



INFORMATION GUIDELINE AUTHORISED ECONOMIC OPERATOR (AEO)



ROYAL MALAYSIAN CUSTOMS DEPARTMENT

1. INTRODUCTION

- 1.1. After the September 11, 2001 attack on the New York World Trade Centre, the impact on world trade started when countries tightened control at their borders as precautions against future subversions. United States of America pioneered several security initiatives among them the 24-Hours Rule, Container Security Initiatives (CSI) and Customs - Trade Partnership Against Terrorism (C-TPAT). The world's economic powerhouses developed security partnerships to protect the trade supply chain and ensure the smooth flow of legitimate trade and continuation of global economic prosperity.
- 1.2. The World Customs Organisation (WCO) took note of these developments and introduced the SAFE Framework of Standards (**FoS**) to Secure and Facilitate Global Trade or SAFE FoS to provide guidelines on the standards of security to be implemented by operators throughout the trade supply chain. Businesses who complied with the required standards stand to procure benefits provided by customs administrations. These partnerships are the two pillars called Customs-to-Customs Network Arrangement (Pillar I) and Customs-to-Business Partnerships (Pillar II) and form the basis for the successful implementation of SAFE FoS.
- 1.3. The Authorised Economic Operator (**AEO**) is a concept introduced by the FoS to refer to operators involved in the movement of goods along the international trade supply chain who have achieved the required security standards and are accredited by the member country. The AEO programme developed by Royal Malaysian Customs Department (**RMCD**) is based on a similar concept.
- 1.4. This information guideline is to provide an overview information on AEO Programme as well as the role of RMCD and AEO companies.

2. OBJECTIVES OF AEO PROGRAMME

The AEO Programme was developed to fulfil the following objectives:

- 2.1 To implement a predictable and transparent global trade security standards.
- 2.2 To enhance the level of compliance and awareness among traders/operators in Malaysia on the importance of monitoring the security of their respective supply chain.
- 2.3 To encourage the traders/operators to manage their respective supply chain security based on established criteria.
- 2.4 To align Malaysia's Customs practice to international best practices based on the WCO SAFE FoS.
- 2.5 To position Malaysia as a secure trading nation in the global arena.
- 2.6 To enhance the competitiveness of Malaysian traders/operators internationally.

3. TERMINOLOGIES

3.1. Authorised Economic Operator (AEO)

As defined in the WCO SAFE FoS, AEO is a party involved in the international movement of goods in whatever function that has been approved by or on behalf of a national Customs administration as complying with WCO or equivalent supply chain security standards. AEO include inter alia manufacturers, importers, exporters, brokers, carriers, consolidators, intermediaries, ports, airports, terminal operators, integrated operators, warehouses and distributors.

In the Malaysian context, AEO status is only awarded to traders/operators who are accredited and authorised by the AEO Panel.

3.2. AEO Identification Code

A unique reference number to identify an Authorised Economic Operator.

3.3. **Account Manager (AM)**

Senior Officer of Customs at state level who is responsible for monitoring the AEOs' operation within the respective state.

3.4. **AEO Smart Card**

A special card used by AEOs to access the AEO system.

3.5. **Customs Auditor (CA)**

Appointed Senior Officer of Customs who is competent to carry out validation audits on AEO applicants.

3.6. **Audit Trail**

A sequence/chronology of records/paperwork that validates accounting entries and source documents in paper or electronic form (issued by internal or third party) that support journals, general ledgers and financial statements.

3.7. **Critical Goods**

Goods which are deemed to be critical by the Director General of Customs, namely motor vehicles, cigarettes, intoxicating liquor and petroleum / petroleum products, textile and mobile phones.

3.8. **Consolidated Statement (CS)**

An electronic document that replaces the Customs Declaration Form and consolidates one or several PRS records in the system for the calculation and payment of duties/taxes, as well as for trade statistics.

3.9. **Contracting Parties**

Companies or other organizations that AEOs delegate part of their operations in accordance with the contracts and other related documents.

3.10. **Electronic Fund Transfer (EFT)**

Electronic payment of duties/taxes through a nominated bank.

3.11. **Mutual Recognition Arrangement (MRA)**

An arrangement of mutual recognition and acceptance of the AEO Programme of a customs administration by another customs administration.

