



Customs Regulatory Control

WELCOME TO MODULE 2

- Welcome to Module 2 – Customs Regulatory Control
- My name is Mark Harrison and I am an Associate Professor with the Centre for Customs and Excise Studies
- Please feel free to ask questions or make comments as we go through these materials.
- You will see more detailed explanations of much of the ground we will cover in the Study Guide.
- The Module runs for two weeks so don't forget to complete the Activity and the Test by 1st June 2026



Overview

- Today's Webinar will focus on the following aspects of the Study Guide:
- The key WCO and WTO Agreements:
 - The Trade Facilitation Agreement
 - The Harmonized System Convention
 - The Valuation Agreement
- The Customs Compliance Management Framework
 - Risk managed approach to Compliance Management
 - Compliance Assessment



THE WORLD CUSTOMS ORGANIZATION AGREEMENTS

- The WCO is responsible for several core agreements that deal with customs procedures:
 - The Revised Kyoto Convention (1999)
 - The Harmonized System Convention (1988)
 - The Istanbul Convention on Temporary Admission(1991)
- It is also responsible for the SAFE Framework of Standards for Supply Chain Security, which we will look at in Module 3.



THE REVISED KYOTO CONVENTION

- Original Convention adopted in 1973
- Revised and restructured in 1999 and came into force in 2006
- Now has 140 parties, Costa Rica acceding as the 140th in October 2025
- General Annex of 10 Chapters, dealing with such matters as customs clearance of goods, revenue management, securities, customs control, the use of IT, and relations with third parties such as brokers
 - Also has a number of non-mandatory Specific Annexes dealing with a whole range of associated functions such as warehousing, transit and transshipment, passenger clearance and the mails.
- Central to Customs modernization and the use of electronic transactions
- Of particular relevance to us because of Chapter 6 of the General Annex and its requirements that Customs Control be exercised on the basis of risk management



HARMONIZED SYSTEM CONVENTION

- THE HS Convention has become a crucial element of international trade
- Used for:
 - Customs tariffs
 - the collection of international trade statistics
 - rules of origin
 - trade negotiations (for example, the WTO schedules of tariff concessions)
 - identifying goods that are either restricted or prohibited in international trade.
- Adopted in 1988 and is now universally applied, with more than 200 countries and Customs Territories using it
- Your module on Tariff Classification will give you a full understanding of the Convention



THE WORLD TRADE ORGANIZATION AGREEMENTS

- All members of the World Trade Organization are committed to implementing all the GATT/WTO agreements, including:
 - General Agreement on Tariffs and Trade (GATT)
 - The Trade Facilitation Agreement
 - The Agreement on Valuation
 - The Agreement on Trade Related Aspects of Intellectual Property (TRIPS)
 - The Agreement on Rules of Origin
 - Other Agreements on anti-dumping, subsidies, safeguards, sanitary and phytosanitary measures, standards, Investment measures and pre-shipment inspection
- The two of most relevance to us are the Trade Facilitation Agreement and the Agreement on Valuation



THE VALUATION AGREEMENT

- GATT also provides the basis for the valuation of goods for customs purposes.
- The key Article here is Article VII, which provides that goods should be valued according to their transaction value
- This rule is expanded in the Agreement on the Implementation of Article VII.



THE TRADE FACILITATION AGREEMENT

- This agreement covers very similar ground to the Revised Kyoto Convention and deals with matters such as:
 - Goods clearance
 - Authorised operators
 - Transparency of rules and procedures
 - Binding rulings
 - Electronic transactions etc
- It is consistent with the RKC but differs in that:
 - It has more detailed provisions on Authorised Operators
 - It is binding on all 166 WTO members
 - It is subject to WTO dispute resolution provisions



YOUR ACTIVITY

Short name of agreement	Full title of Agreement	Number of parties	Year of entry into force	Is your country a party? If so, when did it become one?
RKC	Kyoto Convention on the Simplification and Harmonization of Customs Procedures, as amended	140	2006	
TFA				
Istanbul Convention				
HS Convention				
Valuation Agreement				
TRIPS				

PART 2: CUSTOMS COMPLIANCE MANAGEMENT

- Regulatory compliance management relates to compliance with the law – clarity of the law is therefore essential
- Regulators must enforce the law, but also ensure that regulated parties are aware of their rights and responsibilities
- There is a need to achieve a balance between regulatory intervention and trade facilitation
- It is equally as important to identify compliers as it is to identify non-compliers



CUSTOMS: THE GATEKEEPER



- Portcullis: the traditional symbol of Customs
- Symbolises a nation's ports - the gates through which international trade must pass
- Customs is the gatekeeper
- Gatekeeper approach traditionally implies intervention simply for the sake of intervention

