

## Authorised Economic Operator

### - Security Legislation Can Seriously Damage Your Business

In our recent Customs Newsletter covering the Modernised Community Customs Code and related legislative changes, we also identified changes made to the existing code covering the introduction of the Authorised Economic Operator (AEO) concept.

#### What is the AEO concept?

The AEO concept is a Customs administered approval structure based on a company's ability to meet certain security related criteria. By meeting these criteria, the company is allowed to use certain simplification/security processes. Although many of these simplifications are currently available to trade, EU Commission has warned that once the regime is fully in place, only those companies meeting the approval criteria will continue to receive simplification benefits. The legislation will come into effect from January 1, 2008.

There are three levels of approval:

- **Customs Simplification AEO**
- **Security and Safety AEO and**
- **Both the above combined**

#### What are the AEO approval criteria?

All applicants, regardless of level of approval sought, will have to meet the following criteria:

- Must not be subject to criminal conviction for a serious offence linked to their economic activity.
- Must have a good compliance record in meeting customs requirements.
- Must have a satisfactory system of record management and IT security.
- Must be financially solvent and not subject to bankruptcy proceedings.

Those requiring Security and Safety status must in addition:

- Have suitable physical security measures in place.
- Have procedure for handling import and export licences connected to prohibitions and restrictions.
- Have measures that clearly identify trading partners in order to secure the supply chain.
- Security screen employees.
- Have a security awareness programme in place for staff.

## Why should I obtain AEO status?

In their Regulatory Impact Assessment of the AEO, H M Revenue & Customs identify the following disadvantages to UK traders should the UK not facilitate AEO certification:

1. UK businesses would be disadvantaged when trading with other Member States/Third Countries i.e. require more up front data, longer clearance times, guarantee costs etc.
2. Under the Modernised Customs Code, costs for UK businesses will increase, as they will be unable to apply for guarantee waivers or apply for centralised clearance. As currently drafted, their ability to apply for guarantee waivers will be tied to AEO status.
3. Multi-nationals will have to set up dual procedures UK versus other member states AEO procedures.

In addition, they identify reciprocal arrangements and mutual recognition with countries outside the EU as a benefit to trade. This aspect is particularly important as bilateral discussions have already commenced between the EU and US with a view to mutual recognition of their supply respective chain security regimes (AEO, C-TPAT) agreement on this mutual recognition could well be received before commencement of the AEO regime on January 1, 2008. As such, companies could be disadvantaged when trading with companies in the US if they are not AEO certificated.

## Where do I get help?

The Bernard Group has put together a team of custom compliance and security experts specifically to help you through the approval process.

The team, under the direction of Roger Blacklock, will undertake a detailed evaluation of your internal processes, compliance record etc. They will identify any areas for improvement/change, write internal security programmes and procedures, train staff and undertake staff employment vetting and above all, will ensure your continual compliance through periodic audit and report.

To ensure peace of mind we can also provide the ongoing management of the programme and thereby become the Customs 'go to' party on your behalf.

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