3.12. **AEO Panel**

The Panel which is responsible in the deliberation and decision making on matters for the AEO Programme.

3.13. **Enrolment Officer (EO)**

Customs Officer who is responsible for the registration of the AEO and for procurement and issuance of Smart Card to the AEO.

3.14. **Security Officer**

Customs Officer who is responsible to carry out the task of “Pre-personalize Smart Card”, “Personal Unlocked Key (PUK) retrieval” for PIN Unblock and “Revocation of e-Certificate”.

3.15. **Direct Release**

A facility which allows fast clearance of goods upon submission of all required data to the satisfaction of proper officer of customs for the purpose of importation, exportation and movement without physical examination.

3.16. **Systems Administrator**

Customs Officer who is responsible for the overall AEO system.

3.17. **Permission Request Slip (PRS)**

An electronics provisional declaration for the purpose of automated release from Customs control at the point of import, export, movement, and local sales related to AEO.

3.18. **Precursor Chemicals**

A chemical or substance that is used as the starting material in the manufacture of another chemical or substance in accordance with the United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances, 1988.

3.19. **Certification Authority**

A body who is authorized by the Government of Malaysia for issuance of digital certificates and is appointed by RMCD to issue digital certificate, AEO Smart Card and the AEO card reader.

3.20. **AEO Secretariat**

The team of Customs Officers from the Customs Division of RMCD Headquarters who are responsible for the administration of the AEO Programme and Mutual Recognition Arrangement (MRA) initiatives.

3.21. **Customs Information Systems (CIS)**

An Electronic Processing System implemented by RMCD for the computerisation of customs activities.

3.22. **Releasing Station**

The Customs office where importation and exportation are done.

3.23. **Control Station**

The Customs office which administers the AEO.

3.24. **Accredited Traders/Operators**

A party who has fulfilled the requirements established under the AEO Programme and is approved by the AEO Panel.

3.25. **AEO Unit (in AEO Company)**

A unit set up by the AEO Company to manage their Supply Chain Security and is responsible for handling all AEO matters as well as communication with RMCD.

3.26. Top Management

Refers to the Director-General of Customs, Deputy Director of Customs (Customs and Internal Tax) and Director of Customs, Customs Division, Headquarters.

4. CRITERIA

4.1. Qualifying criteria of applications for AEO Programme.

4.1.1. Companies involved in importation, exportation and movement of goods.

4.1.2. Companies which have been in operation in Malaysia for at least three years.

4.1.3. Companies which have fulfilled the security requirements based on WCO SAFE FoS.

4.1.4. Companies must have the capability to submit declaration of goods and payments of duties/taxes electronically.

4.2. The company is required to have security features in place to ensure continuous proper inventory management and control of goods as well as to conduct regular inspection of potential places of concealment in conveyances and containers, including the framework for reporting any security related breach that address the following elements:

4.2.1. Supply chain security.

4.2.2. Business security.

5.2.3. Premise and physical accessibility security.

4.2.4. Personnel security.

4.2.5. Customs agents security.

4.2.6. Business partner security.

4.2.7. Cargo security.

4.2.8. Conveyance security.

4.2.9. Information and Communication Technology (ICT) and information security.

- 4.2.10. Warehouse/storage security.
- 4.2.11. Management of accidents, disasters and investigations.
- 4.2.12. Crisis and recovery management.

4.3. The company shall set up an AEO Unit to manage its Supply Chain Security.

- 4.3.1. The company shall designate an authorised person of at least manager level to be responsible for the implementation and supervision of AEO Programme in the company. The authority of the designated person needs to be clearly specified in the company policy, organization structure or company rules and regulations.
- 4.3.2. The designated person should have undergone the required security vetting.
- 4.3.3. For a company which delegates part of its operations to any contracting parties, the designated person has to supervise and ensure full compliance of the AEO requirements by the contracting parties.
- 4.3.4. The company has to ensure appointment of sufficient and competent staff for the optimum performance of company's operation and establish a framework of communication and information sharing within the company.
- 4.3.5. The company shall ensure that:
 - 4.3.5.1. There are adequate competent staff responsible for each section.
 - 4.3.5.2. The training programmes for operating procedures are in place.
 - 4.3.5.3. Operation process structures are in place.
 - 4.3.5.4. Operational procedures are documented.
 - 4.3.5.5. Communication channel for reporting purposes is established within the company.

