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ANNEX 1

ANNEX

to the

**COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN
PARLIAMENT, THE COUNCIL AND THE EUROPEAN ECONOMIC AND SOCIAL
COMMITTEE**

**on the EU Strategy and Action Plan for customs risk management:
Tackling risks, strengthening supply chain security and facilitating trade**

EU Strategy for customs risk management:

Tackling risks, strengthening supply chain security and facilitating trade

In their supervision of the supply chain and of the movement of goods crossing EU borders European customs authorities must put in place measures to: secure the integrity of the supply chain for international goods movements and protect the security and safety of the Union and its residents; protect the financial and economic interests of the EU and its Member States; facilitate and accelerate legitimate trade and promote EU competitiveness. Working with other competent authorities, business, and international partners is crucial.

Faced with the growing volume of trade movements and the need to supervise the supply chain customs uses risk management to implement effective and efficient controls, avoid unwarranted disruption to legitimate business and deploy resources efficiently. Control resources and interventions can thus prioritise areas posing the highest and most serious risks with necessary controls carried out at the most appropriate time and place.

The EU single market and customs union, together with the transnational dimension of threats, underscores the mutual reliance of Member States and the need to tackle risks effectively with the necessary consistency and uniformity across the EU.

The EU common framework for customs risk management is firmly established, yet it needs to continue to adapt and develop in order to become more coherent, effective and cost-efficient in its supervision of supply chain risk. It is the responsibility of the Commission and Member States to ensure this.

I. Underlying principles of EU customs risk management of the supply chain

This Strategy relates to the risk management and control of goods entering into, taken out of or transiting through the Union with due regard to their specific characteristics, the scale of risk and the costs for both customs and trade.

Risk management of the movement of goods through the international supply chain requires the capacity to identify, evaluate and analyse the full range of threats and risks associated with goods and their movements. It must take account of the diversity of risks, at EU and national level, and their impact and consequences should those risks materialise to undertake risk mitigation and control measures at the most opportune time and place in the supply chain.

1) 'Assess in advance, control where required'

The EU common framework for customs risk management must provide for the risk assessment of cargo in advance of its loading in a third country, arrival on EU territory or arrival at its final (customs) destination to allow deployment of counter-measures appropriate to identified risk – in essence 'Assess in advance, control where required'.

The aim is to manage risks in an optimal way, for example: the security risk of an explosive device or threat posed by a highly infectious disease needs to be addressed prior to loading;

prohibited, smuggled or dangerous goods need early intervention, but can be controlled upon arrival on EU territory or at the place of unloading; some risks such as product safety can be dealt with at the time of clearance; financial, commercial policy and other risks can be addressed at the time of clearance, as well as post-clearance through audit controls. Authorised Economic Operator programmes and trusted trader concepts are of particular importance in facilitating and accelerating the movement and customs clearance of trade between identifiably secure traders posing a lower risk.

2.) Multiagency cooperation

The EU customs authorities as the authorities primarily responsible for the supervision of the Union's international trade recognise that effective risk management is a multi-agency concern. It requires close cooperation among customs authorities internationally, between customs and other governmental authorities including law enforcement and security agencies, and economic operators.

3.) Multi-layered and coordinated approach

Mindful of these needs and challenges, the EU and its Member States must ensure and rely upon a robust system for the early risk assessment of movements of goods. This requires a multi-layered and co-ordinated approach with input from all competent authorities and the timely submission to customs by supply chain actors of appropriate and harmonised data.

4.) Efficient use of resources

The EU and its Member States must provide for the collection, integration and management of electronic information from multiple sources taking advantage of existing IT capabilities and of new opportunities for efficiency gains.

Appropriate sharing of this data and of risk-relevant information and control results among EU customs authorities is crucial. Through the common framework the EU and its Member States must ensure this information can be made available and exploited fully for risk management purposes while complying with the data protection provisions in force.

For the consistent treatment of risks the EU customs authorities must ensure that the full range of available capacities, including equipment, is appropriately deployed, and ensure ongoing evaluation to avoid redundancy and un-necessary controls and costs.

II. Enhancing multi-layered customs risk management in the EU

To improve the effectiveness and efficiency of the EU-wide risk management framework the Commission and the Member States will cooperate, step by step, to take the measures necessary FOR the objectives and BY the means mentioned hereunder:

1) Improve data quality and filing arrangements

FOR the timely submission to customs authorities of high-quality and comprehensive data regarding international supply chain movements of goods crossing EU borders;

BY adjusting the EU legal, procedural and IT systems to ensure that operators with a role in the commercial supply chain can submit required information, including advance cargo

information, in a harmonised way, taking into account international standards, without undue costs for business models or for customs authorities.

