



**CUSTOMS GUIDELINES ON INTEGRATED SUPPLY CHAIN MANAGEMENT**

# **ISCM GUIDELINES**

**WORLD CUSTOMS ORGANIZATION**

June 2018

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### Foreword

The increasing threat of international terrorism and organised cross-border crime requires the enhancement of existing border and frontier controls and effective national and international co-operation between Customs, other law enforcement agencies and business. The greatest challenge for Customs will be to offer facilitated treatment of the vast majority of international cargo movements and passenger traffic, while identifying and dealing with the small percentage that pose a genuine risk to safety and security.

Responding to global security concerns, the WCO adopted the SAFE Framework of Standards (SAFE FoS) to Secure and Facilitate Global Trade that has been regularly updated. This unique international instrument ushered in modern supply chain security standards and heralded the beginning of a new approach to the end-to-end management of goods moving across borders while recognizing the significance of a closer partnership between Customs and business.

More recently, acknowledging the heightened focus on security in the activities of Customs administrations world-wide, the WCO adopted a 'Resolution on the Role of Customs in the Security Context'<sup>1</sup> and developed the WCO Security Programme to support Customs administrations. The Resolution, among others, invites Customs authorities to include security as part of their mandate and functions, where appropriate, by including security in their strategic plans and disseminating the goal to the front lines. It reiterates close cooperation at national, regional and international level between Customs authorities and between Customs and other law enforcement authorities in relation to information exchange and investigations, with a view to enhancing border security, and identifying, disrupting and dismantling criminal and destabilizing organizations and individuals.

Apart from the still topical security concerns that were at the origin of the SAFE FoS, the ISCM guidelines have to be read in particular with the trade facilitation aspirations of the SAFE in mind. Integrated supply chains as described in these guidelines have features that distinguish them from the regular flow of goods and justify faster or immediate release/clearance of the concerned consignments.

One example of such integrated supply chains is the one based on Customs-to-Customs information sharing and mutual recognition of controls. Other types of integrated supply chains include supply chains with Authorized Economic Operators (or other trusted traders) involved throughout the supply chain (trusted trade lanes).

The growing digitalization of international supply chains is generating exponential opportunities in terms of data access, capture, aggregation, and analysis for meeting organizational goals more effectively. Nonetheless, digitalization also presents risks, e.g., cyber security and fraud that must be safeguarded against.

Some of the recent global developments have substantially changed the environment in which Customs administrations operate that includes inter alia the following :

- i. International supply chains are increasingly controlled, monitored and secured end to end for their own commercial reasons, thus allowing Customs administrations to rely on the safety and security measures taken by traders.

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<sup>1</sup> <http://www.wcoomd.org/~media/wco/public/global/pdf/about-us/legal-instruments/resolutions/resolution-of-the-wco-policy-commission-on-the-role-of-customs-in-the-security-context.pdf?la=en>

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- ii. Customs and traders around the world have invested lots of efforts and resources in getting to know each other's operating environment and respective expectations better, for example by setting up and implementing AEO programmes.
- iii. Modern information and communication technologies (ICT) allows for accessing, aggregating, storing, sharing and analysing data at an unprecedented scale, subject to commercial confidentiality and appropriate access rights.

The consequences of these developments for Customs control are being tested in a number of projects. The outcomes and lessons learned from these projects would allow for more differentiation in Customs control in accordance with the trader or trade lane involved.

The traditional control approach is based on a standard declaration system, requiring data to be submitted to Customs in a prescribed format. Sometimes the declaration is preceded by a summary declaration or cargo declaration. This declaration allows for an initial safety and security check that may result in a no load decision or request for a specific inspection before the loading of the consignment on a specific means of transport. Data for these declarations are very often provided by intermediaries that do not have access to the real source of the information.

Moving away from traditional control approaches, risk management is now at the heart of modern Customs control and law enforcement. Risk management, one of the core principles of modern Customs co-operation, developed by the WCO in the Revised Kyoto Convention (RKC) and the SAFE FoS, enables Customs to exercise adequate controls with minimum hindrance to legitimate trading. But any risk management system is as good as the quality of the data that are put into the system. Data are generally available well before the shipping of the consignment, often even before e.g. the stuffing of the container or the preparation of the shipment. Efforts are being deployed by governments working with relevant stakeholders to obtain information, relevant for Customs, directly from the source and at a much earlier stage than the moment of lodging the import or export declaration.

The integrated supply chain management (ISCM) concept described in these guidelines aims at moving away from traditional Customs controls. These supply chains have specific characteristics that ensure the timely availability of quality data and the integrity of the consignment in the supply chain concerned. Based on these characteristics, Authorized Economic Operators (trusted traders) and authorized supply chains (trusted trade lanes) can benefit from reduced risk scores in risk management systems and will normally not be impacted by Customs controls. If properly applied, this concept allows scarce Customs resources to better target serious security and safety risks. Companies that do not have a proven track record with Customs will still be subjected to appropriate Customs controls.

The implementation of the ISCM Guidelines should take place at the national level and eventually move towards regional or global level. However, the ISCM Guidelines will only become truly effective when Customs administrations along the supply chain will have implemented common standards on Customs control, risk assessment and the authorized supply chain standards. It would enable mutual recognition of controls, mutual recognition of AEOs, and integrated Customs control and treatment of international transactions described in the Guidelines. Although bilateral arrangements will predominate, the focus should be on the eventual global implementation of the Guidelines requiring flexibility from all parties.

Countries implementing these Guidelines in co-operation with other countries and after having consulted their stakeholders will have to establish the necessary technical infrastructure,

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including Customs IT systems and develop the appropriate legal framework addressing the following aspects as required :

- Risk assessment and controls at export,
- the use of a UCR,
- the use of TIN,
- who has to provide the information and who is legally liable,
- which information would have to be requested from whom for risk assessment ensuring that information is submitted only once,
- to whom this information has to be transmitted,
- when and at what point in the trade process the information has to be provided,
- how the information has to be provided,
- what simplifications and facilitation the Customs will provide to authorized economic operators,
- how the information received will be used and protected.

### 1. Management Summary

1.1 Timely, high quality information and good intelligence are the most critical elements in the application of efficient and effective Customs risk management and controls. These elements have become even more essential in the efforts to increase safety and security along the global supply chain. Since the supply chain consists of the physical origin-destination movement of the goods and the parallel movement of commercial data, the overall goal has to be to receive the necessary information to perform risk assessments as early as possible in the global supply chain from the originator of the information to allow the free and smooth flow of the goods.

1.2 The application of risk management<sup>2</sup> in Customs operations as set out in the revised Kyoto Convention, its implementing Guidelines and the SAFE Framework of Standards has become an invaluable best practice to carry out effective and efficient Customs control and to allow better use of available resources. Through implementation and use of a risk management programme, Customs can determine which goods and which traders are in compliance with Customs law and thus pose a low risk for control purposes. These traders can then be approved for simplified procedures that require less intervention by Customs for the release and clearance of their goods. Any trader that meets the criteria that have been identified as necessary to ensure the trader's compliance with Customs law can be authorized. The authorization will indicate the obligations of the authorized person (as stipulated in the RKC) concerning the use of a simplified procedure. In this context, the SAFE AEO Programme further strengthens supply chain security and facilitation.

1.3 To achieve the objective of gaining the necessary time for risk management and to receive quality information, Governments and Customs administrations will have to treat the global supply chain as an integrated whole. This will require Customs administrations throughout the supply chain to develop and agree on an integrated Customs control chain reaching from origin to destination and addressing the key elements of supply chain security i.e. in document and physical control, shipment, personnel and information security.

1.4 In a bilaterally agreed integrated Customs control chain, Customs control and risk assessment for security purposes is an ongoing and shared process commencing at the time when goods are being prepared for export by the exporter and, through ongoing verification of consignment integrity, avoiding unnecessary duplication of controls. To enable such mutual recognition of controls, Customs will have to agree (bilaterally or multilaterally) on common control and risk management standards, the sharing of intelligence and risk profiles as well as the routine exchange of Customs data. Such agreements should foresee the possibility of joint monitoring or quality control procedures to oversee the adherence to the standards. Furthermore, Mutual Recognition Arrangements/Agreements (MRAs) provides facilitation benefits to AEOs in partner MRA countries, while securing the supply chain across borders.

1.5 In the interest of supply chain security and the integrated Customs control chain, in particular to ensure a fully secure movement from stuffing of the container (or from the preparation of the shipment) to its final destination, Customs should apply a seal integrity programme (including e-seals, as appropriate) as detailed in the revised Guidelines to chapter 6 of the General Annex to the Revised Kyoto Convention. Such seal integrity

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<sup>2</sup> <http://www.wcoomd.org/en/topics/enforcement-and-compliance/instruments-and-tools/compendiums.aspx>

programmes include procedures for recording the affixing, changing and verification of seal integrity at key points, such as modal change.

1.6 The integrated Customs control chain will also require a Unique Consignment Reference (UCR) to be applied by or on behalf of the party initializing the international trade transaction to all international consignments and being utilized in all relevant communications by all parties involved in the supply chain establishing an origin to destination information and documentation trail. The UCR will enable Customs to link information received from the different parties for a particular consignment and will facilitate the exchange of Customs data between Customs administrations.

1.7 In addition to the integrated Customs control chain, Customs administrations should agree and implement Authorized Supply Chains where the exporter and the importer have both the status of an “authorized economic operator”, and where, during the movement of the consignment the exporter and importer agree to use only authorized economic operators. For the purpose of continued and sustained security along the global supply chain, the business sector in general but authorized economic operators in particular will have to apply sound supply chain management policies and make appropriate provisions in terms of security in their supplier and customer relationships. While Authorized Supply Chains would provide increased security they would offer Customs the possibility to provide end-to-end premium procedures and simple integrated Customs treatment of the total international transaction.

1.8 The increasing use of ICT in the supply chain and the growing digitalization of business processes result in more information readily available in an electronic format for use by Customs administrations and other government agencies involved in the control of goods and people crossing the border. This enables Customs administrations to require the necessary information from the party having initiated the supply of goods internationally, i.e. the exporter or the importer, before the consignments depart for their journey to the country of import. The different business practices applied in the various modes of transport may require tailored rules for the submission of the information.