4.3.5.6. There is a designated person with experience and knowledge on customs matters as a contact point to liaise with RMCD.

4.3.5.7. There is a mechanism to assess whether the goods and operations are legitimate.

4.3.5.8. Concrete measures are in place to raise awareness on AEO compliance among all staffs.

4.3.5.9. An overall control mechanism structure for AEO Programme incorporating operational procedures to check on compliance to RMCD and other trade control procedures, laws and regulations is established.

4.4. Companies dealing with or handling all goods including critical goods are eligible to join the AEO Programme with the exception of the following categories:

4.4.1. Goods which are under absolute prohibition or precursor chemicals which can be used in the manufacture of drugs or materials for weapons of mass destructions (WMD).

4.4.2. Any other category of goods as determined by the AEO Panel.

4.5. The Company, the Board of Directors and the designated person should have good compliance track records to Customs Act 1967 or any other national legislation governed by related agencies; Royal Malaysian Police, Immigration Department and Companies Commission of Malaysia (CCM).

4.6. The Company is required to establish a mechanism to:

4.6.1. Furnish the Proper Officer of Customs with any update on the list of goods (as per **Attachment 4**) within two weeks from the date of request by AEO Secretariat.

- 4.6.2. Implement an overall control of AEO Programme incorporating operational procedures to check on maintenance and updates on the list of goods pertaining to import/export and to ensure compliance with new and revised Customs and other trade control procedures, laws and regulations.
- 4.6.3. Carry out periodic assessments (at least once a year) on security risk and security management system such as internal audit for the implementation of AEO Programme based on criteria in Para 4.2.
- 4.6.4. Enable reporting and communication between the internal audit team and the management to ensure proper and timely implementation of recommendations as proposed by the internal audit.
- 4.6.5. Enable the contracting parties to report any unexpected incident of cargo delivery to ensure the security of the supply chain is maintained.
- 4.6.6. Execute documented contingency plan/procedures for emergency security situation and disaster incident recovery.
- 4.6.7. Maintain accurate, complete and verifiable records relating to import/export/movement, inventory, procurement and archive record system (7 years as required by Companies Act 1965) that are accessible to RMCD.
- 4.7. The company shall set up a section or appoint staff in charge of accounting and financial records to maintain a complete set of accounting books and records in a satisfactory manner.
- 4.8. The company shall provide reasonable training and capacity building for its staffs and when necessary for its contracting parties on customs procedures and matters of risk associated with movements of goods (including safety and security awareness on premise) to ensure that they are able to identify and report suspicious incidents. The company shall also keep records of the training methods and programmes.

4.9. The Company shall put in place punitive regulations and measures to manage any incidents of misconduct.

5. BENEFITS

Benefits provided for AEOs are:

- 5.1 Direct release from Customs control for importation, exportation and movement of goods.
- 5.2. Release from Customs control with minimal declaration using the PRS.
- 5.3. Self-assessed declaration on import, export, and movement of goods periodically using the CS, in accordance to specified schedules.
- 5.4. Deferred payment of duties/taxes via EFT.
- 5.5. LMWs using the AEO system are required to prepare the Monthly Statement on Movement of Raw Materials (M1) and Statement of Finished Product (M2) which upon request, will be provided to RMCD.
- 5.6. AEOs are allowed to use the CS to claim preferential duty rate with the Certificate of Origin (CoO) under the provisions of respective Free Trade Agreement (FTA) / Economic Partnership Agreement (EPA).
- 5.7. AEOs are entitled to the benefits offered by other Customs administrations under the respective MRA with RMCD.
- 5.8. Other benefits as agreed by the AEO Panel.

6. AEO PANEL

AEO Panel is responsible for deliberating and making decision on AEO status.

6.1. The members of the AEO Panel are:

- 6.1.1. Director General of Customs (as the Chairperson).
- 6.1.2. Deputy Director General of Customs (Customs and Internal Tax).
- 6.1.3. Director of Customs Division.
- 6.1.4. Director of Compliance Management Division.
- 6.1.5. Director of Intelligence Section.
- 6.1.6. Deputy Director of Customs, Information Technology Section.
- 6.1.7. Deputy Director of Customs (Trade Facilitation and Industries Section).
- 6.1.8. Officers appointed by the AEO Panel to act as Secretariat.