From Gatekeeper to Risk Manager

Gatekeeper

One size fits all compliance strategy

Enforcement focus

Indiscriminate focus or 100% check

Intervention in all areas

Transaction focus

Identify non-compliers

Post-arrival import clearance

Physical control maintained pending
revenue payment

⇒

Strategy depends on the level of risk

⇒

Enforcement/client service focus

⇒

Focus on high-risk areas

⇒

Minimal intervention in low-risk areas

⇒

Trader focus

⇒

Identify compliers and non-compliers

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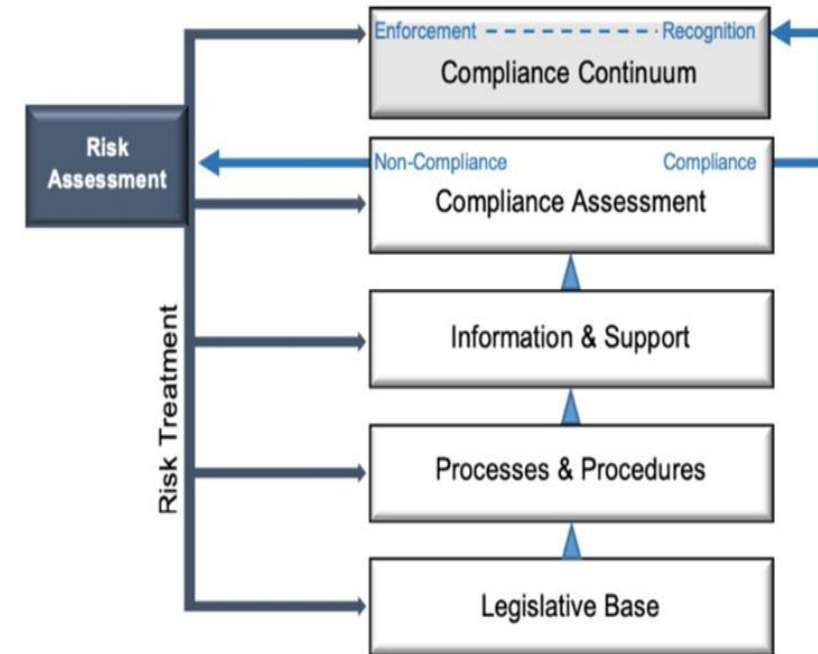
Pre-arrival clearance where possible

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Nexus broken between physical control
and revenue liability

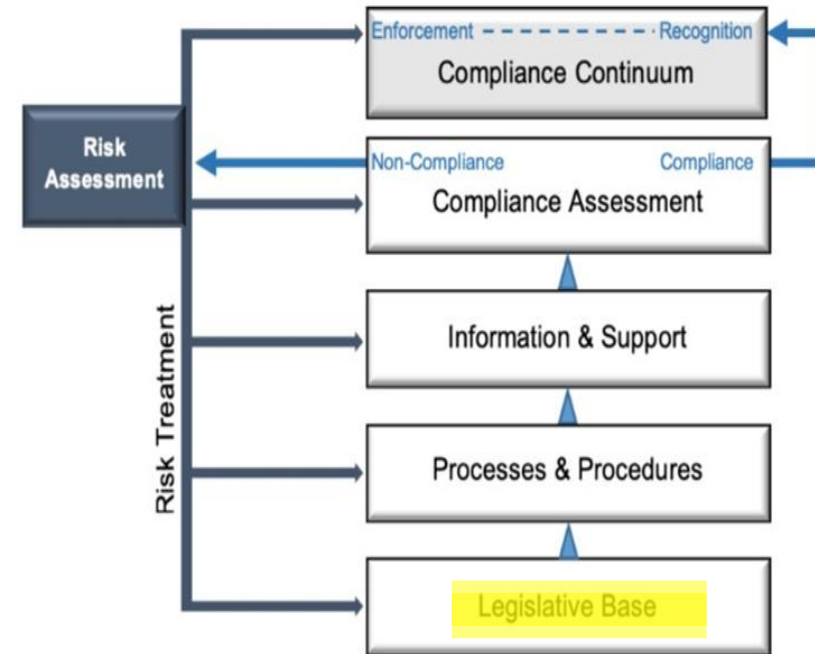
Integrated Compliance Management Framework (overview)

- Contemporary Customs compliance activity is now based on a new model of Compliance Management – the Integrated Compliance Management Framework.
- This is explained in detail in David Widdowson's article *Managing Customs Risk and Compliance: An Integrated Approach*. (Citation in the Study Guide)