1.9 Customs administrations should generally grant rapid release to all consignments, which have met the conditions laid down by Customs and for which the necessary information required by national legislation is communicated by electronic means, at a stipulated time prior to arrival.

1.10 Governments have to take a holistic approach in their efforts to secure and protect the international trade supply chain from being used for acts of terrorism or other criminal activity while ensuring continued improvements in trade facilitation without unnecessarily increasing costs. Governments should therefore take the initiative to develop co-operative arrangements between Customs and other Government agencies involved in international trade (coordinated border management)<sup>3</sup> in order to facilitate the seamless transfer of international trade data (single window concept)<sup>4</sup> and to exchange risk intelligence at both national and international levels. This would allow the trader to electronically submit the required information once to a single designated authority, preferably Customs. In this context Customs should seek close integration with commercial processes and information flows in the global supply chain, for example by making use of commercial documentation such as the invoice and the purchase order as the export and

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<sup>3</sup> <http://www.wcoomd.org/en/topics/facilitation/activities-and-programmes/coordinated-border-management.aspx>

<sup>4</sup> <http://www.wcoomd.org/en/topics/facilitation/instrument-and-tools/tools/single-window-guidelines.aspx>

import declarations (see figure 1 and Annexes III and IV). This concept can be further realised through the use of new technologies, for example application programming interface (APIs).

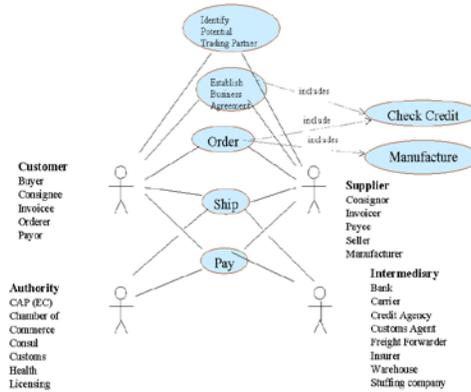


Figure 1 Global Supply Chain Model (Source: UN/CEFACT)

1.11 The role of information and communication technology is significant for efficient and effective Customs control. Customs will have to be flexible and far-sighted in developing electronic methods of controlling and facilitating trade, especially in the use of IT, including electronic data exchange. The need for Customs to operate in such an international environment using IT systems will demand :

- Harmonized Customs procedures and processes based on the revised WCO Kyoto Convention, as well as e-enabling legislation addressing issues such as “signature” and “document”;
- Standardized data requirements at export, import and transit, as defined in the WCO Data Model; and
- A comprehensive IT security strategy addressing, inter alia, the cross-border recognition of digital certificates.

1.12 Security and facilitation along the global supply chain requires highly trained and motivated staff in the Customs administrations as well as in all other parties involved in the supply chain. Customs has to ensure that all levels of staff are regularly provided with the

necessary training<sup>5</sup> to build up and maintain the skills required to perform effective and efficient Customs controls and to operate in the rapidly developing electronic environment.

### 2. Definitions

For the purpose of these Guidelines and in addition to the definitions provided in the revised Kyoto Convention, the following definitions apply:

- a. **Exporter**, is the party who makes - or on whose behalf - the export declaration is made and who is the owner of the goods or has similar right of disposal over them at the time when the declaration is accepted.
- b. **Agent** is a person authorized to act on behalf of another party.
- c. **Carrier** is the party undertaking or arranging transport of goods between named points. This includes non vessel operating common carriers (NVOCC).
- d. **Importer** is the party who makes or on whose behalf a Customs clearing agent or other authorized person makes an import declaration. This may include a person who has possession of the goods or to whom the goods are consigned.
- e. **Consignee** is the party to which goods are consigned.
- f. **Consignor** is the party which, by contract with a carrier, consigns or sends goods with the carrier, or has them conveyed by him.
- g. **Authorized Economic Operator** is a party involved in the international movement of goods in whatever function that has been approved by or on behalf of a national Customs administration as complying with WCO or equivalent supply chain security standards. AEOs may include manufacturers, importers, exporters, brokers, carriers, consolidators, intermediaries, ports, airports, terminal operators, integrated operators, warehouses, distributors and freight forwarders.
- h. **International Supply Chain** covers all stages following the recognition of need by a Customer for a product or service to the fulfilment of an order by a Supplier and the resulting financial settlement. It incorporates any necessary activities carried out by Intermediaries and Authorities.
- i. **Authorized Supply Chain** is a concept under which all participants in an international trade transaction are approved by Customs as observing specified standards in the secure handling of goods and relevant information. Consignments passing from origin to destination entirely within such a chain would benefit from an integrated cross-border simplified procedure, where only one simplified declaration with minimum information would be required for both export and import purposes.
- j. **Goods declaration** means a statement made in the manner prescribed by the Customs, by which the persons concerned indicate the Customs procedure to be applied to the goods and furnish the particulars which the Customs require for its application.

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<sup>5</sup> [http://www.wcoomd.org/-/media/wco/public/global/pdf/topics/facilitation/instruments-and-tools/tools/safe-package/aeo-validator-guide\\_final-en.pdf?la=en](http://www.wcoomd.org/-/media/wco/public/global/pdf/topics/facilitation/instruments-and-tools/tools/safe-package/aeo-validator-guide_final-en.pdf?la=en)

- k. **Cargo declaration** means information submitted prior to or on arrival or departure of a means of transport for commercial use that provides the particulars required by the Customs relating to cargo brought to or removed from the Customs territory.
- l. **Place of loading** is the seaport, airport, freight terminal, rail station or other place at which the goods (cargo) are loaded on to the means of transport being used for their carriage from the Customs territory.
- m. **Place of discharge** is the seaport, airport, freight terminal, rail station or other place at which the goods (cargo) are unloaded from the means of transport having been used for their carriage.
- n. **Customs office of exit** is the Customs office by which the goods leave or are intended to leave the Customs territory.
- o. **Customs office of entry** is the Customs office by which the goods enter or are intended to enter the Customs territory.
- p. **Customs control** are measures to ensure compliance with the laws and regulations which Customs are responsible for enforcing.
- q. **Mutual Recognition** is a bilateral/plurilateral or regional arrangement/agreement between Customs Administrations, which provides a framework to extend AEO benefits across borders in the jurisdiction of the partner country/countries/Customs or economic unions.

### 3. Integrated Customs control procedures

#### 3.1 General provisions

3.1.1 These Guidelines should generally apply to all consignments and all modes of transport.

3.1.2 The Revised Kyoto Convention (RKC) provides in standard 6.1 of its General Annex that all goods including means of transport, which enter or leave the Customs territory shall be subject to Customs control. For the purpose of an integrated Customs control chain, however, the integrity of the consignment has to be ensured from the time the goods leave the place of origin until they arrive at the place of destination. This can, in the absence of internationally agreed standards and protocols, be achieved through Customs-Business Partnerships, including Authorized Supply Chains, on the basis of WCO or equivalent Supply Chain Security standards.

3.1.3 For the purposes of supply chain security and trade facilitation these Guidelines describe the various procedures and processes in international trade and how they should be integrated into an integrated Customs control chain. The individual procedures may include the following (see also Annex I):

The advance electronic transmission of an initial export goods declaration by the exporter or his agent containing the relevant information for the exporter specified in Annex V to the Customs administration at export followed by a complementary declaration at an agreed later stage, where required (see 3.2);

1. The advance electronic transmission of an initial declaration by the carrier containing the relevant information specified in Annex V to the Customs administration at export or import, followed, where required, by the full cargo declaration at an agreed later stage (see 3.3 and 3.4), if this cargo declaration contains any information not included on the initial declaration;
2. The advance electronic transmission of an initial import goods declaration by the importer or his agent to the Customs administration at import followed by a complementary declaration at an agreed later stage, where required (see 3.5);
3. The Authorized Supply Chain provides the possibility to integrate the information flows as described in the aforementioned paragraphs 1 and 3 into one single declaration for export and import purposes;
4. The routine (advance) electronic exchange of Customs data between Customs administrations at export and import to support risk assessment and rapid release (see 3.6).

3.1.4 At the time goods are being allocated to an international transaction, for example by concluding a contract for export or by placing a purchase order, the party initiating the international trade transaction, e.g. the buyer or importer, or the agent acting on behalf of that party should assign a unique consignment reference (UCR) to the consignment in accordance with the WCO Recommendation on the UCR and its accompanying Guidelines (see also Annex III). The UCR should be utilized in all relevant communications by all parties involved in the entire supply chain.

3.1.5 Transitional Standard 3.32 of the General Annex to the RKC provides the possibility that for authorized traders who meet criteria specified by the Customs, including having an appropriate record of compliance with Customs requirements and a satisfactory system for managing their commercial records, the Customs shall provide for release of the goods on the provision of the minimum information necessary to identify the goods and permit the subsequent completion of the final Goods declaration enabling among others the calculation of duties and taxes and the collection of trade statistics. These arrangements can be extended, with benefit to facilitation as well as security, by the concept of an Authorized Supply Chain in which all operational participants in an international trade transaction are approved by Customs as observing specified standards in the secure handling of goods and relevant information. Consignments passing from origin to destination entirely within such a chain would benefit from an integrated cross-border simplified procedure, where only one simplified declaration with minimum information would be required for both export and import purposes. In cases where the authorized economic operators in an authorized supply chain have agreed to provide Customs at export, import and en route with online access to Customs relevant information within their commercial systems and there are arrangements for mutual recognition of authorizations on a basis acceptable to both export and import Customs, the simplified declaration could be reduced to the provision of the UCR only (see also Annex II). Such a procedure would have to include a thorough cross-border audit of the traders' commercial systems.

3.1.6 Standard 3.8 of the General Annex to the RKC makes the declarant responsible for the accuracy of the particulars given in the Goods declaration. The RKC further

provides that national law shall lay down the conditions under which a person is entitled to act as declarant. Where many countries require a licensed Customs broker to submit the Goods declaration, others leave this to the exporter/importer to determine whether he wants to accomplish these formalities by himself or through an agent, who may or may not have to be licensed by Customs.

