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# CEP

Compliance & Enforcement Package



WORLD CUSTOMS ORGANIZATION

# Introduction

Customs is charged with the task of ensuring that cross-border flows of goods, people and means of transport comply with laws and regulations embodied in Customs legislation, other legislation or international instruments it is empowered to administer. Through the deployment of effective and efficient control measures Customs contributes to national economic prosperity (through fair and accurate revenue collection), economic development (through trade facilitation), public health and safety (through suppression of illicit trade), and national security (through prevention and detection of smuggling of restricted, prohibited and strategic goods).

Today, Customs across the globe carries out an extensive array of activities that include intelligence and information management; maritime, land and aeronautical surveillance; patrols of ports of entry and Customs licensed premises; cargo examination; immigration and emigration processing; passengers and baggage inspection at international land, sea and air border crossing points; mode of conveyance search; cyber monitoring; backtracking investigations and undercover programmes.

Customs holds unique powers in relation to goods in global supply chains and persons or business entities associated with them. It possesses the ability to collect information and conduct analysis on every trade transaction; re-assess revenues; inspect, test, analyse and seize goods; and detain and question persons - all of which are fundamental competencies at the very heart of Customs compliance and enforcement activities.

Furthermore, to keep pace with escalating transnational crime, terrorism and extremism, a growing number of Customs administrations are developing new procedures and skills to share sensitive enforcement information, investigate complex schemes of commercial fraud, suppress cyber

crime, disrupt illicit trade and detect serious non-compliance by traders or their agents (such as brokers, licensed premises operators, carriers and freight forwarders).

The key building blocks of modern compliance and enforcement programmes include, but are not restricted to the following critical factors:

- ☑ sufficient legislation and legal powers to conduct controls across the entire supply chain and share information between trusted partners;
- ☑ modern working methods that cater for increased mobility and heightened visible presence and deterrence;
- ☑ increased use of automation, including capabilities for the receipt of early and accurate electronic information from multiple sources for risk assessment purposes;
- ☑ effective agreements between governments and/or administrations for the exchange of information and actionable intelligence;
- ☑ application of mutually-recognisable risk-based and intelligence-based selection processes;
- ☑ increased use of non-intrusive inspection technologies and other

means of surveillance and detection;

- ☑ investigation capability;
- ☑ information sharing on research and development activities;
- ☑ client service approach; and
- ☑ enhanced co-operation between Customs, other law enforcement and border agencies and the private sector.

Through the application of modern compliance techniques, Customs is changing the way it manages risk and fulfills its tasks. These techniques allow Customs to concentrate its control and enforcement activities on those cross-border flows that pose the highest threat, while at the same time facilitating the movement of the vast majority of goods that are of low risk.

The WCO, in close co-operation with Members, has created an extensive library of instruments, tools, guidance materials and operational co-ordination activities to support Customs compliance and enforcement actions. The Compliance and Enforcement Package (CEP) provides a succinct compilation of the broad range of WCO compliance and enforcement tools.





