subject	Application for grant of			
			AEO-T1	AEO-T2	AEO-T3	AEO-LO
1	Annexure-A	Application Form	YES	YES	YES	YES
2	Annexure-B	Security Plan	NO	YES	YES	YES
3	Annexure-C	Process Map	YES	YES	YES	YES
4	Annexure-D	Site Plan	YES	YES	YES	YES
	Annexure-E	Self-Assessment Form				
5	Annexure-E.1	General Compliance	YES	YES	YES	YES
6	Annexure-E.2	Legal Compliance	YES	YES	YES	YES
7	Annexure-E.3	Managing commercial and (where appropriate) transport records	YES	YES	YES	YES
8	Annexure-E.4	Financial Solvency	YES	YES	YES	YES
9	Annexure-E.5	Safety and Security	NO	YES	YES	YES
10	Annexure-F	Business Partner Details	NO	NO	YES	NO

Application of AEO



Authorised Economic Operator (AEO) Certification for MSMEs

Simplified Criteria for MSMEs AEO Accreditation



01

Reduced Customs transactions to 10 only

02

Qualifying time-frame for establishing compliance reduced to 2 years

03

Filing reduced to 2 & 3 annexures for AEO T1 & T2 applicant respectively

04

Processing of MSME AEO T1 & T2 application has been reduced to 15 days (presently 1 month) and 3 months (presently 6 months) respectively



Legal Compliance



Legal Compliance



No show cause notice issued to them during last three financial years



No case wherein prosecution has been launched or is being



contemplated against the applicant or its senior management



Procedures in place to identify and disclose any irregularities or errors to the Customs authorities or, where appropriate, other regulatory bodies and taken appropriate remedial action (Failure to take such steps could count against applicant)

Managing commercial and (where appropriate) transport records



Requirements

- System of managing commercial and, where appropriate, transport records. The system must have:-
- accounting system consistent with Generally Accepted Accounting Principles (GAAP) / International Financial Reporting Standards (IFRS)
- internal controls capable of detecting illegal or irregular transactions
- Procedures for the handling of licenses and authorizations connected to export/import

Requirements

- Procedures for archiving of the company's records and information
- protection against the loss of information;
- Employees are made aware of the need to inform the Customs authorities whenever compliance difficulties are discovered
- Procedures for verifying the accuracy of Customs declarations
- appropriate information technology security measures to protect the applicant's computer system from unauthorized intrusion and to secure the applicant's documentation.

Benefits Accorded to AEOs in Midterm Review of Foreign Trade Policy 2015-2016

A new scheme of Self-assessment based duty free procurement of inputs required for exports has been introduced.

There will be no need of Standard Input Output Norms in such cases and this will eliminate delays. It is based on trust.

Exporters will self-certify the requirement of duty free materials/inputs.

The scheme will be available to AEOs and will get expanded as more and more AEOs join the program.

Application of AEO



Authorised Economic Operator (AEO) Certification for MSMEs

Simplified Criteria for MSMEs AEO Accreditation



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AEO V 2.0

AEO Web Application 2.0



Features of V 2.0

1. Online filing of AEO T2 and AEO T3 applications
2. Real time monitoring of AEO T2 and AEO T3 applications' status
3. Digital AEO certification over email

For more details :

Kindly refer to Circular No. 13/2021-Customs dated 01.07.2021

Migration Process

Current AEOs
Importer /Exporter

- **Granted AEO T2 within 15 days**
- **Valid till date already on present certificate**

Current AEOs
Others

- **Granted AEO LO status within 15 days**
- **Valid till date already on present certificate**

Current ACPs

- **Provisional status of Tier -I within 15 days**
- **Apply within 90 days**
- **Will enjoy benefits of Tier-I till decision taken on their application**

New Applicants

- **Application can be made by any importer/exporter with threshold documents 25 in last financial year**

REVIEW of AEO Status

**AEO Programme
team to review the
status periodically.**

REVIEW period:-

- AEO TI:- 3 yrs.
- AEO T2:- 3 yrs.
- AEO T3:- 5 yrs.
- AEO LO:- 5 yrs.



Suspension or Downgrading of AEO Status

Non compliance with condition or criteria of AEO detected

Basic licence of CBA, Custodian or Warehouse has been suspended by customs authority.

Downgrade in case of I/E if SCN (other than 3.2.1) issued with consultation of jurisdictional Commissioner

Restored if Remedial action taken, Licence restored, Ratio of SCN to total duty is less than 10%

Downgraded AEO can apply for higher status.

Revocation of AEO Status

Suspended AEO holder fails to take remedial measure within 60 days of suspension.

On reasonable belief of commitment of an Act liable to arrest or prosecution under the Customs ct.

Issuance of SCN on issues listed in para 3.2.1 of Cir. 33/2016

On request of AEO status holder

Revocation after issuance of notice only.