3.1.7 Standard 3.13 of the General Annex to the RKC provides the possibility that where for reasons deemed valid by the Customs, the declarant does not have all information required to make the Goods declaration, a provisional or incomplete Goods declaration shall be allowed to be lodged, provided that it contains the particulars deemed necessary by the Customs (see Annex V) and that the declarant undertakes to complete it within a specified period. In the context of the WCO ISCM Guidelines the initial declarations as described in 3.1.3. can be regarded as incomplete declarations.

3.1.8 Standard 4 of Specific Annex A.1 to the RKC holds the carrier responsible to the Customs for ensuring that all goods are included in the cargo declaration or are brought to the attention of the Customs in another authorized manner. Although the Standard requires all goods to be reported there are many varying practices. Some administrations only require the goods that are to be unloaded in their Customs territory to be reported, while others require all goods to be reported irrespective of whether they are unloaded or not. In some cases goods not meant to be unloaded or meant for destinations outside the Customs territory can be reported in a simplified manner. In any event, Recommended Practice 9 of Annex A.1 urges Customs to limit their information requirements to that available in carriers' normal documentation and to base their requirements on those set out in relevant international transport agreements (e.g. IMO FAL Convention, ICAO Chicago Convention).

3.1.9 According to Standards 3.33 and 3.40 of the General Annex to the RKC, goods shall be released as soon as Customs have examined them or decided not to examine them, with examinations to take place as soon as possible after the Goods declaration has been registered. For the purpose of the ISCM Guidelines, Customs should, within a specified time limit, notify the party having submitted the Goods or Cargo declaration, as applicable, whether the goods cannot be loaded, unloaded or released.

3.1.10 According to Standard 3.23 of the General Annex to the RKC where national legislation lays down a time limit for lodging the Goods declaration, the time allowed shall be sufficient to enable the declarant to complete the Goods declaration and to obtain the supporting documents required. In addition, Standard 3.25 of the General Annex to the RKC requires Customs administrations to make provision for the lodging and registering or checking of the Goods declaration and supporting documents prior to the arrival of the goods. Article 7.1 of the WTO Agreement on Trade Facilitation (TFA) provides that each Member shall adopt or maintain procedures allowing for the submission of import documentation and other required information, including manifests, in order to begin processing prior to the arrival of goods with a view to expediting the release of goods upon arrival. It further states that each Member shall, as appropriate, provide for advance lodging of documents in electronic format for pre-arrival processing of such documents. Standard 1 of Specific Annex C.1 on outright exportation as well as of Specific Annex A.1 on Formalities prior to the lodgement of a Goods declaration provide that the procedures contained in these Specific Annexes shall be governed, insofar as applicable, by the provisions of the General Annex. The Guidelines to these Specific Annexes explicitly refer to the provisions on lodging and checking or registering of the declaration contained in Standard 3.25.

3.1.11 In the application of the provisions mentioned in 3.1.10 and for the purpose of these Guidelines, the initial export Goods declaration should be lodged by the exporter or his agent to Customs prior to the goods being loaded onto the means of transport or the container being used for their exportation. Alternatively, in particular in the case of an integrated Customs control chain, the importer should lodge the initial import Goods declaration where possible prior to the goods being loaded onto the means of transport or the container being used for their exportation, otherwise prior to arrival in the country of import. As far as the initial cargo declaration is concerned, the carrier or his agent should lodge the cargo declaration in advance. In no case should the initial declaration be required earlier than the time established for the initial export or import Goods declaration. The exact timing at which the Goods and Cargo declarations have to be lodged with the Customs administration at either export or import should be defined by national law after careful analysis of the business processes applicable for the different modes of transport and after consultation with the business sector and other Customs administrations concerned. Customs should provide equal access to simplified arrangements to authorized economic operators regardless of the mode of transport.

3.1.12 Standard 3.11 of the RKC provides that the contents of the Goods declaration shall be prescribed by the Customs. For the purpose of standard and harmonized Customs data requirements at import and export, the WCO has developed the WCO Data Model, which provides global standards for structured, harmonized, standardized and reusable sets of data definitions and electronic messages to meet operational and legal requirements of cross-border regulatory agencies, including Customs, which are responsible for border management. The Data Model also defines the electronic message formats for relevant Cargo and Goods declarations. The WCO Data Model includes the data necessary for Customs and cross-border regulatory agencies control and risk assessment purposes.

3.1.13 Standard 7.4 of the General Annex to the RKC requires that new or revised national legislation shall provide for the right of the Customs to retain information for their own use and, as appropriate, to exchange such information with other Customs administrations and all other legally approved parties by electronic means. Standard 6.7 further provides that Customs shall seek to co-operate with other Customs administrations and seek to conclude mutual administrative assistance agreements to enhance Customs control.

3.1.14 In analogy to Standard 8 of the Specific Annex E.1 of the RKC the Customs at the office of departure should take all necessary action to enable the office of destination to identify the consignment and to detect any unauthorized interference. In addition the Customs administrations at departure and destination should agree to use an electronic messaging system to routinely exchange Customs data, in particular control results and arrival notifications, for high-risk consignments.

## **3.2 Export Goods Declaration**

3.2.1 The exporter or his agent submits an initial export Goods declaration with the particulars from Annex V specified for the exporter to the Customs at export prior to the goods being loaded onto the means of transport or the container being used for their exportation. In cases where the initial export Goods declaration is also used as the initial declaration by the carrier, the exporter has also to include the particulars from Annex V specified for the carrier into the initial export Goods declaration. In those cases the exporter has to provide a copy of the initial export Goods declaration to the carrier. The

initial export goods declaration may have to be followed-up by a complementary declaration for other purposes such as the collection of trade statistics at a later stage as stipulated in national law. (see also Annex I).

3.2.2 Customs should release the goods for export as described in 3.1.9.

3.2.3 In an Authorised Supply Chain, the export Goods declaration (either full or simplified) could fulfil simultaneously the role of the simplified import Goods declaration. In such a scenario the Customs administrations concerned could either require the exporter to submit a copy of the export Goods declaration to the Customs administration at import or the Customs administrations concerned would share this information by electronic means using a UCR as an access key. Where the Customs administrations at export and import have online access to the commercial systems of the authorized economic operator, the Customs administrations concerned may agree to only require the provision of a UCR (see Annex II). The authorization for such a procedure will provide for the legal liabilities of the exporter and the importer.

3.2.4 The initial export Goods declaration should be based on the WCO export data set EX12 of the WCO Data Model and particulars specified from Annex V for the exporter. The complementary export Goods declaration should be based on the specific WCO data set EX22 of the WCO Data Model. In case of an authorized supply chain (see 3.2.3), where the export Goods declaration would fulfil also the role of the simplified import Goods declaration, the Goods declaration should be based on the specific WCO data set IM12 of the WCO Data Model.

### 3.3 Export Cargo Declaration

3.3.1 In those cases when export Goods declarations have been submitted by exporters or their agent to the Customs at export covering all goods loaded onto the means of transport used for their exportation and containing all the necessary particulars from Annex V specified for the carrier, separate export Cargo declarations should not be required, (see 3.2.1).

3.3.2. In all other cases the carrier or his agent should lodge an initial export declaration with the particulars from Annex V specified for the carrier to the Customs at export (or at import, dependent on the bilateral agreement establishing the integrated Customs control chain) prior to departure from the place of loading of the goods onto the means of transport leaving the country of export. The initial declaration may have to be followed by the full cargo declaration at an agreed later stage, if not already provided as part of the export Goods declaration and if this cargo declaration contains any information not included on the initial declaration. Where electronic systems, which allow the exchange of information between interested parties (so called cargo community systems (CCS)), have been established at ports or airports by the participants in the transport chain, Customs should consider participating in such systems and receiving the data required for risk assessment through these systems.

3.3.3 Customs should release the consignment for loading as described in 3.1.9.

3.3.4 Customs administrations at export and import should agree on a single data set and electronic message for the export and import cargo declaration. In addition, Customs administrations should agree that the carrier or his agent should submit the cargo declaration either to the Customs administration at export or the Customs administration at import and that the Customs administrations concerned will share the

information by electronic means using a UCR as an access key (see also Annex II). In an Authorized Supply Chain these agreements should be included as a matter of course.

3.3.5 The export Cargo declaration should be based on the WCO cargo report export data set CRE of the WCO Data Model and particulars from Annex V specified for the carrier.

### **3.4 Import Cargo Declaration**

3.4.1 Subject to 3.3.4, the carrier or his agent submits an initial import declaration to the Customs at import prior to arrival of the means of transport eventually followed by the full cargo declaration at an agreed later stage, if not already provided as part of the import Goods declaration and if this cargo declaration contains any information not included on the initial declaration. Where cargo community systems (CCS) have been established at ports and airports by the participants in the transport chain, Customs should consider participating in such systems and receiving the data required for risk assessment through these systems.

3.4.2 According to Standard 17 of Specific Annex A.1 to the RKC the commencement of unloading shall be permitted as soon as possible after the arrival of the means of transport at the place of unloading (discharge). Customs should release the consignment for unloading as described in 3.1.9.

3.4.3 As mentioned in 3.3.4. Customs administrations should agree on a single data set and electronic message for the export and the import cargo declaration. On the basis of such agreements Customs at import will have received already either an initial declaration or a copy of the initial export Cargo declaration either from the carrier or the Customs administration at export (see 3.2.1 and 3.3.2), in which case no need exists for submitting an import Cargo declaration.

3.4.4 The Import Cargo declaration should be based on the WCO cargo report import data set CRI of the WCO Data Model and particulars from Annex V specified for the carrier.

### **3.5 Import Goods Declaration**

3.5.1 The importer or his agent submits either a full or an initial/simplified Goods declaration to the Customs prior to arrival of the means of transport. For the initial Goods declaration see 3.1.7. and for the simplified Goods declaration see 3.1.5.

3.5.2 In an Authorized Supply Chain the Customs at import will already have received the export Goods declaration and should use this as the simplified import Goods declaration. The authorization for such a procedure will provide for the legal liabilities of the exporter and the importer. The importer or his agent would have to submit the complementary import Goods declaration (see 3.1.5 and 3.2.3.).