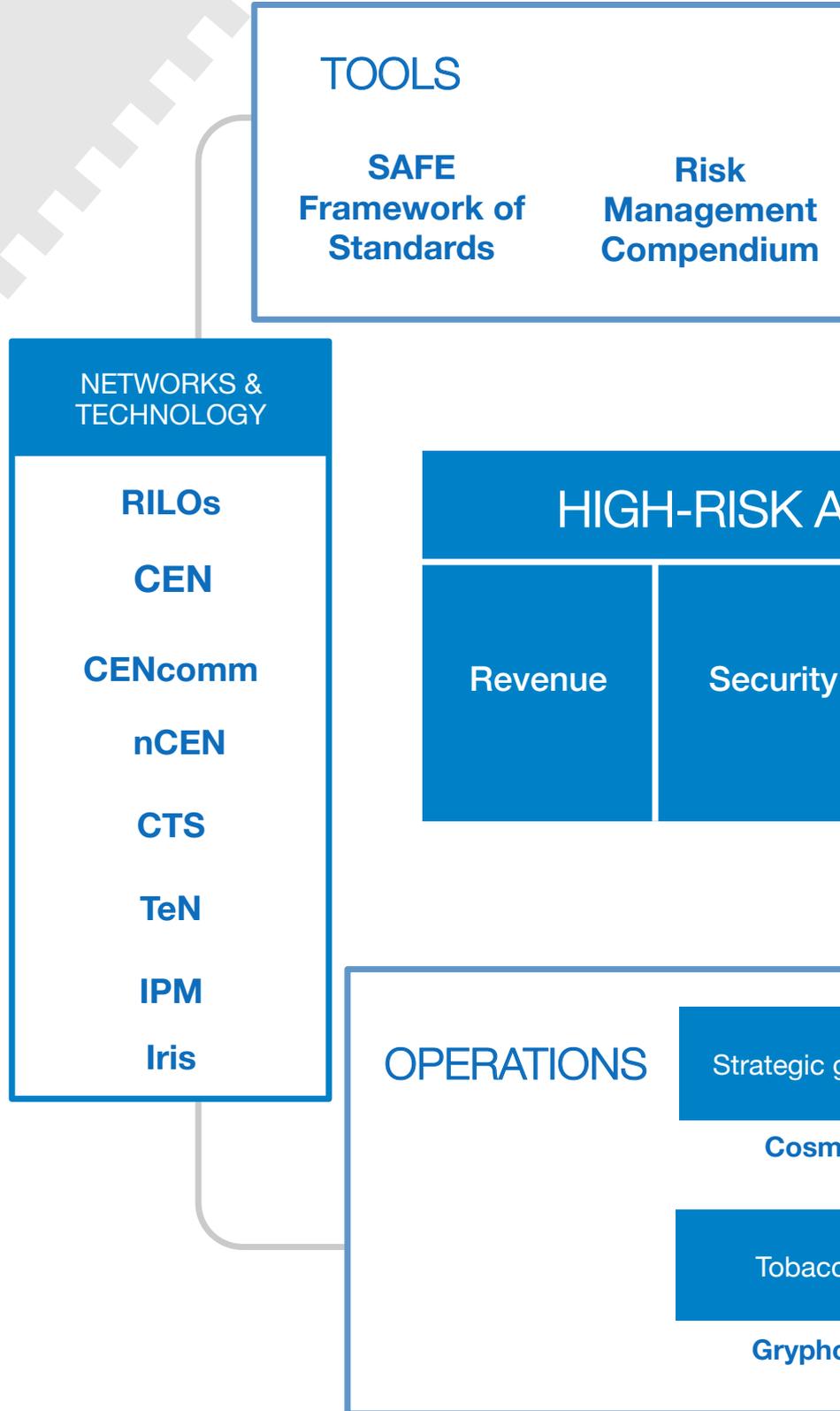


# CEP Objectives

- ☑ **To increase visibility/communication** of WCO enforcement and compliance tools among WCO Members.
- ☑ **To enable wider use/implementation** of WCO tools by Members for the design and execution of effective and efficient controls and compliance procedures.
- ☑ **To better assess Members' needs** via the provision of tailored capacity building and technical assistance.
- ☑ **To identify potential gaps** in existing tools and to further develop tools and instruments within the CEP to bridge these gaps.

# Content

The table outlines the content of the CEP. Different types of WCO tools and instruments which currently exist and which aim to address Customs high-risk areas are detailed below. They can be grouped in four main components: tools, networks and technology, partnerships and operations. The following sections will explain these components in more detail.



**Post-Clearance  
Audit  
Guidelines**

**Globally  
Networked  
Customs**

**COPEs**

**Risk Area-  
Specific  
Tools**

## AREAS FOR CUSTOMS ENFORCEMENT

**IPR, Health  
and Safety**

**Drugs**

**Environment**

**Emerging  
Risks**

### PARTNERSHIPS

**Customs-to-  
Customs**

**Customs-to-  
Business**

**Other Border  
Agencies**

**International  
Partners**

goods

**Fake medicines**

**Cocaine**

**Waste**

**Tiger 3, Biyela 2**

**Cocair IV**

**Demeter III**

co

**Sports goods**

**Methamphetamine**

**Timber**

on

**Gol 14**

**Westerlies 2**

**Amazonas**

# Risk areas for Customs compliance and enforcement

In 2011, the WCO Policy Commission endorsed five key risk areas for Customs enforcement, namely, revenue assurance; drugs enforcement; health and safety/IPR; security; and environment. It directed the WCO Enforcement Committee to focus on these key risk areas and adopt a forward-looking strategy for managing emerging or evolving risks for Customs.