7. APPLICATION PROCEDURES

7.1. Companies which apply to join the AEO Programme are required to submit the following documents:

- 7.1.1. Letter of application.
- 7.1.2. AEO Application Form signed by a director of the company (as per **Attachment 1**).
- 7.1.3. Company profile.
- 7.1.4. Copy of Company Registration Certificate issued by CCM.
- 7.1.5. Copy of Form 24 and Form 49 issued by CCM.
- 7.1.6. Completed Compliance Checklist (as per **Attachment 2**) and the related supporting documents.

- 7.1.7. Name of designated person to liaise with RMCD on AEO matters and list of forwarding agents who are appointed and authorized to represent the company.
- 7.1.8. Copies of certificates and recognitions received such as ISO certificate, C-TPAT (if any).
- 7.1.9. Copies of licenses and documents of other facilities issued by RMCD (if any).
- 7.1.10. Copies of the latest Financial Statements audited by certified auditor.
- 7.1.11. List of AEO goods with information on description of goods, HS Code and Law & Regulation Requirement (Letter Of Approval, permit or licence) (as per **Attachment 4**).

7.2. Completed application for AEO status should be submitted to:

AEO Secretariat,
Cawangan Fasilitasi Perdagangan dan Perindustrian,
Bahagian Perkastaman, Aras 4 Utara
Kompleks Kementerian Kewangan
No. 3, Pesiaran Perdana
Presint 2
Pusat Pentadbiran Kerajaan Persekutuan
62592 PUTRAJAYA
 03-8882 2650 / 03-8882 4856
Fax: 03-8882 2655

- 7.3. The company is required to submit only one copy of the application to the AEO Secretariat.
- 7.4. For companies with more than one branch/location, only the head office of the company needs to submit the application for the AEO status.

7.5. AEO Company has to inform RMCD when any information stated in the original application is changed, within 14 days from the date of such change. Failure to comply, the AEO Secretariat will refer to the AEO Panel for further action.

8. PROCEDURES FOR PROCESSING APPROVAL

8.1. All applications will be checked and registered by the AEO Secretariat.

The flow chart for processing the application is as per **Attachment 15**.

8.2. The AEO Secretariat shall subsequently take the following actions:

8.2.1. The AEO Secretariat has to submit details of the Board of Directors, designated person to manage AEO matters, personnel who will liaise with RMCD for verification on their background and past records to the Intelligence Section of Enforcement Division and Agent Regulation Unit of RMCD, the Royal Malaysian Police, Immigration Department, CCM, and other relevant government agencies.

8.2.2. The AEO Secretariat has to make arrangement with the AEO applicant for a site validation audit and provide a copy of the appointment letter to the CA to carry out said validation audits which includes verification on the application form, Compliance Checklist (CC) and supporting documents submitted by the applicant. The CA may use the Explanatory Notes (EN) as a guide (as per **Attachment 3**).

8.3. The application could be placed for further consideration if the AEO Panel has the view that the applicant could achieve the compliance requirements within a given time.

8.4. The AEO Secretariat will inform all the applicants of the decisions by the AEO Panel which includes reasons on unsuccessful application.

9. ACTIONS AFTER APPROVAL

The Secretariat will send to the AEO company the approval letter which states the facilities and benefits of the AEO Programme, the rules by which the company has to abide and the responsibilities as an AEO as per **Attachment 5**.

9.1. The successful applicant is required to take the following actions:

9.1.1. To submit security in the form of General Bond as per **Attachment 5-1**.

9.1.2. To nominate at least two company personnel to attend the Basic Course for Customs Agent and obtain the course certificate.

9.1.3. To open an account with a nominated bank for the purpose of duty payment and furnish the account details to AEO Secretariat.

9.1.4. To devise an internal control mechanism on the use and distribution of Smart Cards, to avoid misuse.

9.1.5. To submit electronic declarations for import/export/movement/local sales of goods by using the AEO system.

9.2. The AEO is also required to sign an agreement with the nominated bank for purpose of payment of duties/taxes via the Electronic Fund Transfer (EFT).

