Trusted Traders Programs Overview

Presentation to WCO Knowledge Academy for Customs and Trade

July 4, 2014

Trusted Traders Programs

Objective:

- To facilitate the movement of legitimate goods by providing streamlined and efficient border processes for pre-approved, low risk traders

  - Allows the Canada Border Services Agency (CBSA) to focus resources on areas of higher or unknown risk

  - Minimizes the impact of border processing on trusted program members

- To enhance the security and integrity of the supply chain through partnerships with businesses

Trusted Traders Programs

- **Partners in Protection (PIP) Program**
  - Focuses on supply chain security and proper physical, infrastructure and procedural security

- **Customs Self Assessment (CSA) Program**
  - Focuses on streamlined clearance and accounting

- **Free and Secure Trade (FAST) Benefit**
  - Dedicated lanes/booths at select border crossings

Partners in Protection Program

- The PIP program enlists the cooperation of companies directly involved in cross-border trade in an effort to secure the supply chain

- The program aligns with the SAFE Framework of Standards to Secure and Facilitate Global Trade of the World Customs Organization (WCO) and the guidelines for Authorized Economic Operators (AEO)

- Program standards enable Canada to enter into Mutual Recognition Arrangements (MRA) with compatible programs in other countries

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PIP Benefits

- Access to designated FAST lanes (Canada - U.S. border)

- Access to the Trusted Trader Portal

- Reduced risk score (lowered rate of examination)

- Access to CBSA expertise (a single contact for customs issues)

- Supplemental benefits via MRAs with international AEO programs

- Improved company security levels

- Enhanced company marketability by being secure and low-risk
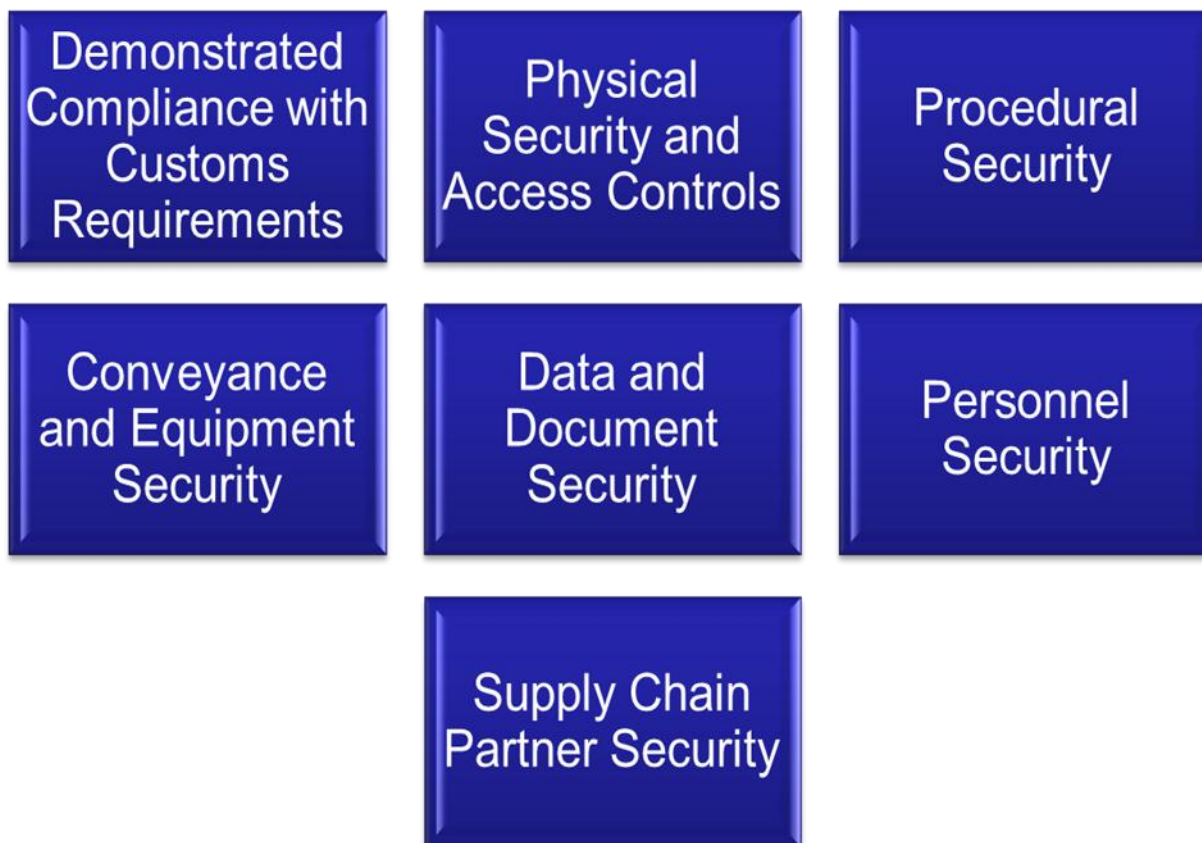
- Business resumption planning