HIGH-RISK AREAS FOR CUSTOMS ENFORCEMENT					
Revenue	Security	IPR, Health and Safety	Drugs	Environment	Emerging Risks

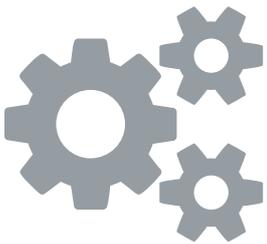
- ☉ **Revenue** risks include commercial fraud activities such as undervaluation, misuse of origin and preferential duties, misclassification, and drawback fraud. They also include revenue leakage through smuggling of highly taxed goods such as tobacco, alcohol and motor spirits. Trade liberalisation and the increasing number of free trade agreements and free trade zones have added complexity to the international trading system. Customs is required to implement effective risk management and control strategies to mitigate threats that may hinder fair and efficient revenue collection and increase smuggling.
- ☉ **Security** risks in the Customs context often centre on phenomena such as terrorism, proliferation of weapons and materials of mass destruction, trafficking of small arms and light weapons, explosives, and illicit diversion of dual-use goods. Customs plays a critical role in whole-of-government mitigation efforts to prevent trafficking of goods that are harmful, restricted or that pose potential security risks.
- ☉ **IPR, Health and Safety** risks in the Customs context relate to interdicting fake or counterfeit pharmaceuticals, other counterfeit and pirated goods, substandard items (such as electrical components, vehicle and aircraft

spare parts, tainted foodstuffs, etc). These risks pose a serious threat to the health and safety and welfare of consumers. The WCO has implemented a strategy which builds on increased co-operation with right holders to raise awareness and increase detection capabilities through targeting techniques.

- ☉ **Drugs** trafficking is the global illegal trade covering the cultivation, manufacturing, distribution and sale of substances which are subject to drug prohibition laws. Customs plays a leading role in co-coordinating efforts to combat and suppress cross-border drugs and precursors trafficking by applying innovative control methods, and co-ordinating regional and international interdiction operations.
- ☉ **Environmental** risks in the Customs context relate to the illegal cross-border trafficking of endangered species, hazardous and toxic waste, ozone depleting substances etc. These phenomena threaten sustainable development and ecological balance.

- ☉ Customs must remain ever vigilant to **emerging risks**. They can be of a cross-cutting nature and may impact on one or more of the aforementioned risk areas. Transnational organized crime, money laundering and trafficking of stolen cultural heritage are such examples. For the majority of countries, international border crossing points still represent the best opportunity to manage risk, intercept illegal goods, exercise sovereignty and make admissibility decisions. In this context Customs must work closely with other relevant law enforcement and regulatory agencies at both national and international level to address these threats in a co-ordinated and effective manner.

# CEP Components



## TOOLS

Customs should be equipped with the necessary tools that allow it to effectively enforce laws and regulations in cases of non-compliance. Tools and instruments that improve risk management capabilities, inspection, investigation and enforcement techniques are fundamental to ensure enforced compliance where necessary and that errant traders and travellers abide by the law.

The WCO has developed tools across the different components of the supply chain continuum. The tools section of the CEP contains references to all relevant instruments and guidelines that have been designed to assist Members in the implementation of effective compliance and enforcement controls. **Existing WCO tools and instruments are listed in the Annex.** Examples below are shown for illustrative purposes.

The **WCO SAFE Framework of Standards** to secure and facilitate global trade was developed to secure the

security threats; 3) it requires that at the reasonable request of the receiving nation, based upon a comparable risk targeting methodology, the sending nation's Customs administration will perform an outbound inspection of high-risk cargo and/or transport conveyances, preferably using non-intrusive detection equipment, such as large-scale X-ray machines and radiation detectors; and 4) it suggests benefits that Customs will provide to businesses that meet minimal supply chain security standards and best practices.

targeting tools that feed selection criteria for identifying high-risk consignments, passengers and conveyances for Customs intervention.

The **WCO PCA Guidelines** were developed to provide Members with guidance materials on conducting structured examination of trading companies' activities over a given timeline. As opposed to compliance checks on individual transactions, PCA looks at a company's compliance with Customs laws and regulations over a period of time. PCA can be defined as the structured examination of relevant commercial systems, sales contracts, financial and non-financial records, physical stock and other assets as a means to measure, ensure and improve compliance. These Guidelines have been divided into two volumes:

Volume 1 to assist with the development and administration of a PCA programme, and Volume 2 focusing on the operational aspects of PCA, with practical guidance and checklists for auditing officials. Through post-clearance audit, Customs is able to use its resources more effectively, to work with the trading community to understand their businesses, improve compliance levels, and reduce transaction-based checks.