2) Ensure availability of supply chain data and sharing of risk relevant information among customs authorities

FOR allowing Member State customs authorities to analyse and mitigate risks where they are relevant and ensure equivalent treatment of economic operators;

BY putting in place appropriate legal, procedural and IT mechanisms to support the necessary data availability, communication and risk-relevant information-sharing, including control results, among EU customs authorities through the entire customs control process.

3) Implement control and risk mitigation measures where required

FOR ensuring that risk mitigation and control measures are consistently employed to respond appropriately to identified EU and national risks while maximising efficiency in the use of resources and fluidity of the supply chain;

BY putting in place methodologies and procedures to allow that risk-based controls are carried out at the most appropriate time and place in the supply chain, results are shared between customs authorities, and unnecessary or duplicate controls are avoided;

BY identifying where and at which point in time controls and risk mitigation measures are required to optimally address the risk and take account of constraints of the logistic chain.

4) Strengthen capacities

FOR securing equivalence in effective implementation of the EU common customs risk management framework across all Member States and increasing responsiveness to newly identified risks;

BY identifying and addressing inappropriate variances in implementation at Member State level including, where appropriate, through EU level support to address identified weaknesses;

BY continuing to analyse and identify possible further capacities at EU and Member State level that might be necessary to support more effective and efficient risk management;

BY enhancing further co-operation and co-ordination among EU customs authorities;

BY developing further and continually evaluating EU common risk criteria and standards for the full range of risks and ensuring their harmonised implementation;

BY systematic monitoring and evaluation of the implementation of EU risk management across all Member States and to measure performance against intended outcomes.

5) Promote interagency cooperation and information-sharing between customs and other authorities at the Member State and EU level

FOR ensuring that risks are effectively identified and addressed by the competent authorities at the most appropriate time and place in the supply chain and with minimal disruption to the movement of the goods;

BY developing further the cooperation arrangements between customs and other competent authorities, including other law enforcement and security agencies, with a view to ensuring complementarity of roles in supply chain risk management, promoting the development of common risk criteria, where appropriate, and improving the accessibility and sharing of risk information;

BY promoting and gaining broader recognition of the EU Authorised Economic Operator programme by non-customs authorities/regulators.

6) Enhance co-operation with trade

FOR better focus on risks while facilitating supply chains and accelerating trade;

BY pursuing partnerships with legitimate economic operators, supply chain actors and logistics providers, in particular to:

- improve knowledge and visibility of international supply chains, in particular in the framework of the e-Freight initiative;
- detect new trends of illicit trade crossing EU borders and supply chain threats;
- promote the re-use of customs data submitted electronically by economic operators to streamline customs procedures, and thus reduce costs and improve efficiency;
- promote and strengthen the EU Authorised Economic Operator programme, and further facilitate legitimate trade.

7) Tap the potential of international customs co-operation

FOR better identification of risks, more effective risk mitigation and cost reduction for operators and authorities;

BY active participation in the setting of global standards in multilateral fora;

BY implementing or promoting the development of international norms and standards through multilateral and bilateral initiatives with trading partners including exchanges of customs information and fluid trade lane arrangements;

BY continuing to pursue recognition of the EU AEO programme by international trading partners and mutual recognition of trusted trader programmes and controls, where appropriate.

ACTION PLAN

Objective 1: Improve data quality and filing arrangements for effective risk management

<i>Action</i>	<i>Description of action</i>	<i>Indicative timetable</i>	<i>Responsible Actors</i>	<i>Deliverable</i>
1.1. Exercise the empowerment granted in the Union Customs Code (UCC) to adopt Commission (COM) acts	For goods brought into the customs territory of the Union: — Conclude the analysis for necessary improvement of entry summary declaration (ENS) data, taking into account different business models, the results of air cargo security pilot actions, and evaluation of the Import Control System (ICS) ¹ . — Propose a harmonised solution for collection and integration of ENS data from trade sources, based on analysis of costs and benefits and associated implementation issues (including technical, financial and organisational aspects).	2014 - 2015	Commission (COM)	— Implementation study — Adopt COM acts
1.2. Develop and implement appropriate IT solutions	— Adjust and further develop necessary IT systems for ENS data submission by economic operators, and its collection and integration for customs authorities. — Develop IT access by customs to the economic operators systems in the area of aviation security	2016 – 2020 ²	COM, Member States (MS), Economic operators (EO)	IT systems adjusted and further developed at the MS and EU level