3.5.3 The full import Goods declaration shall be based on the WCO import data set IM1 of the WCO Data Model. For the simplified procedure the importer (exporter, in case of the integrated transaction) submits a simplified Goods declaration based on the specific WCO data set IM12 and the complementary Goods declaration based on the specific WCO data set IM22 of the WCO Data Model.

### **3.6 Customs-to-Customs notifications**

3.6.1 As part of the integrated Customs control chain as well as the Authorized Supply Chain and as stipulated in international instruments on mutual administrative assistance, Customs administrations along the supply chain may consider the routine Customs-to-Customs data exchange, in particular for high risk consignments. Such an electronic messaging system could include the exchange of notifications about the export transaction including the control results as well as a corresponding arrival notification. Instead of active data exchange, the Customs administrations concerned could also offer restricted online access to the relevant data using a UCR as the access key (see also Annex I).

3.6.2 The WCO Globally Networked Customs (GNC)<sup>6</sup> with its legal tool box and associated specific business related utility blocks (UBs) provides a standardized way for Customs-to-Customs (C2C) information exchange.

#### 4. Data privacy and data protection

4.1 The exchange of data across international borders either among Customs administrations or by the private sector as requested by Customs should be initiated only after consultation between the countries concerned about the necessary data privacy and data protection.

4.2 Data privacy and data protection legislation has been enacted in many countries in recent years in order to protect the individual's right to privacy but also to protect the right of trade to confidentiality and to allow individuals to have access to their own personal data held on computer in order to verify its accuracy.

4.3 This legislation can vary from country to country. However, there is a large degree of commonality of provisions of such legislation. Data privacy and data protection legislation typically requires that personal as well as commercial data undergoing automated (computer) processing :

- should be granted at least the same level of such protection and confidentiality as that provided under the domestic law and legal system of the Customs administration that provided the data;
- should be obtained and processed fairly and lawfully;
- should be stored for legitimate purposes and not used in any way incompatible with those purposes;
- should not disclose the information or documents without the specific written permission of the Customs administration that provided the data;
- should be adequate, relevant and not excessive in relation to the purposes for which they are stored;
- should be accurate and, where necessary, kept up to date;
- should be preserved in a form which permits identification of the data subjects for no longer than is required for the purposes for which that data is stored.

4.4 Such legislation also usually incorporates provisions concerning the right of access by data subjects to their own personal data. There may also be provisions regarding disclosure of personal or commercial data to other parties, and about

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<sup>6</sup> <http://www.wcoomd.org/en/topics/facilitation/activities-and-programmes/gnc.aspx>

transmission of such data across national borders and beyond the jurisdiction of the country in which it was collected.

4.5 It is clear from the above that the existence of such legislation may well have an impact on a traders or carriers ability to capture personal and commercial details pertaining to a commercial transaction and to transmit this data to a foreign government. However, it is also clear that the nature of the data and the use to which it is put, should conform to the national law of most countries. The long-term archiving of goods and cargo declarations on computer media and the use of such data for purposes other than national security or cargo clearance may pose problems in certain countries.

### 5. Mutual Recognition of AEO programmes

5.1 For several years, the WCO and Customs administrations have been working to enhance the security of international supply chains while providing increased facilitation for authorised economic operators. The WCO SAFE Framework of Standards to Secure and Facilitate Global Trade encourages Customs administrations to agree on the mutual recognition (MR) of AEO and security measures. Mutual recognition of AEO status is a key element to strengthen end-to-end security of supply chain and to multiply benefits for traders. Mutual Recognition is a broad concept embedded within the SAFE FoS, whereby two countries conclude an agreement or arrangement to mutually recognize AEO authorizations that has been properly granted by one Customs administration. Furthermore, the SAFE FoS calls upon Customs Administrations to work together to develop processes for MR of AEO validations and authorizations, Customs security control standards and control results to eliminate or reduce duplication of effort.

5.2 Mutual recognition entails that one Customs administration :

- recognises the AEO authorisation issued under the other programme; and
- agrees to provide substantial, comparable and, where possible, the following reciprocal benefits/facilitations to the mutually recognised AEOs.

#### **Content of an MRA**

5.3 The text of an MRA would typically contain the following essential parts: It states the compatibility of the two AEO programmes, enumerates the reciprocal benefits to be granted, as precise as possible. It contains the data that is subject to the automatic data exchange and data protection rules. Furthermore, it contains procedural rules, including rules on the unilateral suspension of benefits.

*(See also the WCO MRA Strategy Guide including the MRA Implementation Guidance (<http://www.wcoomd.org/en/topics/facilitation/instrument-and-tools/tools/aeo-mra-strategy-guide.aspx>) for more detailed information)*

### 6. Data pipeline

6.1 Despite the consensus on the importance of supply chain security, lack of common approaches and coordinated actions impact progress. Customs administrations are actively working with establishing newer and more sophisticated security certifications (e.g. Authorized Economic Operator) as well as supporting the development of scanning equipment to detect illegal shipments or duties/tax frauds. On the other hand, the traders may perceive these initiatives as bureaucratic resulting in excessive and costly paperwork, as well as delays at the borders because of the necessary cargo scanning and screening. To make things even more complicated, global traders have to deal with a plethora of different security certifications required in different countries/jurisdictions. Nevertheless, appropriate supply chain visibility is in the interest of all stakeholders; for business to prevent security and cargo incidents, for consumers to fulfill their demands on the products, and for government authorities to improve their enforcement task to contribute to the safety and security of society and the fiscal and non-fiscal integrity of cross-border movements of goods.

6.2 The data pipeline is a concept that proves how protecting and securing the Global Supply Chain, and reducing its vulnerability to disruption (whether caused by natural disasters, terrorism or other forms of undesirable or illegal activity), can be done in an integrated manner, while guaranteeing the promotion of a timely and efficient flow of legitimate commerce around the world. Sharing and reusing data from the source by all actors along the supply chain can help in the implementation of the ISCM concept, thus offering tangible benefits to involved stakeholders (transaction, transport, regulatory and financial operators).

6.3 The data pipeline concept is a forward looking new supply chain information exchange mechanism, by which business and government benefit in equal ways. A schematic diagram representing the current Customs and international trade systems and the data pipeline concept is set out at Annex VI.

### 7. IT systems

7.1 The system of advance transmission of information to Customs requires the use of computerized Customs systems including the use of electronic exchange of information at export and at import.

7.2 Standards 7.1, 6.9, 3.21 and 3.18 of the General Annex to the RKC require Customs to apply information and communication technologies (ICT) for Customs operations, including the use of e-commerce technologies. For this purpose, the WCO has prepared detailed Guidelines for the application of automation for Customs. These Kyoto ICT Guidelines should be referred to for the development of new or enhancement of existing Customs ICT systems.

7.3 The ICT Guidelines also recommend the possibility to audit traders' commercial systems and to use them to satisfy Customs requirements. In particular in the context of the Authorized Supply Chain, the possibility for Customs to have online access to the commercial systems of the parties involved would provide enhanced access to authentic information and offer the possibility for far-reaching simplified procedures. Another example is cargo community systems (CCS) where in ports or airports all parties involved in the transport chain have established an electronic system by which they exchange all

relevant cargo and transport related data. Provided that these systems contain the necessary particulars for Customs purposes, Customs should consider to participate in such systems and to extract the data required for their purposes (see Annex II).

7.4 The Kyoto Convention ICT Guidelines recommend to Customs to offer more than one solution for the electronic exchange of information. While EDI using the international standard UN/EDIFACT is still one of the preferred interchange options, Customs should also look at other options such as XML. Depending on the risks involved even the use of e-mail and telefax could provide a suitable solution.

7.5 The WCO Data Model supports the use of both XML and EDIFACT message formats to exchange Customs and other cross-border regulatory data requirements. The EDIFACT implementation of the WCO Data Model is based on the UN/EDIFACT message GOVCBR7 (Government Cross Border Regulatory). The XML implementation of the WCO DM is based on the WCO XML Schema guidelines. The WCO Data Model adopts a loosely coupled relationship between the semantic layer of the WCO Data Model (i.e. the information model) and the message format layer, thus guarantees that both EDIFACT – GOVCBR and XML message format would carry the same information consistently.

7.6 The information in the WCO Data Model is arranged based on Information Package concepts, a hierarchical organization of information based on specific context of business process or procedures in where the information is used. There are four Base Information Packages (BIPs) that categorize Customs related information based on its characteristics, namely:

- Declaration BIP, the basis for constructing business to government (B2G) electronic messages, inter alia Customs Declaration, including import, export and transit declaration, Cargo report, including cargo report import and cargo report export, Advance Electronic Information and Advance Passenger Information.
- Response BIP, the basis for constructing government to business (G2B) electronic messages.
- INTERGOV BIP, the basis for constructing government to government (G2G – Intergovernmental) electronic messages, such as regional exchange of common Customs declaration dataset, transit interconnectivity, and Trader / AEO Master data exchange.
- LPCO BIP, the basis for constructing Licenses, Permits, Certificates and Others, inter-alia, e-certificate for sanitary and phythosanitary of agricultural products, e-certificate for veterinary, e-certificate for endangered species (CITES) and e-certificate for food safety.

7.7 The use of ICT in general and electronic exchange of information over IT systems in particular requires a detailed ICT security strategy. ICT Security therefore has to be seen as an integral part of any Customs supply chain security strategy. To arrive at an effective and efficient IT security strategy, Customs have to undertake a rigorous risk assessment.

7.8 One essential ICT security element for a supply chain security strategy is related to digital signatures. Digital signatures, or Public Key Infrastructure (PKI) arrangements, can play an important role in securing the electronic exchange of information. The integrated Customs control chain as described in chapter 3 of the Guidelines includes the

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<sup>7</sup> [http://www.unece.org/trade/untidd/d17b/trmd/govcbr\\_c.htm](http://www.unece.org/trade/untidd/d17b/trmd/govcbr_c.htm)

possibility that a trader can submit his declarations in advance to both the Customs administration at export and to the Customs administration at import. It would be beneficial, if authorized economic operator regimes as referred to in these Guidelines would also include provisions for digital certificates. This would allow the authorized trader to sign all electronic messages to those Customs administrations having accepted to recognize this certificate. This cross-border recognition of digital certificates can help increase security but at the same time provide significant facilitation and simplification for the trader.