PIP Application Process

1. Submission of PIP application package, including a security profile with in-depth information on applicant's security measures

2. Thorough risk assessment via multiple enforcement databases

3. Site validation conducted by CBSA Officer

4. Final review at Headquarters before approval or denial of application

5. An official decision letter will be sent

6. For approved membership, a revalidation is conducted every four years and includes a complete re-assessment of all components

7. Ongoing monitoring of the member: spot checks, risk review

PIP Minimum Security Requirements

MSRs are based on the SAFE Framework and include:

Demonstrated Compliance with Customs Requirements	Physical Security and Access Controls	Procedural Security
Conveyance and Equipment Security	Data and Document Security	Personnel Security
	Supply Chain Partner Security	

PIP Policy Overview
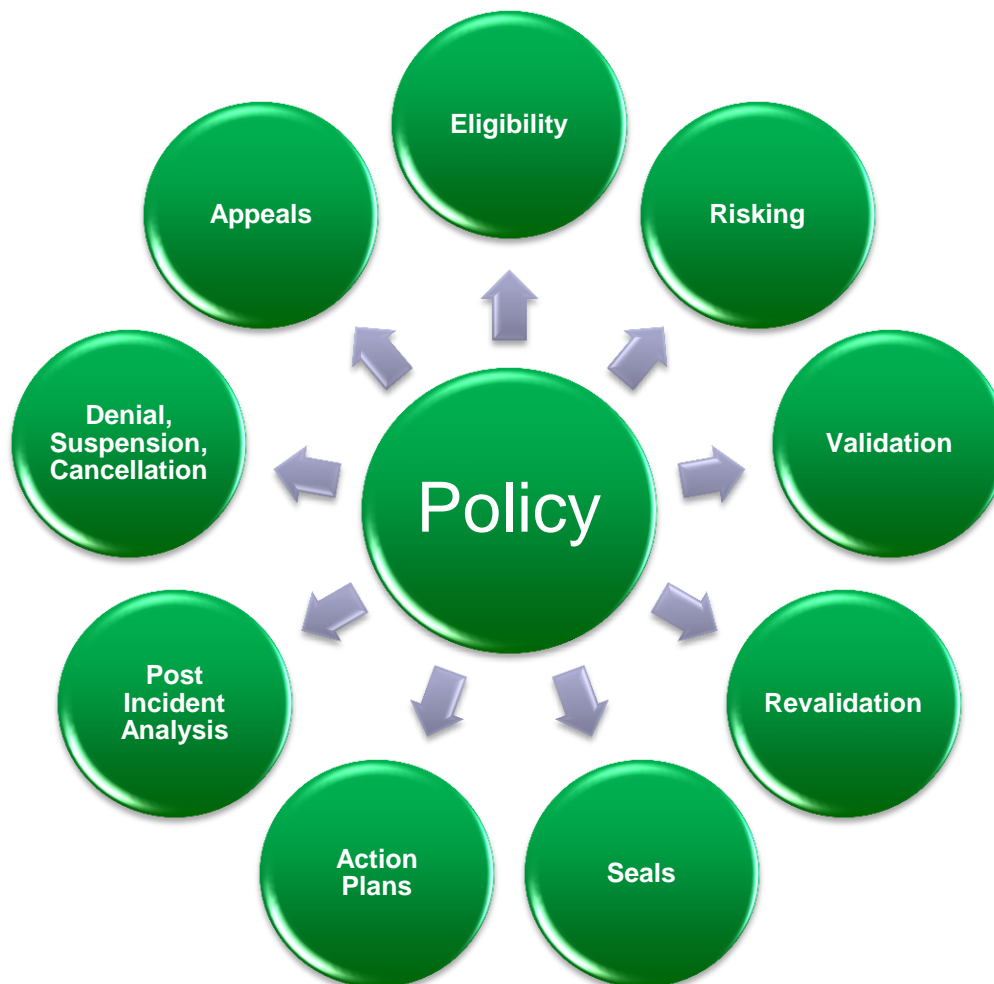
PIP Policy - Eligibility