Objective 2: Ensure availability of supply chain data, sharing of risk relevant information and control results among customs authorities to analyse and mitigate risks and ensure equivalent treatment of economic operators

<i>Action</i>	<i>Description of action</i>	<i>Indicative timetable</i>	<i>Responsible Actors</i>	<i>Deliverable</i>
2.1. Bring forward solutions and exercise the empowerment granted	— Based on analysis of costs and benefits, and associated implementation issues (including technical, financial and organisational aspects) propose harmonised solutions		COM	— Implementation studies

¹ COM (2012) 793, 8.1.2013

² Timeframes will be further refined as part of the COM Implementing Decision on Work Programme for the UCC (2014/255/EU, 29.4.2014)

in the UCC to adopt COM acts	for goods:	2014 - 2015		— Adopt COM acts, where appropriate
	a) brought into the customs territory of the Union,	2015 – 2016		— Common guidelines for customs authorities
	b) placed under customs procedure following their entry into the customs territory of the Union, c) exported and brought out of the customs territory of the Union	2016 – 2017		
2.2. Develop and implement appropriate IT solutions	Adjust and further develop necessary IT systems for availability and sharing, among customs authorities, of supply chain data, availability and sharing of risk relevant information, including control results, among EU customs authorities.	2016 – 2020 ³	COM, MS	IT systems further developed: —national customs risk management systems — ICS, New Computerised Transit System (NCTS), and Customs Risk Management System (CRMS)
2.3. Propose solutions for traceability of goods movements during various customs control stages	—Analysis of options for traceability of goods movements through various stages of customs supervision from their entry into the Union customs territory to their final customs clearance, taking account of on-going initiatives such as e-Manifest , e-Freight and/or by adjusting the existing customs transactions systems — Put forward the appropriate approach, taking into account relevant aspects (IT, legal or procedural)	2015-2020	COM	— Analysis report identifying option(s) — Solutions allowing traceability implemented

Objective 3: Implement the concept of ‘Assess in advance - control where required’ to respond adequately to identified EU and national risks while maximising efficiency in the use of resources and fluidity of the supply chain

<i>Action</i>	<i>Description of action</i>	<i>Indicative timetable</i>	<i>Responsible Actors</i>	<i>Deliverable</i>
3.1. Develop methodologies to implement the concept of ‘Assess in advance – control where required’	Propose a methodology to determine the most appropriate place and time for the application of customs controls and risk mitigation measures based on the type/level of risk, control and supply chain constraints (availability of information, documentation, and	2014-2016	COM	Concept document

³ Timeframes will be further refined as part of the COM Implementing Decision on Work Programme for the UCC (2014/255/EU, 29.4.2014)

	control possibilities).			
3.2. Perform ‘proof of concept’ within the main policy areas and propose appropriate solutions	<p>— Identify the main policy areas and undertake operational actions to test solutions e.g. through Priority Control Area (PCA) actions in co-operation with relevant stakeholders</p> <p>— COM will propose customs control clauses for non- customs legislation on policy areas tested, where appropriate and by taking into account outcomes of ‘proof of concept’</p>	2015-2016	COM	<p>— Proof of concept</p> <p>— COM proposal for updated customs control clauses for non-customs legislation, where appropriate</p>

Objective 4: Strengthen capacities to secure equivalence in effective implementation of the Common Risk Management Framework (CRMF) and to increase responsiveness to newly identified risks

<i>Action</i>	<i>Description of action</i>	<i>Indicative timetable</i>	<i>Responsible Actors</i>	<i>Deliverable</i>
4.1. Identify and address weaknesses and inappropriate variances in the implementation of the CRMF, where relevant through EU level support	<p>— Analyse, determine and put forward appropriate solutions (including IT), where relevant through EU level support:</p> <p>a) to address inappropriate variances in implementation of common risk criteria and standards,</p> <p>b) for necessary technical and functional requirements of the MS risk management systems,</p> <p>c) for professional skill requirements in the area of risk analysis and targeting.</p>	2014 - 2020	COM, MS	<p>— Report of the analysis.</p> <p>— At MS and/or EU level further necessary IT and other relevant risk management capabilities are developed (e.g. training schemes)</p>
4.2. Develop possible further capacities and enhance co-operation and co-ordination between customs authorities	<p>— Based on strategic requirements identify which risk management capacities should be developed further at the MS level, and at EU level (taking into account the benefits of EU data repository or alternatives as well as results of relevant EU funded research projects).</p> <p>— Identify, linked to the action 2.1 and by further analysis, ways to further enhance proactive co-operation between the MS to:</p> <p>a) support effective and efficient risk management of the supply chain,</p> <p>b) ensure controls are allocated and carried out at the most appropriate place in the chain , the results are exchanged between customs authorities and gaps or un-necessary controls are avoided,</p> <p>c) enhance complementarity between customs risk based controls and customs investigations, by inter-alia defining appropriate governance to ensure that development</p>	2014 - 2020	COM, MS	<p>— Report of the analysis and/or evaluation of the outcomes of the pilot(s)</p> <p>— At MS level further necessary IT and other relevant risk management capabilities are developed</p> <p>— At EU level further necessary IT risk management capabilities (e.g. enhanced CRMS), or other relevant capacities are developed</p>