9.3. Issuance of Smart Card

9.3.1. AEO will submit application for AEO Smart Card to AEO Secretariat in the prescribed form as per **Attachment 6**.

9.3.2. EO will check and approve the application. The approved application form will be sent to the Certification Authority. If the application is incomplete, a query will be sent to the AEO.

- 9.3.3. After the AEO has made the necessary payment to the Certification Authority, EO will receive the Smart Card serial number from the Certification Authority.
- 9.3.4. EO will issue the processed AEO Smart Card, with PIN Advice Slip, (as per **Attachment 8**), license key, installation CD and Smart Card reader to AEO.
- 9.4. AEO will be given training on the installation and the operation of the AEO system and procedures for declaring Permission Request Slip (PRS), Consolidated Statement (CS) and payment of duties/taxes.
- 9.5. The Smart Card has to be activated before it can be used. Application for activation/cancellation of AEO Smart Card has to be submitted in the prescribed form as per **Attachment 7**.
- 9.6. Should the Smart Card be blocked, the process to unblock will be carried out by the Systems Administrator as per **Attachment 10**.
- 9.7. The AEOs have to start using the facility within 6 months from the date of approval. If the company is not able to utilize the system within that period, it has to notify AEO Secretariat the reason for delay and the date they plan to use the system.

10. CUSTOMS PROCESSES UNDER THE AEO SYSTEM

- 10.1. Permission Request Slip (PRS) for provisional declaration and release of goods from Customs control:
- 10.1.1. The PRS is an electronic provisional declaration for the purpose of automated release from Customs control at the point of import, export, movement, and local sales as per **Attachment 11**. The AEO has to ensure quality submission of PRS.

10.1.2. Every PRS application will be given an automatic release status by the Customs Information System (CIS). PRS which have been successfully registered in the CIS will be given a Registration Number and Consignment Reference Number. The application, approval and printing process of the PRS is as per **Attachment 16**.

10.1.3. PRS should be printed at the AEO premises or at the appointed forwarding agent premises. In the case of multiple containers, PRS will be printed for each container.

10.1.4. The number of PRS required will be determined by the form type and transaction type as follows:

10.1.4.1. Importation/Exportation.

Two copies of PRS need to be printed and given to the Customs Officer at entry/exit point for endorsement. The Customs Officer will confirm physical release in CIS and endorse the PRS.

- i. A copy to be retained by the Customs Officer.
- ii. The second copy to be returned to the vehicle driver.

10.1.4.2. Movement (including transshipment, in transit and other movement)

Three copies of PRS have to be printed and given to the Customs Officer at the departing station for endorsement. The customs officer would confirm physical release in CIS and also endorse the PRS.

- i. One copy to be retained by the Customs Officer at the departing Station.
- ii. 2 copies of the endorsed PRS would be returned to the vehicle driver.

The vehicle driver would forward the two copies of the endorsed PRS to the Customs Officer at the receiving station. The Customs Officer will confirm the receipt of goods in CIS.

- i. One copy will be retained by the Customs Officer.
- ii. Second copy will be returned to the vehicle driver.

10.1.4.3. Local Sales by Licensed Manufacturing Warehouse (LMW).

For local sales by LMW with AEO status, only one copy is required to be printed and kept as reference.

10.1.5. The actions to be taken by the Customs Officer upon receipt of the PRS are as follows:

10.1.5.1. Ensure that the original PRS is submitted.

10.1.5.2. Confirm the PRS status in CIS and endorse the hard copy of PRS.

10.1.5.3. In the case of movement of goods, secure the security seal at the departing station and confirm status of the seal at the receiving station.

10.1.6. AEOs shall submit online application for cancellation of PRS. The reasons for cancellation should be stated precisely. The cancellation of PRS is subjected to approval by AEO Secretariat.

*Note: If the related CS is registered, AEO Secretariat has to cancel CS first, and then cancel the PRS.

10.1.7. The process flow for release of goods from Customs control using the PRS is as per **Attachment 17 to Attachment 25**.

10.2. Consolidated Statement (CS) For Final Declaration and Calculation of Duties/Taxes

10.2.1. CS is a periodic statement based on PRS submitted within a stipulated period. It functions as a complete Customs declaration, based on self assessment. CIS will compute duties/taxes payable. CS is also a source of information for national trade statistics. CS is as per **Attachment 12.** The AEO has to ensure quality submission of CS.