7.9 The Kyoto ICT Guidelines outline ways in which a comprehensive ICT security strategy can ensure the availability, integrity and confidentiality of the information and IT systems and the information they handle, including, for example, the avoidance of repudiation at origin or receipt. There are many ways to implement ICT security, for which purpose reference is made to the Kyoto ICT Guidelines.

7.10 The WCO's 'Digital Customs' agenda: "A Strategic Approach to Support ICT-enabled Customs and Cross-Border Regulatory Reform through WCO Tools, Instruments, and Guidelines" provides a cohesive and sustainable approach to the maximum use of ICT in Customs and border regulatory processes, thus enhancing their efficiency and effectiveness.

## 8. Projects/Pilots

8.1 The ISCM concept related projects/pilots and initiatives are outlined in Annex VII.

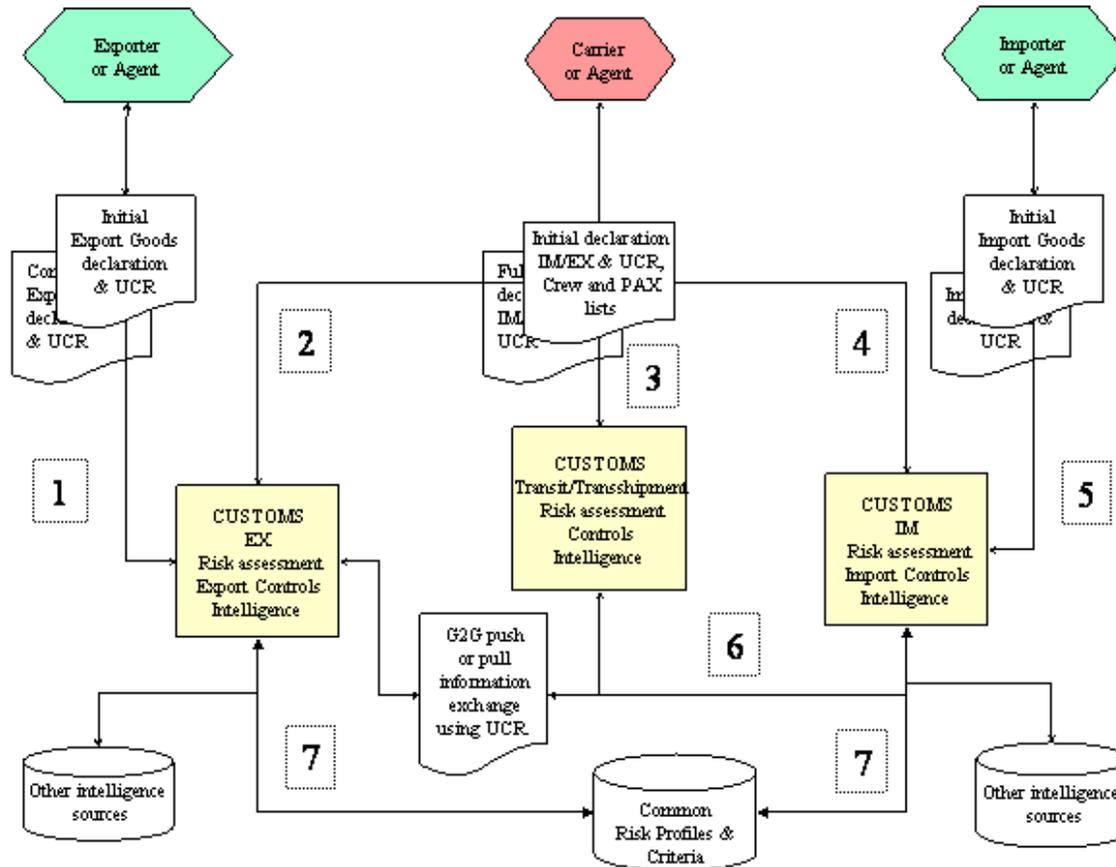
## 9. References

- International Convention on the Simplification and Harmonization of Customs Procedures as amended in 1999 (Revised Kyoto Convention), WCO, 1999, including the Guidelines for implementation
- WCO Guidelines on legal basis for advance exchange of Customs data, WCO, 2003
- WCO Customs-Business Partnership Guidance, WCO, 2014
- WCO Kyoto Convention Guidelines on Information and Communication Technology (Kyoto ICT Guidelines), WCO, 2014
- WCO Recommendation on the Unique Consignment Reference (UCR), WCO, 2001
- WCO UCR accompanying Guidelines, WCO, 2003
- WCO model bilateral agreement
- WCO Data Model

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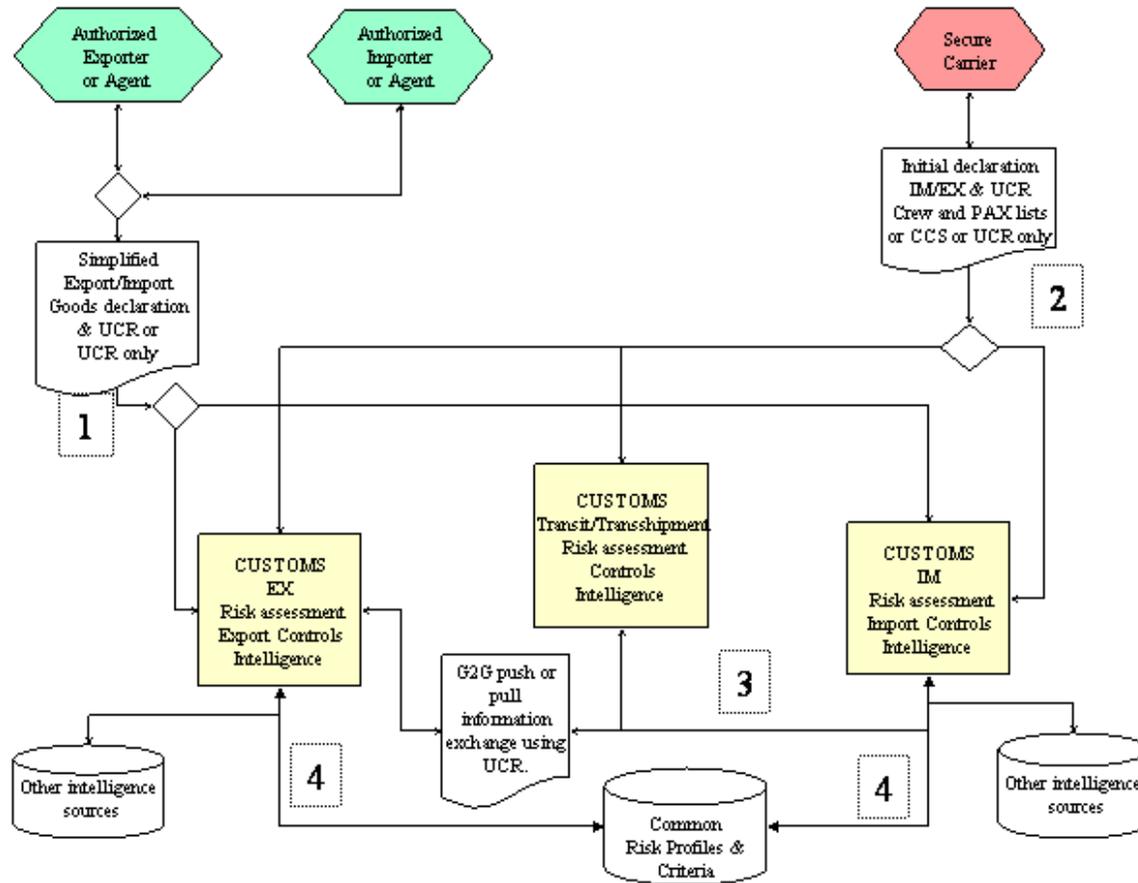
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Annex I – Customs Control Activity Diagram – normal electronic procedure with G2G option



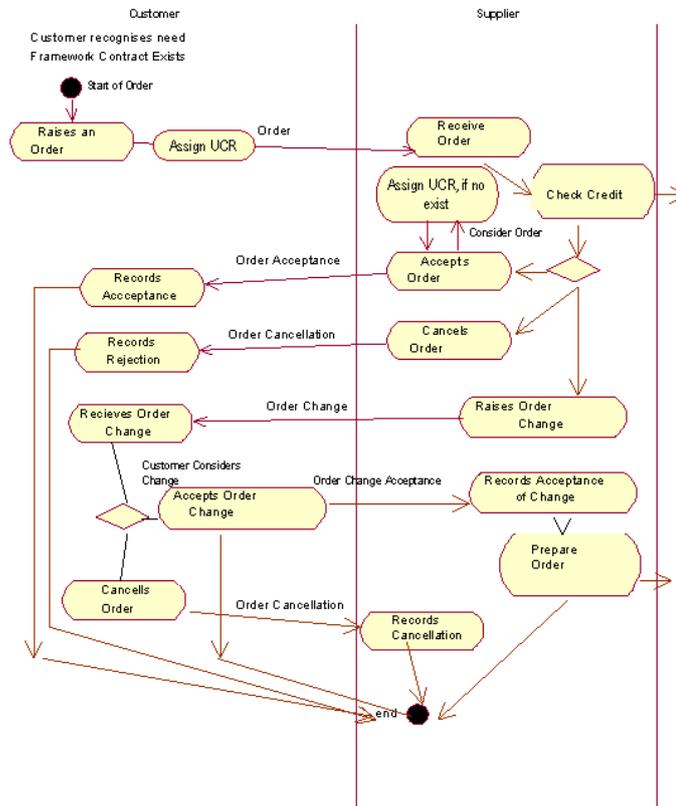
- (1) Initial Export Goods declaration from the exporter or his agent to Customs at export (see 3.2)
- (2) Initial declaration from carrier to Customs at export, eventually followed by the full cargo declaration (see 3.3)
- (3) Cargo Declaration to the Customs en route, if applicable
- (4) Initial declaration from carrier to Customs at import, if not covered under (2) (see 3.3 and 3.4)
- (5) Initial Import Goods declaration from the importer or his agent to Customs at import prior to arrival (see 3.5)
- (6) Based on bilateral/multilateral arrangements Customs at export and import may exchange or allow access to departure or arrival information using a UCR. (see 1.5 and 3.6)
- (7) Based on bilateral/multilateral arrangements Customs at export and import may agree on and exchange common risk profiles to enable risk assessment for security and other purposes to be carried out only once. (see 1.4)