T1, T2 cannot re apply within one year of revocation.

T3 and LO can not reapply for 3 yrs from revocation.

Renewal of AEO Certificate

The AEO can continue the AEO status by submitting application for renewal within the time limit prescribed:

AEO Status	Time Limit for Submission of Application for Renewal Before Lapse of Validity.
AEO – T 1	30 days
AEO – T2	60 days
AEO – T3	90 days
AEO – LO	90 days

Maintenance of AEO Status



To notify significant change in business like name, change in business, change in accounting and computer system etc.



To Notify within 14 days of change.



If legal entity changes, need to reapply for AEO.



Custom Related error must be reported to CRM and AEO Team.



Error voluntarily disclosed shall not impact AEO status provided:-

Examined the reasons of error
Taken appropriate remedial step



केंद्रीय अप्रत्यक्ष कर एवं सीमा शुल्क बोर्ड
CENTRAL BOARD OF INDIRECT TAXES AND CUSTOMS
वित्त मंत्रालय
MINISTRY OF FINANCE
भारत सरकार
GOVERNMENT OF INDIA

प्राधिकृत आर्थिक संचालक- प्रमाण-पत्र
AUTHORIZED ECONOMIC OPERATOR-LO CERTIFICATE
(CUSTOMS BROKER)

प्रमाण-पत्र संख्या Certificate Number: **INAADCE0916H0F185**

कम्पनी का नाम: **M/s EPT EXIM SERVICES PRIVATE LIMITED**
Name of Company: G-509, TITANIUM CITY CENTRE, NEXT TO SACHIN TOWER, 100
FEET ANAND NAGAR ROAD, SATELLITE, AHMEDABAD-380015



अन्तर्राष्ट्रीय आपूर्ति श्रृंखला को सुरक्षित रखने हेतु आपकी प्रतिबद्धता का सम्मान करते हुए एवं डब्ल्यू.सी.ओ. के सेफ फ्रेमवर्क ऑफ स्टैंडर्ड्स के अनुसरण में सी.बी.आई.सी. के परिपत्र संख्या 33/2016-सीमा शुल्क, दिनांक 22.07.2016 के अन्तर्गत भारतीय सीमा शुल्क अपने प्राधिकृत आर्थिक संचालक (ए.ई.ओ.) कार्यक्रम में आपके प्रतिष्ठित संगठन को प्रमाणित करता है।
यह प्रमाण-पत्र **30.07.2023** तक वैध है।

In recognition and appreciation of your commitment to secure the international supply chain and in compliance with the WCO's SAFE Framework of Standards, Indian Customs certifies your esteemed organization in its Authorised Economic Operator (AEO) programme under CBIC Circular Number 33/2016-Customs, dated 22.07.2016.

This certificate is valid upto **30.07.2023**.

(डॉ. तेजपाल सिंह / Dr. Tejpal Singh)
ए. ई. ओ. कार्यक्रम प्रबंधक/ आयुक्त
AEO Programme Manager/Commissioner
अन्तरराष्ट्रीय सीमा शुल्क निदेशालय
Directorate of International Customs

स्थान Place : नई दिल्ली New Delhi
दिनांक Dated: 31.07.2018



LOGIVEDA

Process of online AEO application



Reference to the Circular No. 26/2018- Customs dated 10.08.2018 regarding “The Online processing of AEO T1 application.”



The AEO website (domain name: aeoindia.gov.in) was launched on 30.11.2018



Access to the website was made available to applicant, for filing of AEO T1 application, and Customs officials, for processing and delivery of digitized AEO Certificate



CBIC vide Circular No. 51/2018- Customs, dated 07.12.2018 announced commencement of the web based application for AEO T1.



The detail **process of online AEO application** filing is furnished below for the benefit of all stakeholders

Important Circulars :

- Circular No. 13/2021- Customs dated 01.07.2021
- Circular No. 11/2021 dated 24.05.2021 (Extension of validity of AEO Certification)
- Circular No. 54/2020- Customs dated 15.12.2020 (special facilitation for MSME)
- Circular No 37/2020 - Customs dated 19.08.2020
Regarding: Authorised Public Undertakings (APU) Circular for Deferred payment of Customs duty.
- Circular No. 27/2020 - Customs dated 02.06.2020 (Extension of validity of AEO certification)
- Circular No. 51/2018- Customs, dated 07.12.2018.
- Circular No. 26/2018- Customs dated 10.08.2018
- Circular No. 03/2018- Customs dated 17.10.2018
- Circular No. 26/2018- Customs dated 10.08.2018
- Circular No. 33/2016- Customs dated 22.07.2016
- Website of online T1 and T2 application <http://www.aeoindia.gov.in/>



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Best of luck!



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