### TOOLS

**SAFE Framework of Standards**

**Risk Management Compendium**

**Post-Clearance Audit Guidelines**

**Globally Networked Customs**

**COPES**

**Risk Area-Specific Tools**

movement of global trade in a way that does not impede but, on the contrary, facilitates it. The SAFE Framework lays the foundation for Customs-to-Customs co-operation and Customs-to-Business partnerships, and consists of four core elements: 1) it harmonises advance electronic cargo information requirements on inbound, outbound and transit shipments; 2) it promotes the application of a consistent risk management approach to address

The **WCO Risk Management Compendium** was produced to assist Members to develop and implement an intelligence-enabled risk management framework along with embedding a risk management culture within Customs. This instrument comprises two separate volumes: Volume 1 sets out the organizational framework for risk management and outlines the risk management process, and Volume 2 deals with risk assessment, profiling and



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**Globally Networked Customs (GNC)** is a building block of the Customs in the 21<sup>st</sup> century vision. GNC is a standardised approach for Customs authorities to exchange information (including data obtained from commercial sources), using generic templates and blueprints. It contains a set of Protocols, Standards, and Guidelines for WCO Members to follow. Its main objective is to speed up the drafting and implementation of information exchange agreements in order to facilitate inter-connectedness between Customs agencies when identifying smuggling or fraud.

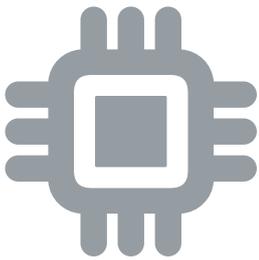
WCO Members have developed a **Compendium of Customs Operational**

**Practices for Enforcement and Seizures (COPES)**. This tool addresses the way Customs uses its administrative prerogative in matters relating to non-compliance (seizures, penalties, detentions, etc.). Practices outlined in COPES encourage Customs to adopt national practices to enhance their legal foundation (enabling powers) and broaden administrative options for dealing with non-compliance.

To complement the aforementioned tools, which can be applied all through the compliance and enforcement continuum and to all risk areas, the WCO has also developed **area-specific tools**. These tools are uniquely designed to address the particularities of a risk area for Customs enforcement. For example,

in 2014 the Strategic Trade Control Enforcement (STCE) Implementation Guide was developed to provide Customs with a framework for reviewing STCE processes and procedures, and establishing adequate training.

## NETWORKS AND TECHNOLOGY



Well-established networks and technology are key drivers of modern Customs operational activities. They enable risk assessment and timely and accurate exchange of information and intelligence, all crucial elements for the efficient management of trade volumes, suppression of illegal trade and detection of fraud on a wide, potentially, global scale.

Information and intelligence are the life-blood of international law enforcement. In the global Customs context, a network of **Regional Intelligence Liaison Offices (RILOs)** has been created as regional focal points for collecting, collating, analysing and disseminating information and intelligence products on trends, modi operandi, routes and seizures. They also provide support to regionally co-ordinated border operations combating transnational crime. The RILO network currently comprises 11 RILOs covering the WCO's six regions.

The WCO **Customs Enforcement Network (CEN)** assists Members to combat transnational organized crime through the exchange of information for intelligence purposes within a secure information technology network. The system contains a database of (non-nominal) Customs seizures and offences and a website for posting information, both of which assist the analysis of illegal traffic in the various areas of Customs competence. It also features an encrypted communication tool for the exchange of information and intelligence (**CENcomm**) on a 24/7 basis. CENcomm is the primary tool used by Customs and other relevant law enforcement agencies when carrying out international joint operations. The **nCEN** is another application within the CEN suite of tools. It was developed to facilitate collection,

analysis and exchange of data at the national level. It includes a national database for those Members which do not have an equivalent system in place.

The **WCO Cargo Targeting System (CTS)** is a standalone application within the CEN suite of tools. It enables Members to perform automated risk assessment and targeting to identify high-risk cargo prior to its arrival at the border, using trade manifest data. WCO CTS brings increased end-to-end supply chain transparency, heightened security, enhanced revenue collection capability, and allows better planning and allocation of resources.

The **WCO Technology Network (TeN)** provides Members with advice/information on acquisition of technology/equipment and post purchase support. TeN provides detailed information on equipment available on the market and contact details of its manufacturers/suppliers through a simple access platform.