Annex II – Authorized Supply Chain



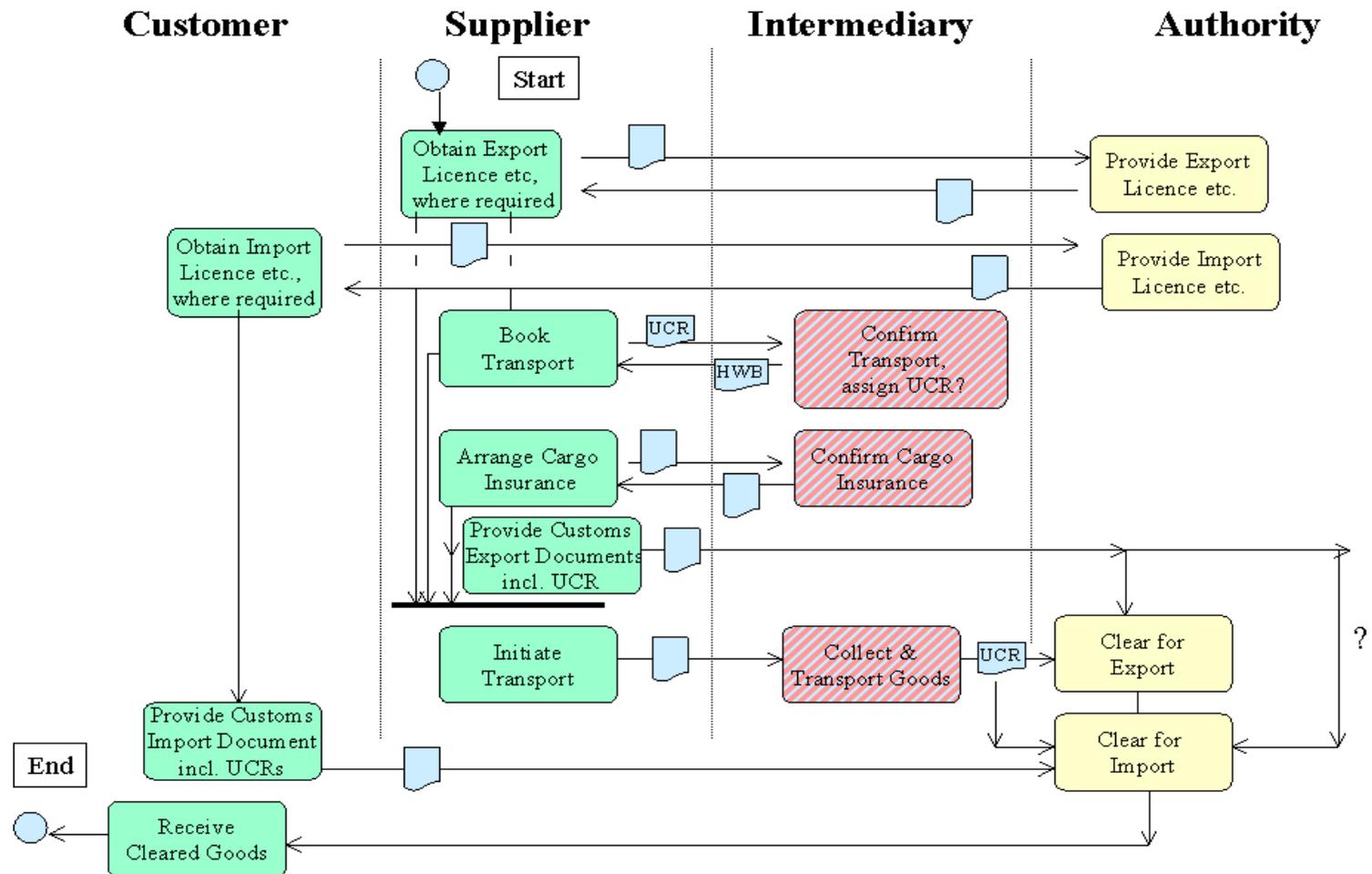
- (1) The authorized exporter or importer or their designated recognized agent submits a simplified Export/Import Goods declaration to either Customs at export or import to obtain pre-release. In case of online access to the traders system the Goods declaration is replaced by a UCR allowing Customs to retrieve the information required. (see 1.7, 3.1.4, 3.2.2 and 3.5.2)
- (2) The carrier, which has to be a secure carrier, submits an initial declaration to the Customs at export or import and to the Customs en route. In case of online access to his own system or to a CCS, the cargo declaration is replaced by the UCR. (see 1.7, 3.1.4 and 3.3.4)
- (3) Based on bilateral/multilateral arrangements Customs at export, import and en route may exchange or allow access to departure or arrival information for control purposes. (see 1.5 and 3.6)
- (4) The authorized supply chain will require bilateral/multilateral arrangements for common risk assessment and control procedures, including audit-based controls. (see 1.4 and 1.7).

Annex III – Global Supply Chain model – Order – with UCR



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Annex IV – Global Supply Chain model – Ship –



## Annex V : Data elements necessary for risk assessment

Data Element to be included in the Initial Export Goods declarations

R020 Consignor - name  
 R021 Consignor, coded  
 R031 Exporter - name  
 R032 Exporter, coded  
 137 Description of goods  
 145 Commodity Classification  
 146 Total number of packages  
 141 Type of packages identification, coded  
 144 Number of packages  
 CDT Measure Unit. Code  
 131 Total gross weight  
 109 Total invoice amount  
 135 Currency, coded  
 R012 Carrier identification  
 R011 Carrier - name  
 159 Equipment identification number  
 152 Equipment size and type identification  
 227 Number of seals  
 064 Country(ies ) of routing, coded  
 R014 Consignee name  
 R015 Consignee, coded  
 R037 Importer - name  
 R038 Importer, coded  
 R045 Notify party  
 R046 Notify party, coded  
 44A Delivery destination  
 R003 Agent - name  
 R004 Agent, coded  
 016 UCR

Data elements to be included in the initial declaration of the carrier at export or import

L009 Place of loading  
 L010 Place of loading, coded  
 R012 Carrier identification  
 R011 Carrier - name  
 159 Equipment identification number  
 152 Equipment size and type identification  
 227 Number of seals  
 T005 Identification of means of transport crossing the border  
 T014 Nationality of means of transport crossing the border, coded  
 149 Conveyance reference number  
 098 Transport charges method of payment, coded  
 G005 Office of exit, coded  
 064 Country(ies ) of routing, coded  
 085 First port of arrival, coded  
 172 Date and time of arrival at first port of arrival in Customs territory  
 016 UCR

The chart shows the data elements necessary for risk assessment split by reporting party using a Unique Consignment Reference (UCR) as the binding link enabling single submission of information. The data elements mentioned have specific conditionalities attached to them depending on the circumstances and the mode of transport. Some data elements should be reported as early as possible in the supply chain, but are not always available at the early stages in the transaction. In addition some information can change en route. This results in data elements to appear in both lists. However, the individual conditionality for each data element will ensure, as far as possible, that information is submitted only once.

Customs at Export, Import or en route

## ISCM Guidelines

Specific details on each of the following necessary data elements for risk assessment in relation to message implementation, conditionalities, data representation, code values and structures are provided in the WCO Data Model.

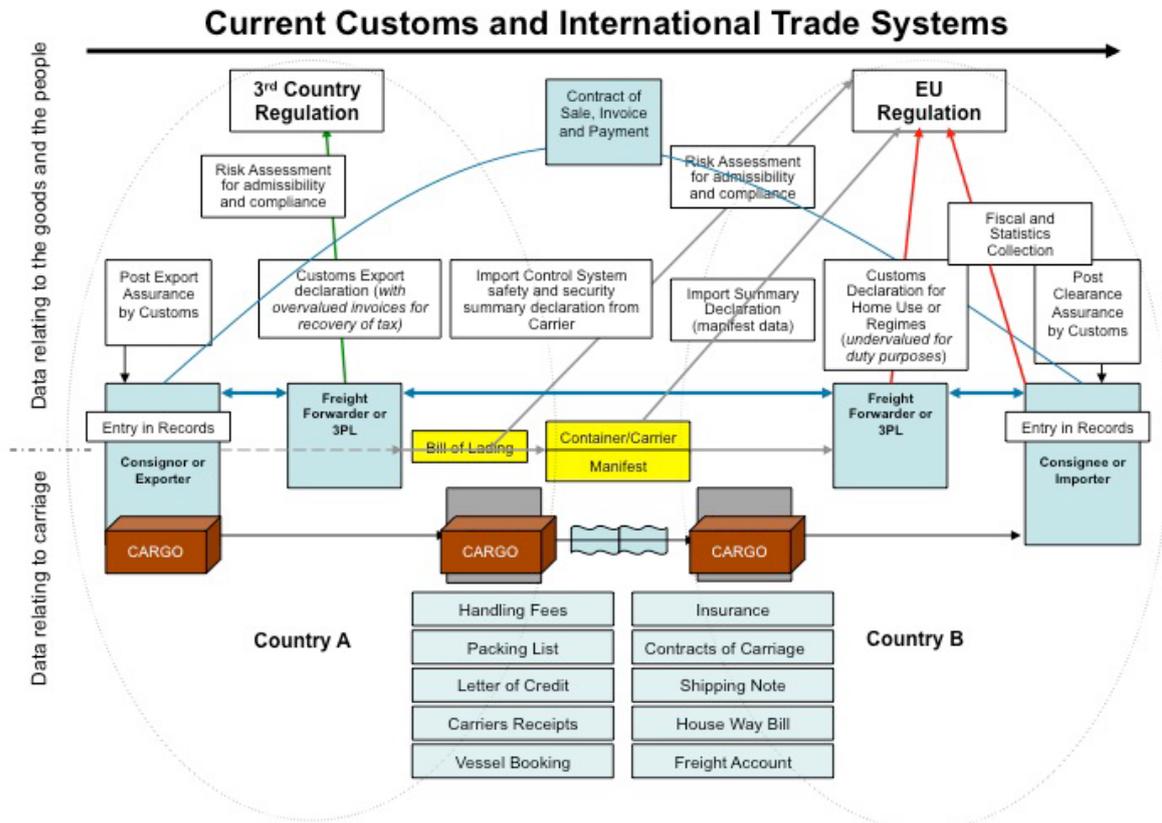
WCO ID	Name 3.7.0	Definition 3.7.0
R020	Consignor - name	Name of the party consigning goods as stipulated in the transport contract by the party ordering transport
R021	Consignor, coded	To identify the party consigning goods as stipulated in the transport contract by the party ordering transport
R031	Exporter - name	Name of the person who makes - or on whose behalf - the export declaration - is made - and who is the owner of the goods or has similar right of disposal over them at the time when the declaration is accepted
R032	Exporter, coded	To identify the party who makes , or on whose behalf the export declaration is made, and who is the owner of the goods or has similar rights of disposal over them at the time when the declaration is accepted
137	Description of goods	Plain language description of the nature of a goods item sufficient to identify it for cross- border regulatory purposes such as customs, phytosanitary, statistical or transport.
145	Commodity Classification	The non-commercial categorization of a commodity by a standard-setting organization
146	Total number of packages	Count of total number of packages of the entire declaration/ consignment
141	Type of packages identification, coded	Code specifying the type of package of an item
144	Number of packages	Number of individual items packaged in such a way that they cannot be divided without first undoing the packing
CDT	Measure Unit. Code	Measure Unit. Code
131	Total gross weight	Weight (mass) of goods including packaging but excluding the carrier's equipment for a document
109	Total invoice amount	Total of all invoice amounts declared in a single declaration
135	Currency, coded	Code specifying a monetary unit or currency
L009	Place of loading	Name of a seaport, airport, freight terminal, rail station or other place at which goods are loaded onto the means of transport being used for their carriage
L010	Place of loading, coded	To identify a seaport, airport, freight terminal, rail station or other place at which goods are loaded onto the means of transport being used for their carriage
R012	Carrier identification	To identify a party providing the transport of goods between named points
R011	Carrier - name	Name of party providing the transport of goods between named points
159	Equipment identification number	Marks (letters and/or numbers) which identify equipment e.g. unit load device
152	Equipment size and type identification	Code specifying the characteristics, i.e. size and type of a piece of transport equipment
227	Number of seals	To specify the number of seals affixed