To join the PIP program applicants must:

- Be directly involved in cross-border trade in one of the following eligible business categories:
  - importer, exporter, carrier (highway, marine, air, or rail), courier, customs broker, freight forwarder, shipping agent, or warehouse operator

- Own or operate facilities in Canada directly involved in the import or export of commercial goods; or

- Be a United States (US) highway carrier company that is a member of, or is applying for membership with, FAST Canada

PIP Policy - Risking and Validations

- **Risking**
  - The submitted security profile is vetted in CBSA databases and open sources by officers for customs infractions, history of compliance, criminality and financial stability

- **Validation**
  - Site validations are conducted to ensure that a company's security profile accurately reflects alignment with program requirements

- **Revalidation and Monitoring**
  - A company must be revalidated at least every four years
  - An updated security profile is required and the company goes through complete risking and validation
  - Members are subject to routine monitoring and ad-hoc site visits to ensure compliance

PIP Policy - Seals

- PIP members are responsible for monitoring their supply chains and ensuring seal integrity throughout the life cycle of a containerized shipment of goods. Members must verify that high-security seals are used in accordance with the Minimum Security Requirements (MSR) of the PIP program

- Members must oversee and advise their supply chain partners to ensure the proper seal usage, from point of origin through to final destination

- A high security seal that meets or exceeds the current ISO/PAS 17712 standard must be affixed to all loaded trailers bound for the border

PIP Policy - Noncompliance

Noncompliance with PIP program requirements is addressed (dependent upon severity) through:

- **Action Plans (applicants and members)**
  - Outlines the necessary corrective action(s) for compliance with Minimum Security Requirements (MSR) of the PIP program
  - Verification of the corrective action(s) is performed by the PIP program prior to certification
  - If the action plan is not resolved within a set period of time, a time extension, suspension, or cancellation of the member from the program may be considered

- **Post Incident Analysis (members)**
  - Investigation of cases involving a breach of supply chain security
  - Identification of any mitigating circumstances and formulation of strategies to prevent future incidents

PIP Policy - Noncompliance (cont'd)

