

# APPLICATION OF BENEFITS UNDER THE MUTUAL RECOGNITION ARRANGEMENT BETWEEN THE AUTHORIZED ECONOMIC OPERATOR (AEO) PROGRAMS OF USA (C-TPAT) AND MEXICO

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## INDEX

1. Introduction .....	3
2. Benefits .....	4
3. Cases .....	4
3.1. Case 1 .....	5
3.2. Case 2 .....	7
4. Recommendations .....	8
5. Legal framework .....	8
6. Glossary .....	9
6.1. Acronyms .....	9
6.2. Definitions .....	9

## INTRODUCTION

According to Article 100-A of the Customs Law, the Tax Administration Service will authorize the registration of certified companies as Authorized Economic Operators (AEO), when in addition to complying with the requirements established by Mexican regulations; companies meet the minimum security standards, determined in the document entitled “Company’s Security Profile”. These standards are aligned with the SAFE Framework (Framework of Standards to Secure and Facilitate Global Trade) adopted by the World Customs Organization, in June 2005.

The SAFE Framework defines the Mutual Recognition Arrangement, as a concept, whereby an action or decision taken or an authorization granted by the Customs Administration of a country, is recognized and accepted by another Customs Administration. It also states that in order for a system of mutual recognition to work it is essential that:

- Both AEO programs are compatible and follow to the standards and principles set in the SAFE framework.
- Each country has agreed on a set of standards and principles for Customs Administrations and for the AEO Programs as well.
- Standards are applied in a unified manner in order for Customs Administrations to **have confidence in each other’s authorization.**

The Mutual Recognition Arrangement between the Tax Administration Service and the Customs and Border Protection of the U.S, Department of Homeland Security, was signed in San Diego, California, on October 17<sup>th</sup> 2014. Through this Arrangement both countries recognize the C-TPAT program (Customs-Trade Partnership against Terrorism) and the Authorized Economic Operator (AEO) programs.

## BENEFITS

Benefits received under the Mutual Recognition Arrangement include a positive rating in the risk analysis evaluation, which translates into a lower number of inspections during the customs clearance, and in case of inspections, the certified AEO company will have priority.

### Cases in which benefits can be received:

In order to receive the benefits of the AEO Program, Mexican importers, will identify operations with suppliers. To carry out this process, Mexican importers must use the correct fields in the entry summary, according to the Annex 22, Appendix 8 (Entry Summary Guidelines) of the Mexican General Rules for Foreign Trade, as shown in the chart below:

Instructions for the completion of an entry summary:

IDENTIFIER	LEVEL	CASES	Complement 1	Complement 2	Complement 3
IC- CERTIFIED COMPANY	G	<b>Indicate it is a certified company</b>	<b>Declare the corresponding code / key in according to the following:</b> <b>O. Rule 7.1.4. Paragraph B, C, D, E, F</b> According to the 20 <sup>th</sup> and 21 <sup>st</sup> resolution of the First Resolution of Modifications to the Mexican General Rules for Foreign Trade 2016, when the authorization is valid, please declare the following: <b>L. Rule 3.8.1. Paragraph L.</b>	Do not capture data (empty).	Do not capture data (empty).
OE – AUTHORIZED ECONOMIC OPERATOR	G	<b>Identify international suppliers who</b> have a valid AEO certification in their country, and have signed a Mutual Recognition Arrangement with Mexico.	<b>Declare the Authorized Economic Operator number, provided by the supplier.</b>	<b>Country that celebrated the Arrangement with Mexico, according to Appendix 4, Annex 22.</b>	Do not capture data (empty).

#### NOTE

According to the 20<sup>th</sup> and 21<sup>st</sup> resolution of the First Resolution of Modifications to the Mexican General Rules for Foreign Trade 2016, **authorizations with a date prior to June 20<sup>th</sup>, 2016** must be declared as follows:

ID: IC, complement 1: "L" according to the rule 3.8.1 of the Mexican General Rules for Foreign Trade, 2016.

