

Authorised Economic Operator Protecting your supply chain

As part of a coordinated approach to combat terrorism and non-compliance in Global Trade, the European Commission has introduced as of January 1, 2008 a procedure called the Authorised Economic Operator (hereafter: AEO) aiming at improving both supply chain safety and security as well as compliance within the European Union.

AEO affects any business that buys, sells or moves goods into or out of the European Community.

Securing your supply chain

The AEO regime encourages companies to ensure compliance and increase safety and security in their international supply chain in exchange for incentives which will improve the efficiency of the supply chain and ultimately reduce costs. The *incentives* include, for instance, fewer physical border controls, easier reporting, a reduced customs risk rating, priority treatment for goods selected for examination (the so called "green lane") and abolishment of certain bank guarantees. Non-AEO entities will not receive these benefits and indeed may find that international trade becomes more difficult and costly.

In addition, non-AEO entities may face refusal or withdrawal of customs simplifications which will make the supply chain unnecessarily time consuming.

One of the emerging **trends in the supply chain** in this respect is that AEO certified businesses prefer doing business with other AEO certified entities. This will speed up the supply chain, minimize the risk of delayed delivery/lead times and as a result reduce costs. Therefore, even if a business operates at high compliance levels, the absence of AEO certification may have a negative effect on supply chain partners and the perception of Customs authorities globally.

In Europe a database of AEO companies is publicly available since 2009 which gives further impetus to this approach.

Why act now?

Although applying for an AEO status is not obligatory, not being AEO certified will, sooner or later, lead your company to be the bottleneck of the supply chain.

The Deloitte route to certification

The AEO certification is a complicated process, which will take some time to be completed. However, the tangible and intangible benefits can be substantial. The AEO Guidelines (published by the European Commission) raise more questions than that it gives answers on how to comply with the AEO requirements. To fulfil the need on clarification and efficiency in the process of applying for AEO, we have developed a multi-disciplinary framework for guiding companies through the process of obtaining AEO status: "the route to certification".

Our approach helps you understand the benefits and costs of achieving AEO status for your business and the potential downside of not achieving certification. We work with you to achieve AEO status and crystallise clear benefits. The benefits often include consolidation of functions, an enhanced control environment, increased safety and security standards, cost reductions, duty savings and, ultimately, a smoother working supply chain. Please find the details of our "route to certification" on the back of this paper.

Contact

For more information please contact your local Deloitte contact or send an e-mail to libracus@deloitte.com or call the customs helpdesk. Phone number: +31(0)800-CUSTOMS(2878667)

Deloitte approach for obtaining AEO “The route to certification”

Deloitte has developed a **10 step approach** which takes into account the COMPACT-model that was adopted by the European customs authorities as role model. The Deloitte approach includes:

1. Obtain company information to determine the feasibility of the formalities for applying for AEO.
2. Install frame work to store supporting documentation in a logic order to be able to disclose the information to the company and the appropriate authorities. The frame work will support the application of the AEO certificate.
3. Gathering and validating information to determine the role in the supply chain including AO/IC, Chamber of Commerce, annual reports, other relevant certificates, import/export data, customs audit reports, existing relevant risk documents etc.
4. Based on all information obtained, determine the role in the supply chain and identify the risk areas related to the role of the company in the supply chain.

Deloitte has developed the **AEO Digiscan**, an IT-tool, to obtain the information for the above mentioned steps in a comprehensive way. The AEO Digiscan will be available allowing your company to submit the required information electronically. Based on the information provided, the AEO Digiscan will identify the risk areas which will be the basis for the next steps of the route to certification. The frame work to store supporting documentation will make use of a so-called “eRoom”, which can be approached electronically by the AEO team of your company and Deloitte.

5. Deloitte will facilitate a workshop in which Deloitte and key persons of your company will identify:
 - if the list of risk areas is complete or needs additions
 - which threat scenarios are applicable with these risk areas
 - validate the identified risk areas via a voting system
 - determine the probability that the risk occurs and the measurements in place
 - the outcome is the identification of those risks for which additional measures should be taken.
 - determine the additional measurements for these risk areas
 - reflection on the feasibility of an application for certification for AEO
6. Report of the outcome of the workshop with agreed actions including the conclusions regarding the feasibility of the application.
7. Develop and implement agreed actions by your company.
8. Deloitte performs random checks to establish the correct working of the measurements.
9. Deloitte supports the application for the AEO certificate (including supporting application files).
10. Maintenance of the AEO certificate (monitoring of the company's AEO status, update of relevant information, periodical check on business changes that may effect the certification, random administrative and physical checks).

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