

FOCUS ON

# Authorised Economic Operator (AEO) Status

## The concept

The European Union (“EU”) Authorised Economic Operator (“AEO”) scheme is a voluntary system which was introduced to create a system of ‘legitimate’ businesses identifiable within the international supply chain as being safe and secure.

The AEO scheme followed the American supply chain security initiative introduced to protect the borders of the USA known as the Customs & Trade Partnership Against Terrorism (“C-TPAT”). The USA scheme focuses on goods being imported into the USA while the AEO scheme relates to both imports and exports which cross the borders of the EU.

The AEO concept is based on the Customs-to-Business partnership introduced by the World Customs Organisation (“WCO”). Businesses who voluntarily meet a wide range of criteria work in close cooperation with customs authorities to assure the common objective of supply chain security are entitled to enjoy tangible benefits throughout the EU.

The AEO scheme is governed by European Union law. From 1st May 2016, the Union Customs Code (“UCC”) was implemented and introduced some additional and enhanced requirements to the existing AEO scheme criterion.

An application for AEO certification in the UK is made to HM Revenue & Customs (“HMRC”). From the point of written ‘acceptance’ of an application, HMRC has 120 days to make a decision regarding whether AEO certification will be awarded to the UK applicant.

## Types of certification

There are two types of certification; AEOC (Customs Simplifications) and AEOS (Security and Safety) but businesses can also apply for both types of certification.

- AEOC status – is issued to a business that fulfils the criteria of customs compliance, appropriate record keeping standards, financial solvency and practical standards of competence or professional qualifications directly related to the activity carried out.
- AEOS status – is issued to a business that fulfils the criteria of customs compliance, appropriate record keeping standards, financial solvency and maintains appropriate security and safety standards.

## Mutual Recognition Agreements

The mutual recognition of AEO programmes is a key element of the WCO SAFE Framework of Standards which seeks to strengthen the end-to-end security of supply chains and multiply the benefits for businesses.

The EU has concluded and implemented Mutual Recognition Agreements (“MRA”) of AEO programmes with the USA, China, Japan, Norway, Switzerland and Andorra. Further negotiations are currently taking place with Canada.

The specific benefits are contained within each individual MRA but in general the benefits include the following core elements:

- Fewer security and safety related controls;
- Recognition of business partners during the application process;
- Priority treatment at customs clearance.





## The benefits

AEO benefits are an integral part of the EU legislation governing the AEO status. The AEO benefits are dependent on the type of authorisation held and include the following:

### AEOC certification:

- An industry 'kite mark' standard and useful marketing tool;
- A recognised status across the EU that should make it easier for businesses to apply and use simplifications across the Union;
- Up to a 70% reduction in a deferment account guarantee;
- Reduction or waiver of a comprehensive guarantee;
- Fewer physical and document-based controls related to other customs legislation;
- Swifter application processes when applying for customs simplified procedures such as; Customs Freight Simplified Procedures, Inward Processing and Customs Warehousing etc.

### AEOS certification:

- A lower risk score which will be incorporated into customs' risk management systems and be used to determine the frequency of customs physical and documentary checks;
- Consignments selected for examination will receive priority over non AEO consignments through customs controls;
- Fewer physical and document-based controls related to safety and security;
- A recognised status across the EU that should make it easier for businesses to apply and use simplifications across the Union;
- An industry 'kite mark' standard and useful marketing tool;

- Mutual recognition with countries outside the EU and trading partners that have adopted the WCO Safe framework.

## Brexit tools

UK reporting on the progress of the Brexit negotiations has included multiple references to a 'Trusted Trader' scheme. The AEO system represents the UK's current 'Trusted Trader' scheme in all but name.

AEO certification should be considered by businesses seeking to preserve the speed of their supply chain as a potential proactive tool, to enhance their business continuity and contingency planning as the Brexit negotiations evolve.



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