- **Denial and Administrative Rejection (applicants)**
  - A denial of membership will result in the cessation of the application process and termination of the application if applicants fail to meet eligibility requirements, program requirements, or respond to enquiries
- **Suspension (member)**
  - A suspension of membership in the PIP program will result in the interruption of any program-associated benefits
- **Cancellation (member)**
  - A cancellation constitutes full cessation of all program-related benefits and termination of membership
- **Appeals (applicant or member)**
  - If a PIP applicant or member has been denied, suspended, or cancelled, then the company in question or its authorized representative has the right to appeal the decision
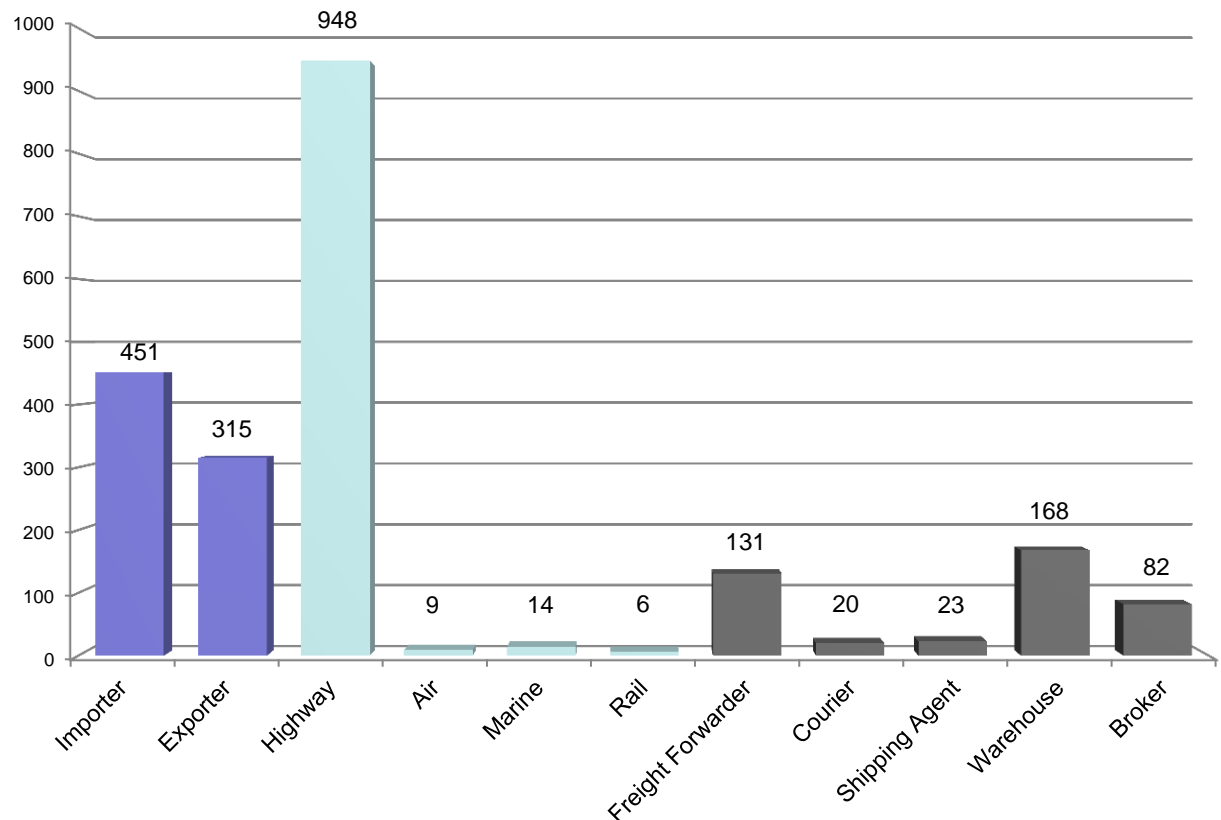
PIP Participation

Participation in the PIP Program as of April 1, 2014:

- 1,532 members

- 711 PIP members are also CSA members

Members can be approved in more than one mode

PIP Members by Mode of Business

International Engagement

- World Customs Organization
    - SAFE Working Group
    - AEO Regional Strategy (Steering Committee)