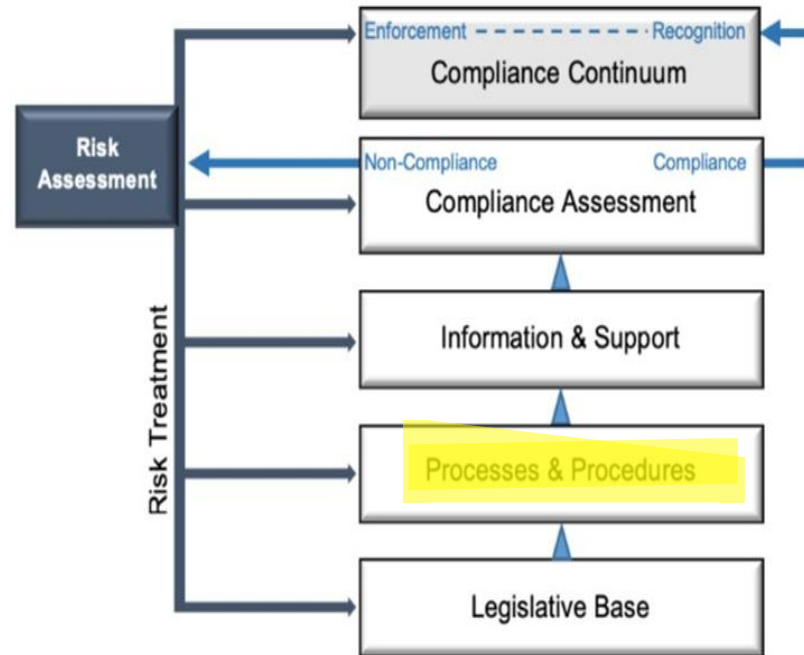
Integrated Compliance Management Framework (legislative base)

- The primary objective of Customs as a regulatory agency is to maximise compliance with the Law.
- The TFA and the RKC both require transparent, accessible legislation:
 - statutory law
 - regulations



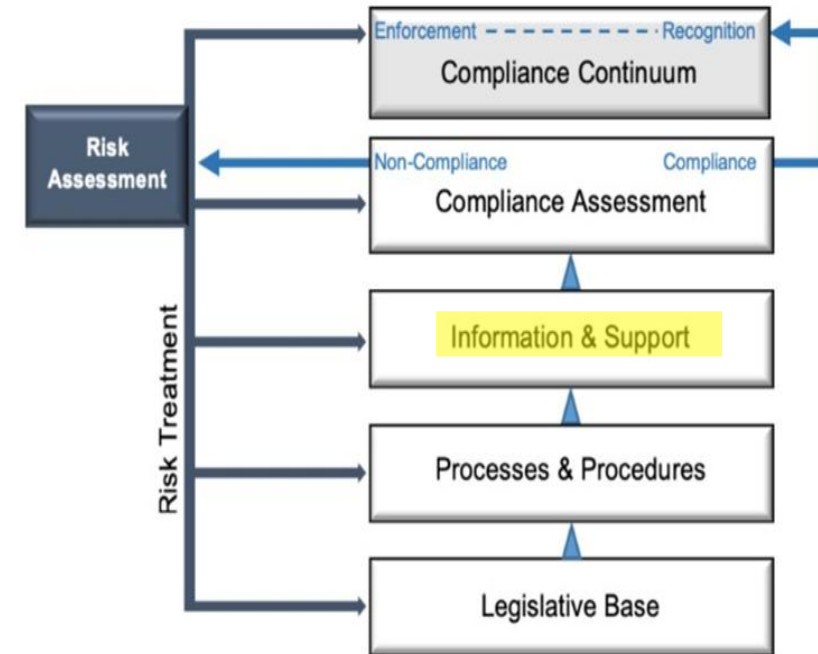
Integrated Compliance Management Framework (Processes and Procedures)

- Legislation needs to be supplemented by clear processes and procedures
- They provide further clarity and detail about how the law is enforced and can be complied with
- Puts the meat on the legislative bones