For those companies whose certification was obtained in the category of Authorized Economic Operator from June 20, 2016, the following must be declared:

ID: IC, complement 1: "O" according to the rule 7.1.4, of the first Resolution of Modifications to the Mexican General Rules for Foreign Trade, 2016.

Therefore, there are two different application cases to obtain the benefits:

1. When a Mexican company certified as AEO, performs an import operation and its supplier is a U.S. Company with a C-TPAT certification.
2. When a Mexican company without an AEO certification, performs an import operation and its supplier is a U.S. Company with a C-TPAT certification.

### Case 1

In this case, the Mexican company with an AEO certification, importing goods from a Canadian Supplier with an AEO certification, must fill in the "DATOS DEL PROVEEDOR O COMPRADOR" section, with the following information:

- ✓ TAX ID of the Supplier
- ✓ Company name
- ✓ Address

As shown below:

DATOS DEL PROVEEDOR O COMPRADOR			
ID. FISCAL	NOMBRE, DENOMINACION O RAZON SOCIAL	DOMICILIO:	VINCULACION
00-0000000	AGA WATER LTD	2016 Briar Dr. Leawood, KS 66209, Estados Unidos	

Additionally, in section Key/Complement identifier, the Mexican company must apply the identifier "IC", which indicates that it is a certified Mexican company and in the section Complement 1, it must indicate the key "L" or "O" which means it is a certified company according to rule 3.8.1., paragraph L or rule 7.1.4. category AEO.

In the second line, the Mexican company must apply the identifier **“OE”**, which means that its supplier is an Authorized Economic Operator (AEO / C-TPAT) and the supplier is within a country that has signed a Mutual Recognition Arrangement with Mexico.

The next step is, in Complement 1 section, the Mexican company must indicate the **EIN (Exporter Identification Number)** of the Canadian supplier, this number will be provided by its own supplier. In Complement 2, indicate the Key of the country of origin, in this case for the United States of America it is **“USA”**.

Examples:

1. Rule 3.8.1., category L:

DATOS DEL DESTINATARIO						
ID. FISCAL	NOMBRE, DENOMINACION O RAZON SOCIAL		DOMICILIO:			
TRANSPORTE	IDENTIFICACION:			PAIS:		
NUMERO (GUIA/ORDEN EMBARQUE)/ID:						
NUMERO / TIPO DE CONTENEDOR:						
CLAVE / COMPL. IDENTIFICADOR		IC	L			
		OE	XX-XXXXXXX		USA	

2. Rule 7.1.4. Category AEO.

DATOS DEL DESTINATARIO						
ID. FISCAL	NOMBRE, DENOMINACION O RAZON SOCIAL		DOMICILIO:			
TRANSPORTE	IDENTIFICACION:			PAIS:		
NUMERO (GUIA/ORDEN EMBARQUE)/ID:						
NUMERO / TIPO DE CONTENEDOR:						
CLAVE / COMPL. IDENTIFICADOR		IC	O			
		OE	XX-XXXXXXX		USA	

Thus, the validation system of the operation in Mexico, will identify the information provided in the Entry Summary, it will recognize data and suppliers from AEO certified companies and the benefits will be granted under the Mutual Recognition Arrangement.

## Case 2

In this case, the Mexican company without AEO certification, imports goods from a Canadian Company with an AEO certification. The Mexican company must fill in the “DATOS DEL PROVEEDOR O COMPRADOR” section, with the following information:

- ✓ TAX ID of the Supplier
- ✓ Company name
- ✓ Address

As shown below:

DATOS DEL PROVEEDOR O COMPRADOR			
ID. FISCAL	NOMBRE, DENOMINACION O RAZON SOCIAL	DOMICILIO:	VINCULACION
00-0000000	AGA WATER LTD	2016 Brar Dr. Leawood, KS 66209, Estados Unidos	

In “CLAVE / COMPL. IDENTIFICADOR” section, the identifier “**OE**” must be included meaning that its supplier has a current Authorized Economic Operator certification (AEO /C-TPAT ), and the supplier is within a country that has signed a Mutual Recognition Arrangement with Mexico. The next step is, in Complement 1, the Mexican company must indicate the **EIN (Exporter Identification Number)** which will be given by its own supplier. In Complement 2, the Key for the country of origin, in this case, for the United States of America is “USA”.