- Asia-Pacific Economic Cooperation (APEC) Workshops

- AEO capacity building and cooperation
    - Sharing program information and best practices
    - Attending and hosting observations of site validations
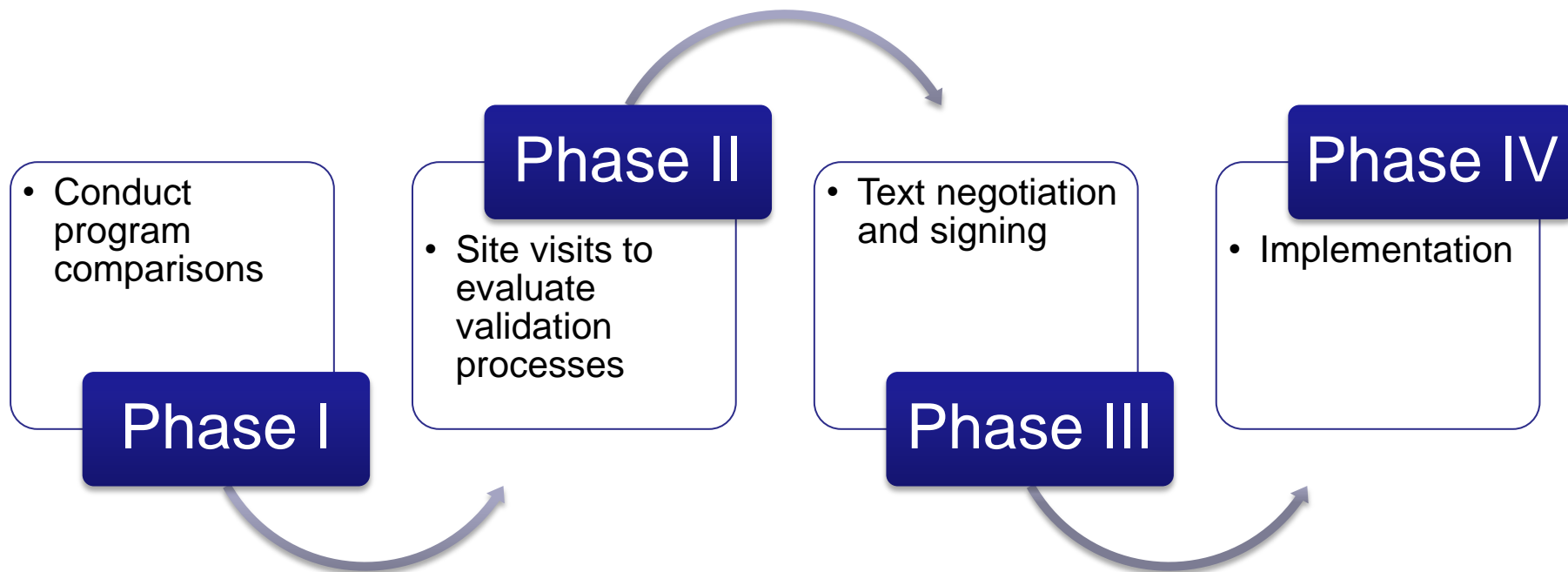
- Mutual Recognition Arrangements

PIP Mutual Recognition Arrangements

- An MRA recognizes that each country applies similar security standards and site validations, and ensures benefits are mutually provided to each other's members

- MRAs aim at extending the security of the supply chain to the point of origin and expanding the international trade network of accredited low-risk companies

- To date PIP has signed four MRAs:
  - **United States**: Customs-Trade Partnership Against Terrorism program (June 2008)
  - **Japan**: AEO program (June 2010)
  - **Republic of Korea**: AEO program (June 2010)
  - **Singapore**: Secure Trade Partnership program (June 2010)

- PIP is currently negotiating an MRA with the European Union.

MRA Negotiation Process

Phase I
- Conduct program comparisons

Phase II
- Site visits to evaluate validation processes

Phase III
- Text negotiation and signing

Phase IV
- Implementation

Customs Self Assessment

- The CSA program is designed for low-risk, pre-approved importers and carriers who invest in compliance and meet stringent CBSA program requirements

- The program gives approved importers, approved carriers, and registered drivers the benefits of a streamlined clearance option for CSA eligible goods