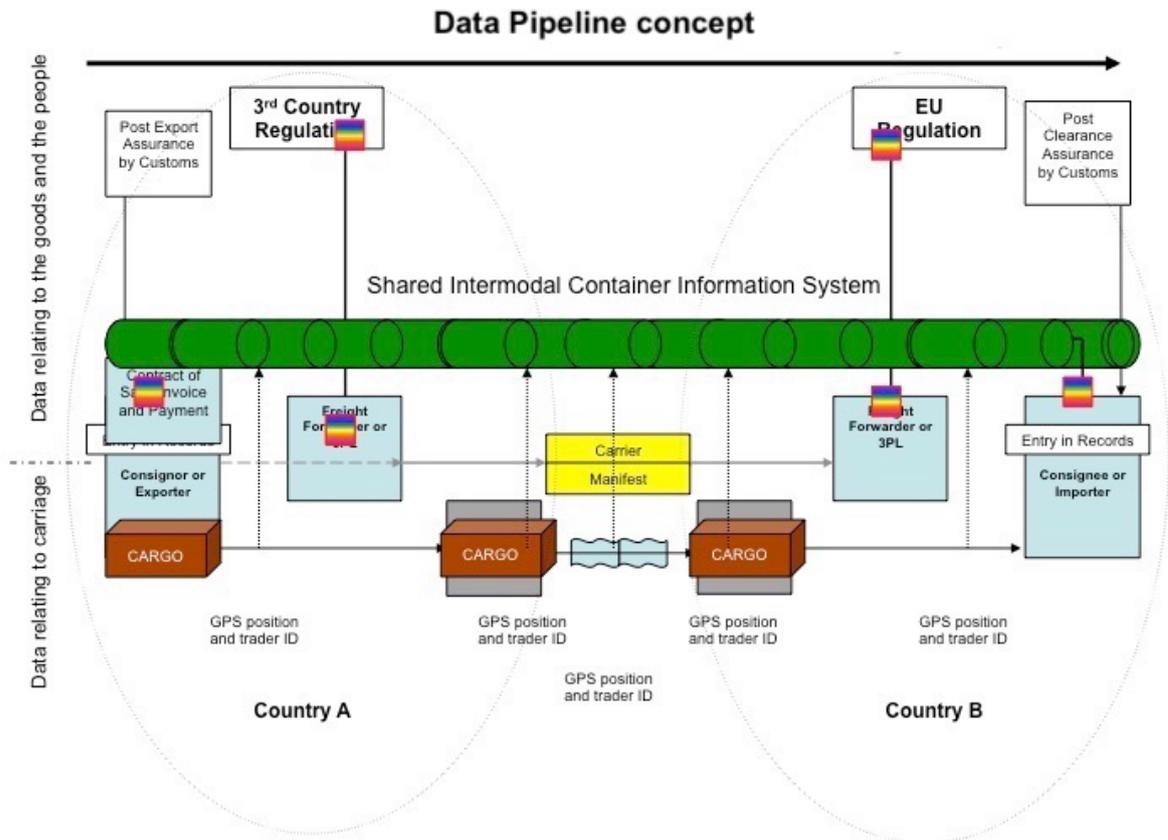
## ISCM Guidelines

T005	Identification of means of transport crossing the border	Name to identify the means of transport used in crossing the border
T014	Nationality of means of transport crossing the border, coded	Nationality of the active means of transport used in crossing the border, coded
149	Conveyance reference number	To identify a journey of a means of transport, for example voyage number, flight number, trip number
098	Transport charges method of payment, coded	Code specifying the payment method for transport charges
G005	Office of exit, coded	To identify the regulatory office at which the goods leave or are intended to leave the customs territory of despatch
064	Country(ies ) of routing, coded	Identification of a country through which goods or passengers are routed between the country of original departure and final destination
085	First port of arrival, coded	To identify the first arrival location. This would be a port for sea, airport for air and border post for land crossing
172	Date and time of arrival at first port of arrival in Customs territory	Date and time / scheduled date and time of arrival of means of transport at (for air) first airport, (land) arrival at first border post and (sea) arrival at first port, coded
R014	Consignee name	Name of party to which goods are consigned
R015	Consignee, coded	Identifier of party to which goods are consigned
R037	Importer - name	Name of party who makes -or on whose behalf a Customs clearing agent or other authorized person makes - an import declaration. This may include a person who has possession of the goods or to whom the goods are consigned
R038	Importer, coded	Identifier of party who makes - or on whose behalf a Customs clearing agent or other authorised person makes - an import declaration. This may include a person who has possession of the goods or to whom the goods are consigned
R045	Notify party	Name of party to be notified
R046	Notify party, coded	Identification of a party to be notified
44A	DeliveryDestination	DeliveryDestination
R003	Agent - name	Name of a party authorised to act on behalf of another party
R004	Agent, coded	Identification of a party authorised to act on behalf of another party
016	UCR	Unique number assigned to goods being subject to cross border transactions

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Annex VI Data Pipeline Concept





Customs can use the information that is exchanged and reused in the data pipeline by using a so-called Customs dashboard. This provides access to all source and original supply chain information that is being used in the commercial trade lanes. So instead of having merely declaration data available, of which the source is not known any further than the person who lodged that declaration, the dashboard provides full insights in the transaction and transport event details. This dashboard does not only provide more information, but there is a lower risk from inaccurate data because the latter is available from the source. These data can be used to enhance risk management and to better detect legitimate flows. Another dashboard is the business dashboard. This dashboard provides access to participating stakeholders to a level to which the owner of the information allows. App technology (e.g., Application Programming Interface (API)) even can be put in place, to complete Customs or any other government formalities, by direct feed in of data of the data pipeline into declarations.

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## ANNEX VII : Projects/Pilots

### 1. SSTL

- A. The SSTL project<sup>8</sup> is the first international proof of concept test of the WCO SAFE Framework of Standards. It aims at combining more security with facilitation of low risk consignments.
- B. Security has now become an integral part of Customs day to day work. For Customs the SAFE Framework is beneficial as their limited interventions in low risk trade lanes free up scarce resources to deal with consignments presenting higher risks.
- C. This project is, therefore, mainly about testing whether practical application of the WCO SAFE Framework contributes to further trade facilitation. The project started in 2006 with China, the Netherlands and the United Kingdom participating. It has entered into the third phase in 2014 after a joint conclusion, on the basis of an evaluation of the second phase that the concept of the SAFE framework works in practice and brings benefits both to participating Customs Administrations and companies.
- D. In this project, the participating EU member states exchange data with the P.R. China and Hong Kong China. For the goods exported from the country of export, a set of 23 key data elements will be sent to the Customs authority of the importing country. Importing country will perform risk analysis and may send a control request to the exporting country to perform control of the goods on behalf of the importing country. Exporting country will perform control of the goods and send control results to the importing country. Once the goods arrive to the importing country, and if there is a decision to control the goods, control results will be sent to the exporting country. The exchange platform used is the WCO CenComm system. For the future use, a new developed automated exchange platform could be developed with direct upload of the data elements of the export declaration and transport manifest data.
- E. The SSTL project is about minimizing administrative burdens in respect of international supply chains by introducing an end-to-end control mechanism based on one time submission of data. As far as business partners in the project are concerned, the project focuses in first instance on granting tangible benefits to participating Authorized Economic Operators.
- F. The smart and secure trade lanes will be subject to innovative new Customs control mixes that allow consignments to flow with no - or with least possible - interventions in the logistical process, thus resulting in immediate release/clearance in the country of destination of consignments concerned. This contributes to better predictability of delivery times for business partners and less dwelling time in ports.
- G. Within the EU, some SSTL benefits are already available for traders complying with legal requirements regarding safety and security (pre-departure declarations, pre-departure risk assessment, being an AEO and thereby entitled to use AEO benefits, the wide usage of simplified Customs procedures), but the SSTL approach adds new elements to enhance Customs controls and, therefore, support further facilitation. The fact that high

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<sup>8</sup> [https://ec.europa.eu/taxation\\_customs/general-information-customs/customs-security/smart-secure-trade-lanes-pilot-sstl\\_en](https://ec.europa.eu/taxation_customs/general-information-customs/customs-security/smart-secure-trade-lanes-pilot-sstl_en)

quality data will be available, joint risk rules are in place and controls will be mutually recognized, will allow immediate release of consignments.