10.2.2. The time frame schedule to submit CS is as follows:

Period (P)	PRS Registration Date	Time frame to submit CS
P1	1 st – 5 th	6 th – 8 th
P2	6 th – 10 th	11 th – 13 th
P3	11 th – 15 th	16 th – 18 th
P4	16 th – 20 th	21 st - 23 rd
P5	21 st – 25 th	26 th – 28 th
P6	26 th – 30 th /31 st	1 st – 3 rd of the following month.

Example:

- i. If the AEO submit 5 PRS for the period P1 (1st – 5th), time frame for submission of CS is within the 6th – 8th of the month.
- ii. For the period P6 (26th – 30th/31st), the submission of CS is within the 1st – 3rd of the following month.

10.2.3. If the AEO fails to submit CS within the stipulated time frame, the AEO System will send out an 'alert notice'.

If there is no CS submitted within the timeframe, the AEO System will automatically block the subsequent PRS but will still allowed submission of the outstanding CS. The system will only be allowed to submit new PRS after the outstanding CS have been resolved.

Period (P)	PRS Registration Date	Time frame to submit CS	The date of suspension
P1	1 st – 5 th	6 th – 8 th	9 th
P2	6 th – 10 th	11 th – 13 th	14 th
P3	11 th – 15 th	16 th – 18 th	19 th
P4	16 th – 20 th	21 st - 23 rd	24 th
P5	21 st – 25 th	26 th – 28 th	29 th
P6	26 th – 30 th /31 st	1 st – 3 rd of the following month.	4 th of the following month

10.2.4. Since the implementation of the AEO Programme is based on compliance and self-accounting, the AEO is responsible to ensure that:

10.2.4.1. All PRS approved during the stated transaction period must be declared with CS within the stipulated time frame.

10.2.4.2. The CS is declared with accurate information.

10.2.5. CS which has been registered in the CIS will be given a Registration Number. Duties/taxes to be paid would be conveyed electronically to the AEO. If there is an error, the CS will be rejected. AEO need to amend the error and resubmit the CS.

10.2.6. AEOs should submit online application for cancellation of CS. The reasons for cancellation should be stated. The cancellation of CS is subjected to approval by AEO Secretariat.

10.2.6.1 AEO shall submit a new CS (if required).

10.2.6.2 Duties/taxes due are to be fully paid (if relevant).

10.2.7. The process on the preparation and submission of CS is as per **Attachment 26**.

11. PAYMENT OF DUTIES/TAXES

11.1. Information on amount of duties/taxes to be paid will be displayed in the AEO System (payment sub-menu module).

11.2. Alert notice and reminder of payment are displayed on the main page of AEO Front End System.

11.3. AEOs can only use Electronic Fund Transfer (EFT) facility through a nominated bank for payment of duties/taxes.

11.4. Payment will be processed and updated in CIS.

11.5. The payment schedule of duties/taxes is similar to the time frame for submission of CS.

11.6. Failure to pay duties/taxes within the stipulated time frame will result in the suspension of the PRS facilities. The AEO Secretariat will issue letter of claim for any outstanding duties/taxes due.

11.7. The process flow for payment of duties/taxes is as per **Attachment 27**.

12. FALLBACK PROCEDURE DURING SYSTEM FAILURE

12.1. CIS System Failure

If the CIS System is down for more than fifteen minutes (air or road mode), or thirty minutes (sea mode), Customs Officer will verify and endorse on the hardcopy of PRS. The Customs Officer will update the PRS status electronically when the CIS System is restored.

12.2. AEO Front End System Failure

In case of AEO Front End system failure, the AEOs can declare Custom Declaration electronically through the Dagang Net Front End System.

12.3. In case of CIS System and AEO Front End AEO system failure, the AEO can declare using Custom Declaration Forms (K1, K2, K8 and K9) manually.

