



# Authorised Economic Operator

The threat of international terrorism has made protecting the global supply chain a priority for business and government

The Authorised Economic Operator (AEO) concept is part of an EU wide initiative to tackle terrorism, counterfeiting and fraud.

Enhanced security controls aim to ensure that the EU internal market is protected, whilst also securing the international supply chain through co-operation with world trading partners.

AEO status will provide facilitation and benefits to reliable businesses which can show themselves to be trusted and compliant members of the international supply chain.

## Who is it aimed at?

All businesses who own or move goods through the international supply chain are affected, irrespective of size or trade sector.

This includes manufacturers, importers, exporters, freight forwarders, agents, warehouses and logistics companies.

## What is an AEO?

AEO refers to a business who has met certain criteria and is seen as reliable and compliant by the customs authorities.

Similar measures are in place in USA, Canada, Australia, New Zealand, Vietnam, Singapore and South Africa.

AEO status will be granted to businesses meeting the criteria for one of three possible certificates:

- Customs simplifications
- Security and safety
- A combination of the two.

AEO status took effect from 1 January 2008.

## What are the benefits of obtaining AEO status?

Depending on the type of certificate obtained the potential direct benefits for AEO certificate holders include:

- As a trusted participant in the supply chain, an AEO's goods are expected to be subject to fewer physical and documentary examinations.
- Goods will be subject to priority examination and clearance if selected for examination.
- Depending on the type of certificate held, an AEO will have access to simplifications such as Guarantee Waivers when the Modernised Customs Code is agreed.
- Recognition of status across the EU should make it easier to apply to use simplifications in other Member States.
- The status is seen as a 'kite mark' by the European Commission and Customs authorities.

In addition, participants in comparable schemes operating in other countries have enjoyed further indirect or collateral benefits including:

- Reduced theft and pilferage, both by staff and during the movement of goods.
- Increased security awareness within the business.
- Reduction in insurance premiums.
- Easier identification of fraud, counterfeiting and grey market shipments as a result of increased knowledge of the location and status of goods.
- Provision of more timely and accurate data to customers and customs authorities.
- Enhanced customer relationships by reducing in delivery delays.

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## **Will non AEO businesses be disadvantaged?**

HM Revenue & Customs have stated that in the UK businesses who choose not to apply for AEO status will retain existing authorisations and simplifications.

Current clearance times in respect of goods owned by non AEO businesses are expected to be maintained.

Businesses considering whether to apply for accreditation also need to consider other commercial factors. For example:

- Non AEO businesses may be placed at a competitive disadvantage with regard to their peer group. Some AEO certified businesses may prefer to trade with other AEOs as the presence of non AEO businesses in the supply chain will increase the risk score.
- Following the implementation of pre arrival/departure summary declarations in July 2009, all non AEO businesses will be required to submit more data than AEOs.

## **What does approval involve?**

Applications are voluntary and should be made to the customs authorities in the relevant EU Member State. In the UK this is HM Revenue & Customs.

Depending on the type of certificate sought approval will involve a detailed examination of:

- Background - including details of the owners and shareholders of the business, sites and subsidiaries, the source of raw materials and destination of sales.
- Customs compliance record - including details of any existing customs authorisations held by the business, the methodology for determining the customs value of imports and exports, and the procedures for disclosing irregularities to the relevant government agencies.
- Accounting and logistical system - including the audit trail for fiscal and customs purposes, the internal control procedures of the business, and measures taken to protect computer systems against unauthorised access.
- Financial solvency.
- Safety and security procedures - including physical access control systems, details of threat assessments which have been carried out by the business and the steps taken as a result, any security requirements which are imposed on business partners and personnel security policies.

## **When can I apply?**

HM Revenue & Customs have been accepting applications from 1 July 2007.

## **Will AEO status be recognised outside the UK?**

AEO status is recognised in all EU member states.

The EU is currently in negotiations with other countries such as the US regarding mutual recognition of the status.

Recent rumours suggest the US is considering making AEO status mandatory for EU businesses exporting goods to the US.

## **What should businesses be doing now?**

Prior to submitting an application for AEO status, applicants need to analyse their business to ensure that the appropriate standards are being achieved and that this can be evidenced. This will involve reviewing:

- Business processes, systems and controls.
- Existing accreditations or authorisations which may satisfy part of the criteria for AEO status.
- Areas of risk, to understand their potential impact on the business, customs matters and the AEO application.

If you would like to discuss how AEO may impact on your business and the benefits available please contact us.

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