	<p>and administration of the existing and future IT systems are formally shared between the relevant COM services in accordance with data protection rules.</p> <p>— Facilitate the analysis and assessment of potential approaches, including the possible creation of a flexible structure and solutions for better risk assessment on a real time basis, by the piloting of joint initiatives between willing Member States</p> <p>— Put forward and implement appropriate solutions (including IT) for developing necessary further risk management capacities at MS and EU level (considering also solutions proposed by EU funded research projects) including enhanced co-operation and co-ordination between the customs authorities</p>			
4.3. Develop further national and EU level customs threat and risk assessments for the full range of threats and risks	<p>—Ensure at MS and EU level, taking account of existing instruments, procedures and methodologies:</p> <p>a) customs threat and risk assessments are established for the full range of risks and shared between the MS and MS and the COM</p> <p>b) integration of these assessments in customs risk management, including into the common risk criteria and standards, where appropriate</p>	2015 onward	COM, MS	— Customs threat and risk assessments developed at MS and EU level
4.4. Further develop EU common risk criteria and standards (CRC) for the full range of risks, in cooperation with the competent services	— Develop further and implement CRC for the full range of risks, where necessary together with the competent services, taking into account identified priorities and initiatives.	2014 onward	COM	<p>— COM acts in the framework of the current CCC and UCC establishing CRC,</p> <p>— CRC implemented via Priority Control Actions</p>
4.5. Systematically monitor, evaluate and improve implementation of the EU risk management by the MS and measure performance of the CRMF	<p>— Systematic monitoring and evaluation of EU risk management measures, to ensure harmonised, effective and efficient application</p> <p>— Continue to evaluate and improve the effectiveness and efficiency of the existing CRC through COM annual evaluation reports and their follow-up</p> <p>— Improve further methods and procedures for EU level monitoring, evaluation and review of effectiveness of the CRC, where necessary in cooperation with competent services, and identify information that needs to be collected and made available to the COM by the MS</p>	2014 onward	COM, MS	<p>CRMF performance measurement implemented:</p> <p>— COM annual evaluation reports</p> <p>— Priority Controls Area report recommendations</p>

Objective 5: Promote interagency cooperation and information sharing between customs and other authorities at the MS and EU level to ensure effective risk management

<i>Action</i>	<i>Description of action</i>	<i>Indicative timetable</i>	<i>Responsible Actors</i>	<i>Deliverable</i>
5.1. Develop further cross-sectoral co-operation arrangements, improve sharing and accessibility of (risk) information, and customs involvement in risk and threat assessments	<p>— In the relevant policy areas explore how to enhance further:</p> <p>a) (risk) information accessibility, sharing, and timely integration for risk management of supply chains, including in crisis situations,</p> <p>b) co-operation arrangements to ensure complementarity between customs risk based controls and controls carried out by other competent authorities,</p> <p>c) access to threat and risk assessments by customs at MS and EU level for customs risk management</p> <p>—Put forward possible solutions at MS and EU level taking account of different distribution of competences between authorities within each MS, notably in the area of law enforcement and related initiatives, such as e-Freight and CISE</p>	2015-2020	COM, MS	<p>— Improvements in systematic sharing and accessibility of (risk) information</p> <p>— COM implementing act in the framework of the proposed Council Regulation on Official controls (COM (2013) 265)</p> <p>— Appropriate access for customs to risk and threat assessments</p>
5.2. Strengthen the EU Authorised Economic Operator (AEO) programme through broader recognition and promotion by other authorities	<p>— Identify priority areas in co-operation with other competent authorities, taking into account on-going initiatives</p> <p>— Carry-out analysis of the requirements in relation to other partnership programmes or control regimes stemming from other authorities with a view to identify:</p> <p>a) complementarities and synergies between AEO and other programmes</p> <p>b) measures needed to integrate AEO status within the control regimes of other competent authorities</p> <p>c) compliance criteria developed by other authorities that AEO programme should reflect</p> <p>— COM will propose adequate solutions, where necessary and possible</p>	2014-2020	COM	— Feasibility studies followed by proposals where appropriate
5.3. Promote use of good practices and cooperation methods between customs and other national authorities	— MS to initiate, with COM support, exchange of good practices and cooperation methods	2014-2020	MS, COM	Study/report with recommendations