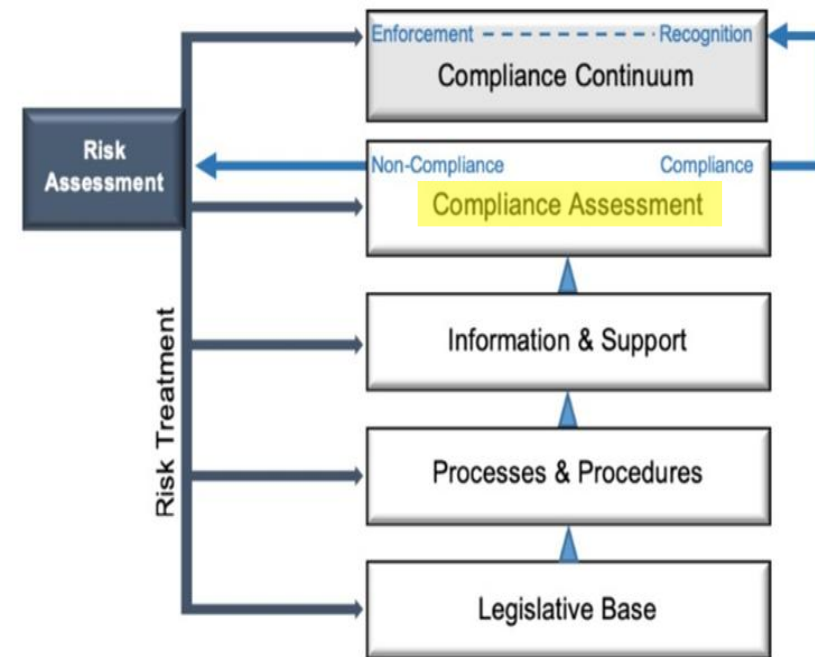
Integrated Compliance Management Framework (Information and Support)

- A strategy within compliance management is to ensure that information and other support such as help desks are available to all stakeholders covering all aspects of customs work
- A good web site is particularly helpful: see, for example, the ABF web site



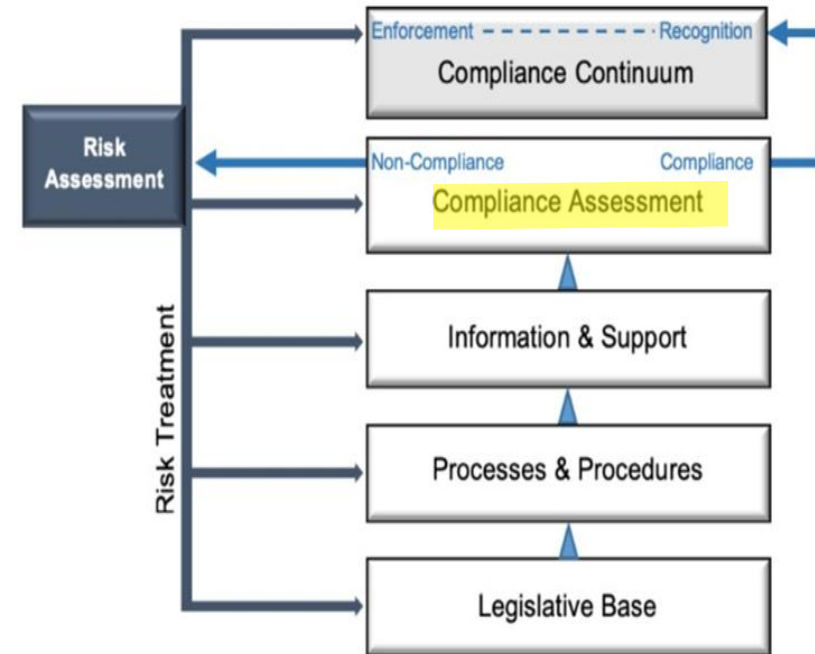
Integrated Compliance Management Framework (Compliance Assessment)

- Compliance assessment is based on the identification, analysis and prioritisation of risk
- Customs now employs a range of compliance assessment activities: real time document checking, inspections, audits (documentary, systems-based, prudential), investigations



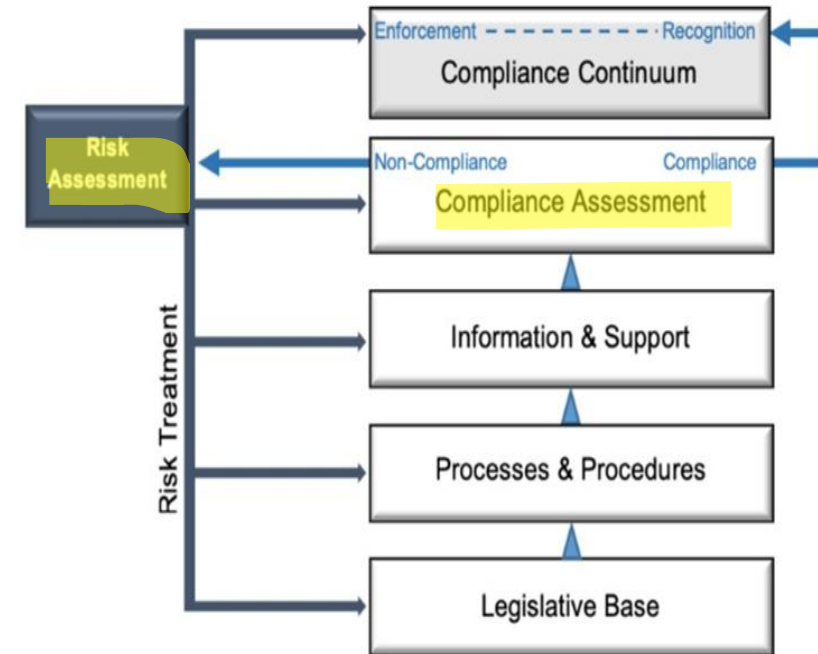
Integrated Compliance Management Framework (Compliance Assessment)