13. APPLICATION FOR REFUND AND DUTY DRAWBACK

- 13.1. AEOs are allowed to use self-accounting for claims under Section 16, 93, 95 and 99 of the Customs Act 1967, Section 29 and 32 of the Sales Tax Act 1972 and Section 19, 19A and 19D Excise Act 1976.
- 13.2. AEOs are required to declare transaction type D1 under Section 93 and D for Section 99 of the Customs Act 1967 in CS for goods subject to drawback claim.
- 13.3. Goods subject to duty drawback/refund which are exported by AEOs are allowed to be released without physical examination. This however does not preclude Senior Officer of Customs from carrying out random examination.
- 13.4. AEOs are required to keep all inventory records and accounting documents to verify the claims.
- 13.5. AEOs have to submit the claim for duty drawback and refund to the Trade Facilitation and Industries Section, Customs Headquarters, with the following supporting documents:
 - 13.5.1. Letter of application from the AEOs.
 - 13.5.2. Form JKED No. 2.
 - 13.5.3. Statement of Claims (as per **Attachment 13**).
 - 13.5.4. Copies of relevant Electronic Fund Transfer Statement.
 - 13.5.5. Letter of approval for drawback facilities under Section 99 of the Customs Act 1967 issued by the respective State Customs Division.
- 13.6. Claim applications will be approved by the Director of Customs Division, Headquarters and forwarded to the Revenue Accounting Section, Headquarters for payment to be made within 14 days from date of approval.

13.7. The AEO Secretariat will forward the relevant documents (as stated in para 14.5) to the State Account Manager for verification after payment for claims (refund and drawback) under Customs Act 1967, Sales Tax Act 1972 and Excise Act 1976 have been made.

13.8. The State Account Manager has to send the verification report to Trade Facilitation and Industries Section in Headquarters within a month from the date of receipt of the documents.

13.9. The flow chart on claims for refund and drawback on duties/taxes is as per **Attachment 28.**

14. AUDITING BY RMCD

The audits to be conducted on AEOs are:

14.1. Validation Audit

14.1.1. The auditing is to be carried out by appointed officer from the Customs Division of Headquarters and State Account Managers before the approval can be given.

14.1.2. The aim is to validate the applicants' compliance to the AEO requirements based on the Compliance Checklist and Explanatory Notes as a guide before endorsement can be given.

14.2. Post Approval Audit

The audit is to be carried out **jointly** by the State Compliance Division and Account Managers within **two years** after AEO status approval; the audit can also be conducted **separately if necessary.**

14.2.1. Compliance Audit

14.2.1.1. The State Compliance Division is to conduct the Compliance Audit.

14.2.1.2. The Auditors are to ascertain that the company:

14.2.1.2.1. Adopts the International Financial Reporting Standards (IFRS), Malaysian Financial Reporting Standards (MFRS) or complies with General Accepted Accounting Principal (GAAP) in their company's accounting.

14.2.1.2.2. Has a complete record and systematic 'audit trail' of all commercial documents, agreements, bank documents and any other documents related to business transaction.

14.2.1.2.3. Complies with the laws and regulations enforced by the RMCD and other government agencies.

14.2.1.3. The elements to be audited are:

- i. Classification of goods
- ii. Valuation
- iii. Exemptions
- iv. Records on payments of duties/taxes
- v. Utilization record of raw materials for manufacturing
- vi. Record keeping of commercial documents, agreements and bank documents
- vii. Systems used in management of company's administration and transactions such as preparation of

inventory, electronic record keeping of accounts and other related system

viii. Other relevant documents.

14.2.1.4. Subsequent audits will be carried out every three years after the first audit or on specific instructions from the top management.

14.2.2. Security Compliance Audit

14.2.2.1. The security compliance audit is carried out by the State Account Manager of RMCD to review the company's compliance level and to rectify any security weaknesses and non-compliance with AEO requirements.

14.2.2.2. The audit is based on the format as per **Attachment 14.**

14.2.2.3. Subsequent audits will be carried out every three years after the first audit or whenever needed for security purpose or upon instruction from the top management.

15. SUSPENSION, REVOCATION, WITHDRAWAL, TERMINATION AND APPEAL OF AEO STATUS

Before suspending or revoking an existing AEO status, the AEO Secretariat may consult with the AEO.

15.1. Suspension

15.1.1. AEO Panel may decide to suspend AEO status when:

15.1.1.1. AEO has committed frequent and/or repetitive technical and administrative offences.

15.1.1.2. AEO has not complied with the AEO requirements.

15.1.2. AEO has to rectify non-compliance within a specific period to be determined by the AEO Panel, pending which the AEO will be disallowed from using AEO facilities.

15.1.3. If the AEO is unable to rectify non-compliance within the period of time specified by the AEO Panel, the AEO Panel may decide to revoke their AEO status.