The **WCO Iris** application is a Web-based "news aggregator" which gathers Customs-related open source information on a 24/7/365 basis, presents the information on a graphical world map, and stores items in a specific database for further analysis. Additionally it includes the capacity

to alert audiences of major Customs seizures that have been reported to the CEN database and/or to the Global Shield application. Iris was developed for all Customs staff ranging from Directors General to intelligence analysts, targeters and operational frontline officers.

NETWORKS & TECHNOLOGY
RILOs
CEN
CENcomm
nCEN
CTS
TeN
IPM
Iris

**IPM** is an online and mobile application which enables right holders to provide Customs officers with real-time data on their products thereby helping Customs to distinguish between counterfeit and genuine products. This anti-counterfeiting tool can also be considered as a permanent training resource to learn about a variety of products, brands and their distinguishing features.

## PARTNERSHIPS



Increased co-operation within a government, between Customs, and between Customs and the private sector, is the major prerequisite to ensure effective supply chain management and smooth cross-border flows of goods, passengers and means of transportation. For the WCO, the focus has been on three types of partnerships, namely Customs-to-Customs, Customs-to-Business, and Customs-to-Other Governmental Agencies. These partnerships are based on the premise of existing and evolving co-operation in the sphere of border management.

**Customs-to-Customs** is the first pillar of the SAFE Framework of Standards. It builds upon the principle that “Customs administrations must work co-operatively with common and accepted standards to maximise the security and facilitation of the international trade supply chain as cargo shipments and transport conveyances move along the nodes of the global trading system”. Connectivity among Customs administrations is a key component for effective enforcement activities.

**Customs-to-Business** is the second pillar of SAFE and states that “each Customs administration will establish a partnership with the private sector in order to involve it in ensuring the safety and security of the international trade supply chain”. The main focus of this pillar is the creation of an international system for identifying private businesses that offer a high degree of security guarantees in respect of their

role in the supply chain. These business partners should receive tangible benefits in such partnerships in the form of expedited processing and other measures.

**Customs-to-Other Border Agencies** adds another layer of partnerships.

All these layers of can be brought together under the concept of **Co-ordinated Border Management (CBM)**, one of the 10 key building blocks for modern border management. This co-ordinated approach by border control agencies, in seeking greater efficiencies in managing trade and travel flows, while maintaining an acceptable balance with security requirements lies at the heart of the CBM concept. The term gives prominence to the general principle of co-ordination of policies, programmes and delivery among cross-border regulatory and enforcement agencies.

Customs may also benefit from co-operation with **international partners** that may include international organizations, regional development banks and non-governmental organizations (NGOs). Customs administrations in many countries already participate in the activities on the national and regional level co-ordinated and organized by other international

organizations, such as INTERPOL, the UN Office on Drugs and Crime (UNODC), the Organization for Security and Co-operation in Europe (OSCE), etc. In its turn, the WCO uses advocacy in order to place Customs issues high on the political agenda through various fora, such as the World Economic Forum (WEF) and Asia-Pacific Economic Cooperation (APEC).



PARTNERSHIPS
Customs-to-Customs
Customs-to-Business
Other Border Agencies
International Partners

## OPERATIONS



The vast majority of day-to-day Customs work occurs at border crossing points and is deeply embedded in the daily flows of trade and travel. The WCO is fully cognizant of this fact, and its compliance and enforcement related activities are

geared towards providing tangible tools and instruments to frontline Customs officers that will allow them to perform their functions in an effective manner.

Operations are designed to disrupt illicit trade and to detect, arrest and prosecute offenders. The WCO provides technical and capacity building assistance to Members enabling them to strengthen their national enforcement programmes and increase their contribution to regional and international operations targeted at destabilising transnational organized crime groups, smugglers and terrorist organizations.

The table below provides an overview of some of the operational activities that have been conducted recently or are currently under way. In line with the WCO Compliance and Enforcement programme, these operational activities are focused on the high-risk areas mentioned in this brochure.



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<b>OPERATIONS</b>	Strategic goods <b>Cosmo</b>	Fake medicines <b>Tiger 3, Biyela 2</b>	Cocaine <b>Cocair IV</b>	Waste <b>Demeter III</b>
	Tobacco <b>Gryphon</b>	Sports goods <b>Gol 14</b>	Methamphetamine <b>Westerlies 2</b>	Timber <b>Amazonas</b>

# Conclusion

The CEP compiles all WCO's compliance and enforcement tools under one umbrella. It aims at facilitating Members' access to these tools, and is geared towards assisting Members in their efforts to further develop their capacities towards a modern and comprehensive compliance and enforcement framework.

