

# AEO Update - How are you placed?\*

An update of current news from Czech Customs and EU countries in relation to the Approved Economic Operator (AEO) process.

## What is it?

AEO is an EC initiative that requires companies to maintain high levels of security throughout their supply chain in order to gain recognition from Customs Authorities that they are a secure trader and to obtain associated privileges. The AEO concept was introduced by a security amendment in 2005 as a WCO approved initiative, similar to C-TPAT in the US. Following refinements by the EC, a number of pilots, including in the Czech Republic, were run and finalised in August 2007. Since then the EC published its findings and confirmed that the scheme was to go live from January 2008. Many companies are now working on obtaining AEO status.

## Who is it for?

AEO status is of major interest to companies importing or exporting goods into and out of the EU. A company must be established in the EU and have a good compliance record to qualify.

AEO status will be particularly important to the following types of companies:

- Those importing into more than one EU country;
- Those importing high risk goods that want to adopt the highest standards of security possible (e.g. importers of defence goods, pharmaceuticals, excise goods, high value commodities etc);
- Those that wish to export goods to countries with similar security systems (e.g. US and Far East);
- Those that require immediate clearance of goods (e.g. just-in-time supply chain operators, importers of perishable goods, etc);
- Companies who regard themselves as socially responsible and are keen to show their suppliers, partners and markets that they have quality systems in place;
- Companies that are SEC registered.

## What are the benefits of operating AEO?

The EC's review of the pilot projects broadly outlined the benefits of AEO status as:

- Improved clearance times;
- Improved supply chain security resulting in reductions in stock loss;
- Companies currently authorised for customs regimes and simplifications would already broadly meet the required profile, leading to a simpler authorisation process;
- Credibility in business partnerships - companies may prefer to trade with AEO authorised partners, as is the case in the US with C-TPAT participants;
- Recognition of the status by other jurisdictions;
- Certification demonstrates that enhanced security is in place at key points in the supply chain process;
- Reduced information required to clear goods at the frontier.

## AEO authorization process

The Customs Directorate has issued guidelines that allow companies to carry out detailed self-audits to demonstrate that they comply with the requirements before submitting a formal application. This will be followed by a detailed audit from the corresponding customs authorities. Companies are also likely to be asked to demonstrate that there are adequate controls and processes in place to manage declarations of valuation, origin and classification.

## Next steps

Companies should consider whether AEO status is appropriate to their model and where it is, should consider when they want to be authorised.

## How PwC can help?

High level eligibility analysis and advice on what type of AEO status would be the most beneficial for your company, including a review of the benefits and likely obstacles faced in obtaining certification.

Detailed audit and report identifying stakeholders and preparation of an outline project plan/timeframe for implementation.

Assistance in completing the AEO status application.

Review of the AEO status application required every three years and any other tailored-made assistance with regard to AEO.

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