15.2. Revocation

15.2.1. AEO Panel may decide to revoke AEO status when:

15.2.1.1. AEO is found to be non-compliant with any related laws and regulations governed by RMCD and other agencies.

15.2.1.2. AEO is charged and penalized in court for offences under any national legislation.

15.2.2. Revoked companies may apply for AEO status after 3 years from the date of revocation.

15.3. Withdrawal or termination

15.3.1. AEO status shall be withdrawn upon written request by AEO to the AEO Secretariat.

15.3.2. The AEO status shall be terminated if the AEO is put under receivership, liquidation, dissolution and bankruptcy.

15.4. Appeal

15.4.1. The company who has been given notice of denial, suspension or revocation of AEO authorization may file a written notice of appeal to the AEO Panel within 30 days following receipt of such notification.

15.4.2. The AEO Secretariat has to submit a report with recommendation to the AEO Panel for their consideration.

15.4.3. The AEO Panel will make a decision at the AEO Panel meeting.

16. **CONFIDENTIALITY**

Customs is responsible to ensure that all documents and information pertaining to AEO applicants and companies are classified and kept confidential.

17. **LIST OF ATTACHMENTS**

17.1	Attachment 1	- Application For The Status Of Authorised Economic Operator (AEO)
17.2	Attachment 2	- Compliance Checklist For Companies Applying As Authorised Economic Operator (AEO) Accreditation
17.3	Attachment 3	- Explanatory Notes To Compliance Checklist For Authorised Economic Operator (AEO) Applicants And Customs Auditors
17.4	Attachment 4	- List Of Authorised Economic Operator (AEO) Goods Attachment (Import/Export/Movement/Local Sales)
17.5	Attachment 5	- List Of Responsibilities Of Authorised Economic Operator (AEO)
17.5-1	Attachment 5-1	- Bon Am/General Bond
17.6	Attachment 6	- AEO User Card Application
17.6-1	Attachment 6-1	- AEO User Card Application Form (Example)
17.7	Attachment 7	- Application For Activation/Cancellation AEO Card
17.8	Attachment 8	- PIN Advice Slip

17.9	Attachment 9	- Process To Issue Authorised Economic Operator Smart Card (AEO Smart Card)
17.10	Attachment 10	- The Process Of PIN Unblocking AEO Smart Card
17.11	Attachment 11	- Permission Request Slip (PRS) Sample
17.12	Attachment 12	- Consolidated Statement (CS) Sample
17.13	Attachment 13	- Statement On Duty/Tax Drawback/Refund Claims Under Section 16, 93 And 99, Customs Act 1967, Section 29 And 32, Sales Tax Act 1972 And Section 13, 19 And 19A, Excise Act 1976
17.14	Attachment 14	- Security Compliance Audit
17.15	Attachment 15	- AEO Process Flowchart
17.16	Attachment 16	- Permission Request Slip (PRS) Approval Process
17.17	Attachment 17	- Physical Release of Import Cargo (Road Mode)
17.18	Attachment 18	- Physical Release of Import Cargo Bangunan Sultan Iskandar, Johor Bahru (Road Mode)
17.19	Attachment 19	- Physical Release of Export Cargo At Station Sungai Tujuh, Miri Sarawak (Road Mode)
17.20	Attachment 20	- Physical Release of Cargo Movement From Free Zone To Public Bonded Warehouse
17.21	Attachment 21	- Physical Release of Cargo Movement
17.22	Attachment 22	- Physical Release of Import Cargo (Sea/Air Mode)
17.23	Attachment 23	- Physical Release of Export Cargo at Free Industrial Zone (Sea/Air Mode)
17.24	Attachment 24	- Physical Release of Cargo From Bonded Warehouse For Local Sales
17.25	Attachment 25	- Physical Release of Cargo From Licensed Manufacturing Warehouse (LMW) For Local Sales
17.26	Attachment 26	- Preparation of Consolidated Statement (CS)
17.27	Attachment 27	- Duties/Taxes Payment Process
17.28	Attachment 28	- Duty/Tax Refund/Drawback Claims Under Section 16, 93 And 99, Customs Act 1967 Section 29 And 32 Sales Tax Act 1972 And Section 13, 19 And 19A Excise Act 1976