- The CSA program is legislated under the *Customs Act*, Section 32, Accounting for and Payment of Duties and Taxes Regulations

  http://laws-lois.justice.gc.ca/eng/acts/C-52.6/

Benefits

- Simplified/Streamlined Border Processes

- Flexible Accounting Processes

- Consolidated Revenue Reporting and Payment

Simplified/Streamlined Border Processes

Eligibility Requirements:

- Goods shipped to Canada directly from the United States and Mexico that do not have any Other Government Department restrictions, are eligible for CSA report and release

Simplified/Streamlined Border Processes

- Importers and Carriers do not have to transmit information in advance for CSA eligible goods

- No mandatory tariff classification (HS code) required at time of clearance

- Minimal data required for clearance:
  - CSA carrier code in bar coded format
  - CSA business number in bar coded format
  - Approved FAST/Commercial Driver Registration Program driver card

- Dedicated FAST lanes are available at Canada's busiest commercial border crossings

Flexible Accounting Processes

- Accounting and adjustments can be consolidated resulting in fewer customs transactions

- Longer reporting timeframes - improves accuracy and completeness, and reduces the number of adjustments required

- Electronic adjustments - CBSA decisions more immediate

Consolidated Revenue Reporting and Payment

- Streamlined accounting and payment - reduces documentation and administrative costs

- Revenue amounts are summarized and reported monthly on a single electronic document, the Revenue Summary Form (RSF)

- RSF contains all accounting, adjustment, penalties and drawback entries for the accounting period

CSA Application Process

<u>Part 1</u>

- Detailed Risk Assessment of the legal entity occurs for both carriers and importers

<u>Part 2</u>

- Detailed assessment of the companies business processes and books and records to ensure linkages, controls and audit trails support CSA requirements

<u>Approval</u>

- Signed Summary of Program Requirements

CSA Monitoring - Importers

Ongoing monitoring ensures compliance with program requirements.
CSA monitoring includes:

- Validation Review (conducted within 6-12 months of admittance to the CSA importer program)

- Monthly Importer Compliance Monitoring
  - The RSF is reconciled with CBSA data to ensure that it matches

- Annual Importer Compliance Report Card

CSA Monitoring - Carriers

- Carriers are asked to demonstrate their audit trail and are required to submit information such as business processes and description of their dispatch system

- Carrier Verifications - completed every 1, 3 or 5 years

CSA - Noncompliance

Noncompliance with CSA program requirements is addressed (dependent upon severity) through:

- Informal discussions between the CSA Senior Program Officer and the CSA Partner

- Issuance of Administrative Monetary Penalties (AMPS)

- Issuance of an Action Plan
  - If the action plan is not met, an extension or ultimately the suspension or removal of the client from the program is considered

CSA Participation

Participation in the CSA program as of April 1, 2014:

- 96 CSA approved Importers

- 901 CSA approved Carriers

CSA Importers represented approximately $90 billion CAD of Value for Duty (VFD) of imported goods in 2013-14 (20% of total VFD)

CSA - Platinum

- Customs Self Assessment - Platinum (CSA-Platinum) is a voluntary benefit offered to CSA Importers that builds on the CSA principles of risk management

- Further enhancing the CSA Importer/CBSA relationship, CSA-Platinum gives participants a greater responsibility for their trade program internal controls and compliance testing

- Approved CSA importers will voluntarily demonstrate to the CBSA that their business systems, internal controls and self-testing processes are effective and reliable at ensuring trade program compliance

CSA - Platinum: Key Principles

- Participants invest in internal controls and business systems to take greater responsibility for ensuring the accuracy of their business practices. This is a corporate commitment that extends into the customs and logistics areas and compliance with trade program requirements

- Once accepted, participants conduct self-testing of trade program compliance and report on an annual basis - combining their own risk analysis and verification priorities as determined by the CBSA

CSA - Platinum: Participant Benefits

- Removal from the post release verification pool

- Monetary penalties may not be a first response to trade program noncompliance

- Participants discovering errors through self-testing or auditing will not be required to file retroactive corrections provided that they did not have reason to believe that the declarations were incorrect