Objective 6: Enhance further co-operation with trade through partnership with economic operators and logistic providers to better focus on risks and accelerate customs clearance of legitimate trade

<i>Actions</i>	<i>Description of action</i>	<i>Indicative timetable</i>	<i>Responsible Actors</i>	<i>Deliverable</i>
6.1. Continue to strengthen and promote AEO programme, by addressing any relevant weaknesses identified and providing further benefits	<p>— With relevant stakeholders further develop systematic analyses and address relevant weaknesses of AEO implementation to ensure continuous robustness of the programme</p> <p>— Identify additional AEO benefits within the customs processes and propose adequate measures, taking into account legal and procedural aspects</p>	2014-2020	COM	<p>— Adopt COM acts in the framework of the UCC, where appropriate</p> <p>— AEO common guidelines updated</p>
6.2 Improve the knowledge of supply chains, raise trade awareness and exploit valuable data available to trade	<p>— Put forward and implement appropriate solutions for improved customs risk management through increased supply chain visibility by:</p> <p>a) exploring, in the frame of e-Freight initiative, how best to utilise outcomes of relevant research projects (e.g. FP7Cassandra and CORE), and by completing the on-going ENS-Container Status Message (CSM) pilot project, b) exploring how best to utilise commercial databases</p> <p>— Conduct, at the MS and EU level, outreach, awareness raising with trade to reach consistent standards in customs data quality and better understanding of the supply chain vulnerabilities, threats and trends</p>	2014-2020	COM, MS	<p>— CSM collected and exploited for risk management purposes</p> <p>— Analysis report in relation to commercial databases and research projects</p> <p>— At MS and EU level outreach and awareness raising campaigns organised with the trade</p>
6.3. Promote compliance management by customs administrations in close co-operation with trade	<p>— Identify the best practices by comparing national programmes and explore possibilities for establishing a harmonised approach to client segmentation, as an element of the overall concept which complements the AEO programme</p>	2014-2020	COM	<p>— Identification of best practices and feasibility analysis</p>
6.4. Promote the re-use of customs data submitted electronically by economic operators to streamline customs procedures	<p>— Identify, in co-operation with trade, customs formalities, processes and areas where re-use of data required by EU customs legislation will increase efficiency for economic operators and customs administrations</p>	2014-2020	COM, MS	<p>— Feasibility analysis</p>

Objective 7: Tap the potential of international customs co-operation, to improve risk management of the supply chain

<i>Actions</i>	<i>Description of action</i>	<i>Timetable</i>	<i>Responsible Actors</i>	<i>Deliverable</i>
7.1. Develop international co-operation through multilateral and bilateral initiatives	<p>— Appropriate to different trading partners determine operational cooperation models, including AEO customs mutual recognition (AEO MR), trusted and fluid trade lanes and information exchange requirements</p> <p>— Taking account of developments at global level, define EU standards for exchange of information of:</p> <p>a) AEO MR data</p> <p>b) data from customs transaction systems</p> <p>c) risk relevant information</p> <p>— Further develop bilateral co-operation with third countries including through pilot actions, comparison and testing of supply chain security technologies</p> <p>— COM will propose adequate solutions</p>	2014-2020	COM, Council and EP	<p>— International co-operation models elaborated</p> <p>— EU standards for exchange of customs information with third countries</p> <p>— Appropriate provisions in the international customs cooperation agreements</p> <p>— Reports under the supply chain security research project CORE (FP7)</p>
7.2 Implement appropriate cost effective IT solutions to enable international cooperation	Implement necessary cost-effective IT solutions enabling international cooperation to support EU customs authorities in detecting risks (i.e. exchange of AEO MR data, information from customs transaction systems and relevant risk information)	2014-2020	COM, MS	IT capacities are being developed at MS and/or EU level
7.3. Ensure that the EU and its Member States play a proactive role in the development of global standards in the relevant multilateral fora	Continue ensuring proactive EU input in establishment of the international standards and ensure international norms and standards are respected and implemented, such as those developed by the WCO, IMO, ICAO, UPU and UNECE	2014-2020	COM, MS	International standards developed with pro-active input by the EU