- H. The project focuses on maritime containerized cargo and has recently been extended to rail and air modes.

### Essential elements

The project demonstrates a number of key concepts of the ISCM :

- Data quality will be ensured by collecting standardized data sets as much as possible from the “source transaction”, aiming at one time submission of data;
- These data will be shared between Customs administrations involved in the control of the consignment concerned, supplemented with any logistical data not known at the moment of agreeing the “source transaction”;
- Joint risk management rules will lead to a one time Customs control; if physical controls are needed, they will occur as early as possible in the logistical process, preferably at the moment of stuffing the container;
- Mutual recognition of controls will ensure that controls carried out need not be repeated;
- Customs will co-operate closely with all Government Agencies involved in the control of cross border goods movements (coordinated border management, preferably with Customs as lead agency to determine place and time of any required controls) to ensure one stop shop approaches;
- Authorized Economic Operator programs will be the key to deriving benefits, mainly by reducing time required for Customs clearance and logistical follow up in the country of destination;

## 2. CORE-project

2.1 The CORE project (Consistently Optimised Resilient Ecosystem)<sup>9</sup> is being executed under the responsibility of the European Commission. The focus is on three main goals, all contributing to a higher standard of integrity of data and of goods :

- To promote the safety and security of the entire supply chain, through standardization, harmonisation and mutual recognition;
- A worldwide available visibility of risks in safety and security, and also risks in supply chain, and their impact on logistical movements all over the world; and
- To present an optimised, innovative supply chain solution, which can offer robust and resilient chains that are capable in coping with major disruptions, caused by high impact events.

2.2 The project consists of 23 work packages, in which more than 70 participating parties are active. A large part of these work packages are focussing on development of concepts in logistics and supply chains, the other part is focussing on demonstrating those concepts in pilots. The key concepts such as the data pipeline, container security devices, coordinated border management and trade facilitation are being explored and tested.

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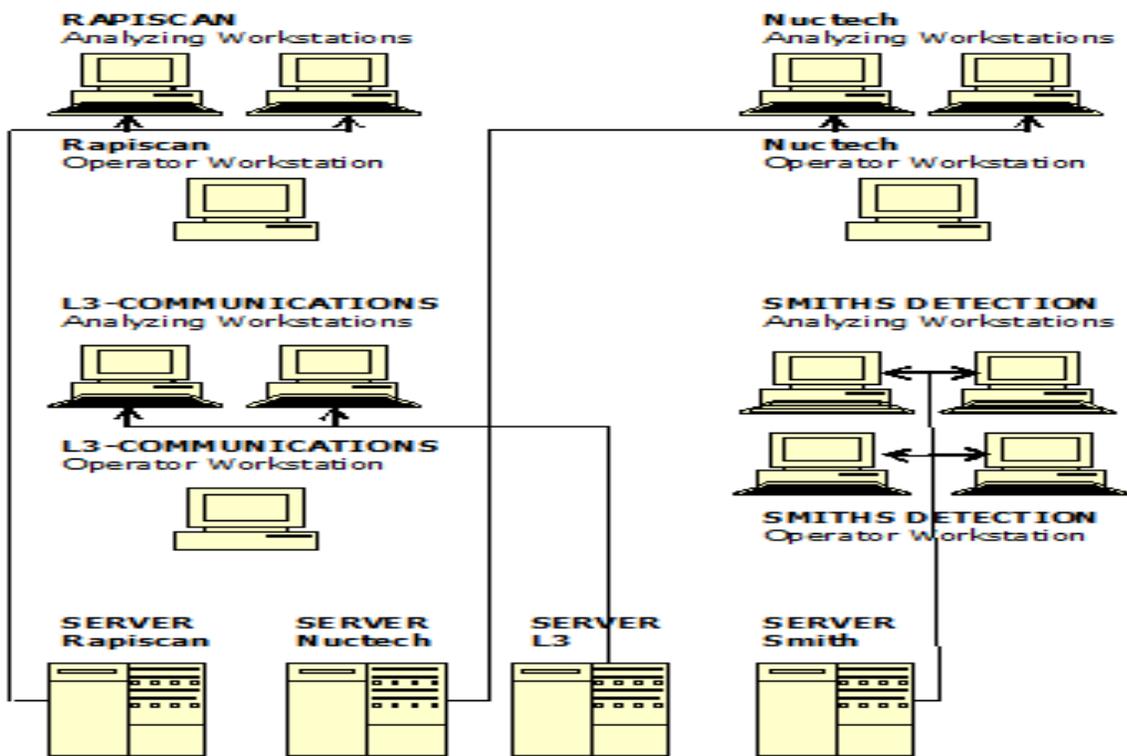
<sup>9</sup> <http://www.coreproject.eu/>

2.3 The outcomes of the project are expected to help the European Customs administrations in developing further policies that are in balance with the public and private interests, within reasonable judicial limitations.

**3. Unified File Format (UFF) development**

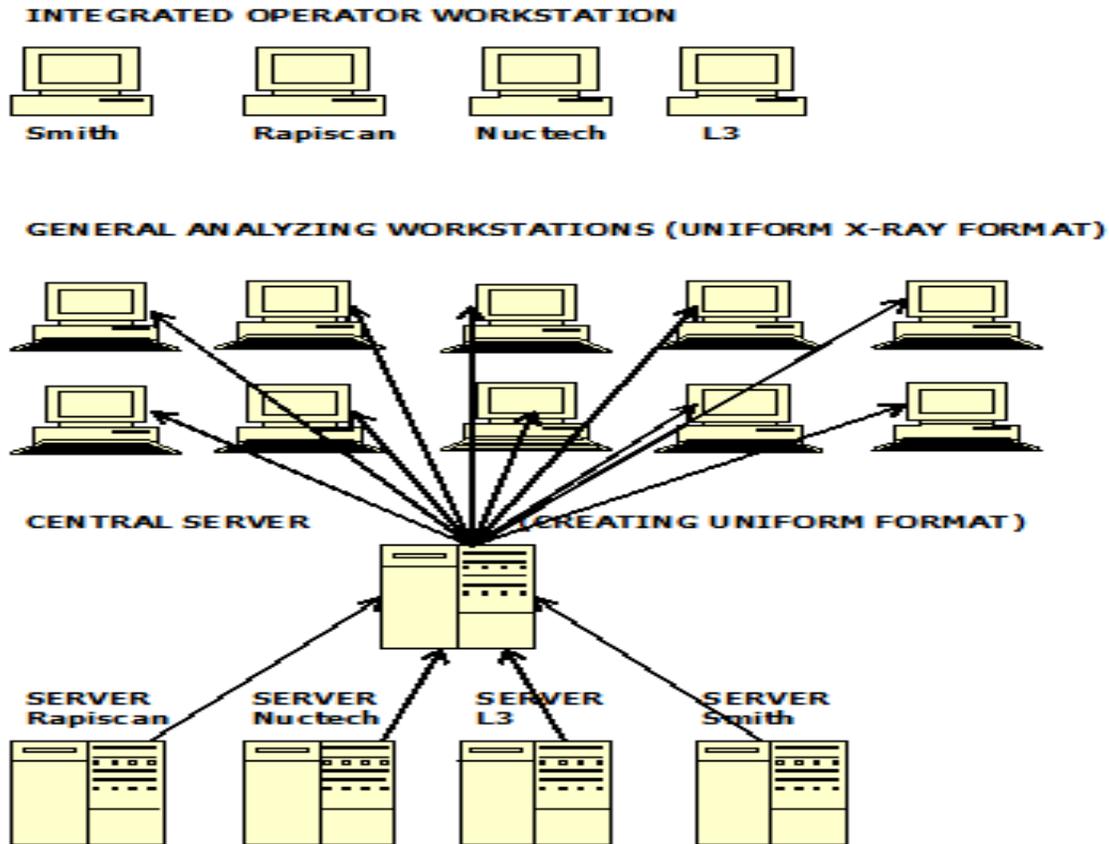
3.1 Dutch Customs Administration (DCA) started in 2014 with the centralised reading of X-Ray images at the Port of Rotterdam. At the Maasvlakte region, five Cargo scanning systems were installed in 2014, delivered by different suppliers. At that moment suppliers delivered scan images in their own specific format. This format could not be read by other suppliers which lead to an inefficient and ineffective situation.

**OLD SITUATION**



3.2 To solve this problem DCA created a central server. All suppliers now deliver their scan images to this server in an agreed format. In the central server, the original images are converted to a unified file format (UFF). After the conversion, the images are randomly sent to generic analysing work stations where they can be analysed with one analysing viewer. With this solution the process of analysing scan images can be done with less officers and the integrity is better secured because officers cannot choose their own images.

**NEW SITUATION**



3.3 Since 2015, the WCO Technology Expert Group (TEG) with participation of representatives from Customs Administrations and NII equipment suppliers is working on this project from point of view to developing global standards :

- To allow interoperability of the different NII equipment bought from different manufacturers;
- To allow exchange of images within and between Customs Administrations;
- To allow development of a data base of library of images – a more long term goal; and
- To assist in training of the image analysts.

3.4 The UFF project involves three phases:

Phase 1: Demonstrate the possibility of analysing scan images from one supplier with the analysing viewer from another supplier.

Phase 2: creation of a cloud based virtual demonstrator application. Customs Administrations can volunteer to be part of Phase 2 virtual pilot. In this phase, a scan image from, for example, a Rapiscan scanner can be uploaded including the necessary meta data to the virtual demonstrator application. The image will be converted with the UFF viewer and can be analysed with any other type of analysing viewer.

## ISCM Guidelines

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Phase 3: Generic delivery of images by the NII equipment manufacturers and the expansion of images created by cargo scanners to other scanners like baggage scanners, body scanners etc.

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