DATOS DEL DESTINATARIO						
ID. FISCAL	NOMBRE, DENOMINACION O RAZON SOCIAL		DOMICILIO:			
TRANSPORTE	IDENTIFICACION:		PAIS:			
NUMERO (GUIA/ORDEN EMBARQUE)/ID:						
NUMERO / TIPO DE CONTENEDOR:						
CLAVE / COMPL. IDENTIFICADOR	OE	XX-XXXXXXX	USA			

Thus, the validation system of the operation in Mexico, will recognize the information provided in the Entry Summary, by the AEO certified company and its suppliers and the benefits will be granted under the Mutual Recognition Arrangement.

## Recommendations

It is important that Mexican companies using identifiers to obtain the benefits under the Mutual Recognition Arrangement considering the following recommendations:

- If they are aware their suppliers have AEO / C-TPAT certification and they are not receiving the benefits this might be due to the fact that they do not know how to make the request to receive it, therefore, they should ask to include the **EIN (Exporter Identification Number)** in the shipment documentation.
- If the system shows an error, when validating the entry summary, this must be sent through the established procedure in order to get a proper response.
- When a Mexican AEO company does not have a certified C-TPAT supplier, they must continue using the identifier as they currently do. As shown below:

DATOS DEL DESTINATARIO				
ID. FISCAL	NOMBRE, DENOMINACION O RAZON SOCIAL		DOMICILIO:	
TRANSPORTE			PAIS: México	
NUMERO (GUIA/ORDEN EMBARQUE)ID:				
NUMERO / TIPO DE CONTENEDOR:				
CLAVE / COMPL. IDENTIFICADOR		IC	L	
OBSERVACIONES				

## Legal Framework

- Article 100-A and 100-B of the Customs Law.
- Mexican General Rules for Foreign Trade, 2016.
  - Rule 3.8.1. Section "L"
- First resolution of Modifications to the Mexican General Rules for Foreign Trade 2016.
  - Rule 7.1.4.
  - Chapter 7.1 of the First Resolution of Modifications to the Mexican General Rules for Foreign Trade 2016.
- Annex 22 of the Mexican General Rules for Foreign Trade 2016, as well as the First Resolution of Modifications to the Mexican General Rules for Foreign Trade 2016.
  - Annex 22, Appendix 8, IDENTIFIER "OE", it allows to identify international suppliers who have a valid AEO certification in their country and have signed a Mutual Recognition Arrangement with Mexico.

\*For further information visit:

[http://www.sat.gob.mx/informacion\\_fiscal/normatividad/Paginas/reglas\\_comercio\\_exterior\\_2016.aspx](http://www.sat.gob.mx/informacion_fiscal/normatividad/Paginas/reglas_comercio_exterior_2016.aspx)



## GLOSSARY

### Acronyms:

1. **AEO:** Authorized Economic Operator.
2. **C-TPAT:** Customs –Trade Partnership Against Terrorism (name of the AEO program in the USA).
3. **MRA:** Mutual Recognition Arrangement.
4. **WCO:** World Customs Organization.
5. **RGCE:** Mexican General Rules for Foreign Trade (for its acronym in Spanish).

### Definitions:

1. **Company's Security Profile:** Application form, required for AEO certification process, which contains all necessary security standards information from the company.
2. **Country of origin:** Country with an Arrangement with Mexico, where the goods come from (see listing key of country of origin, Annex 22, Appendix 4).
3. **Identifier "IC ":** Identifies certified companies under the AEO program.
4. **L:** Key according to the rule 3.8.1, paragraph "L".  
**O:** Key according to the rule 7.1.4 of RGCE, 2016.
5. **OE:** Is an identifier that indicates an international supplier that has an AEO certification in a country that has signed a Mutual Recognition Arrangement.
6. **AEO number:** A number provided by a foreign supplier to complete this field in the entry summary.
7. **EIN (Exporter Identification Number)** AEO number, given by the C-TPAT program of the USA.