The CEP is a part of the WCO's new approach to the promotion and ongoing development of its instruments, tools, programmes and capacity building activities. The approach is consistent with the development of other WCO

packages focusing on organizational and human resource development (Organizational Development Package), fair and efficient revenue collection (Revenue Package) and economic competitiveness (Economic

Competitiveness Package). This innovative response will allow Members to better determine and assess their modernisation needs.



# Annex.

## CEP Toolkit

### Declarations:

- ☑ Declaration on Transnational Organized Crime (Budapest, June 1997)
- ☑ Declaration on the Improvement of Customs Co-operation and Mutual Administrative Assistance (Cyprus, 2000)
- ☑ Declaration concerning E-commerce (June 2001)
- ☑ Declaration on Illicit Traffic in Drugs (June 2003)
- ☑ Declaration on the Illegal Wildlife Trade (June 2014)

### Resolutions:

- ☑ Resolution concerning the Importance of Intelligence in Supporting Customs Enforcement Activity (24 June 1992)

### Recommendations:

- ☑ Recommendation on Mutual Administrative Assistance (8 June 1953)
- ☑ Recommendation on the Pooling of Information concerning Customs Fraud (8 June 1967)
- ☑ Recommendation on the Pooling of Information concerning Customs Fraud (22 June 1975)
- ☑ Recommendation concerning Action against Customs Fraud relating to Containers (15 June 1983)
- ☑ Recommendation concerning Action against Customs Valuation Fraud (22 June 1988)
- ☑ Recommendation concerning Bilateral Agreements on Mutual Administrative Assistance (1995)
- ☑ Recommendation concerning Action against Customs Commercial Fraud (1 July 2006)
- ☑ Recommendation concerning the use of Advance Passenger Information (API) and Passenger Name Record (PNR) for Efficient and Effective Customs Control (June 2012)

### WCO Technical Materials/ Guidance Documents:

- ☑ SAFE Framework of Standards to Secure and Facilitate International Trade
- ☑ WCO Risk Management Compendium – Volume 1 and Volume 2
- ☑ WCO Guidelines for Post-Clearance Audit – Volume 1 and Volume 2
- ☑ Customs Compendium on Operational Practices for Enforcement and Seizures (COPES)
- ☑ WCO Commercial Fraud Manual for Senior Customs Officials (February 2006)
- ☑ WCO Handbook for Commercial Fraud Investigators (first published in 1997, updated in 2001, now available on CD-ROM by order).
- ☑ WCO Brochures on Essential Elements for the Control of Fraud under the WTO/GATT Valuation Agreement (June 1996)
- ☑ WCO Guide to Exchange of Customs Valuation Information (February 2003)
- ☑ WCO Guidelines on the Development and Use of a National Valuation Database as a Risk Assessment Tool (June 2004)
- ☑ WCO Customs Valuation Control Handbook (available by order)
- ☑ WCO Training Course on the Introduction to Commercial Fraud (February 2006)
- ☑ Commercial Fraud Typologies Summary – Fourth edition (November 2013)
- ☑ WCO Self Assessment Checklist for Countering Commercial Fraud (February 2008)
- ☑ Enforcement Guide against Customs Transit Fraud (February 2008)
- ☑ False/Forged Documents Identified by Member Administrations – Updated version (February 2009)
- ☑ Possible Enforcement Actions against Customs Commercial Fraud Exploiting Free Zone System (February 2008)
- ☑ Customs Enforcement Guidance against Commercial Fraud Related to Consumer Health and Safety Requirements (February 2009)
- ☑ Customs Enforcement Guide against Transshipment Fraud (March 2011)
- ☑ Customs Enforcement Guide against Drawback Fraud (March 2011)
- ☑ Customs Enforcement Guide against Origin Fraud (December 2012)
- ☑ Model Operation to Combat Valuation Fraud Using Double/False Invoicing (February 2004)
- ☑ WCO Illicit Trade Report (annual edition)

### Networks and Technology:

- ☑ Cargo Targeting System (CTS)
- ☑ Customs Enforcement Network (CEN)
- ☑ Customs Enforcement Network Communication (CENcomm)
- ☑ Interface Public-Members (IPM)
- ☑ Iris application
- ☑ National Customs Enforcement Network (nCEN)
- ☑ Regional Intelligence Liaison Offices (RILOs)
- ☑ Technology Network (TeN)



WORLD CUSTOMS ORGANIZATION