- Customs aims to identify compliant companies as well as non-compliant
- The highly compliant may attract a form of recognition such as AO status
- The non-compliant will attract Customs actions depending on the reasons for and levels of their non-compliance, ranging from reminder notices to admin penalties or prosecution

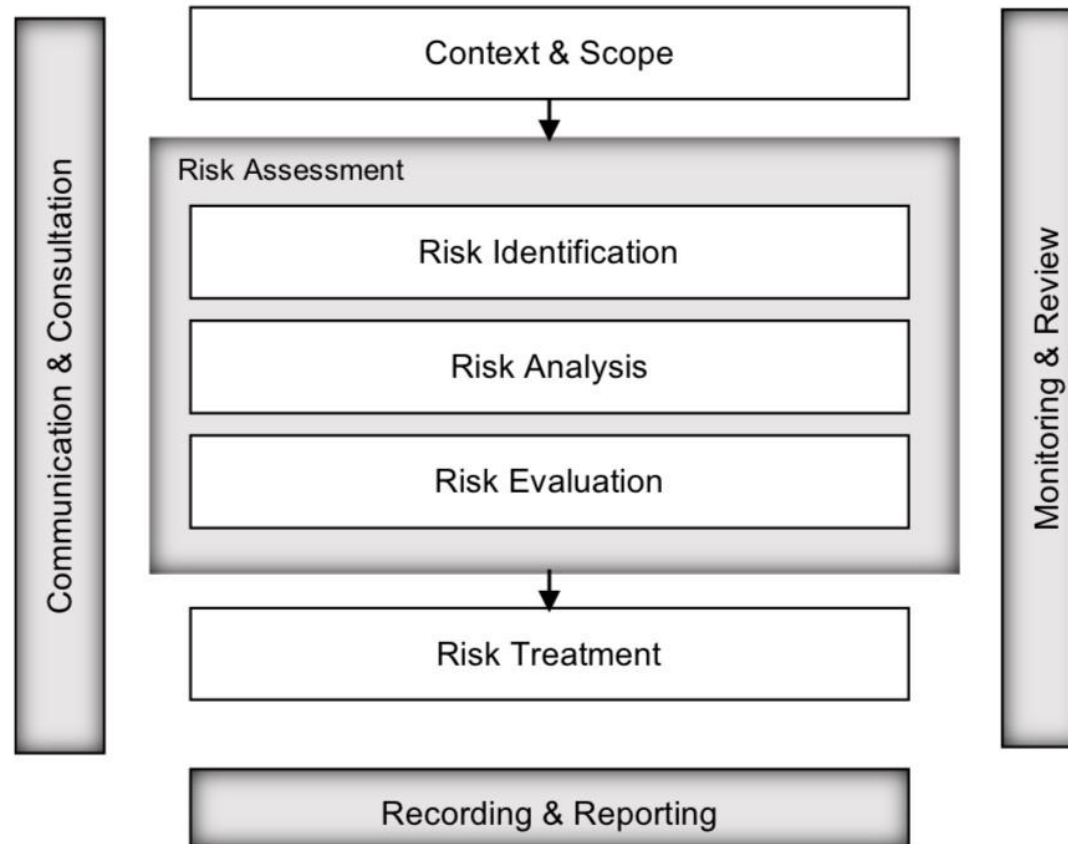


Integrated Compliance Management Framework (Risk Assessment)

- The compliance framework will be informed and implemented on the basis of assessed risk. For example, the risk of drug importations will normally be accorded a high level of risk and priority, whereas minor revenue leakages may attract either low risk or be regarded as an acceptable risk.
- Risk is calculated on the basis of the risk management process set out in ISO and WCO publications



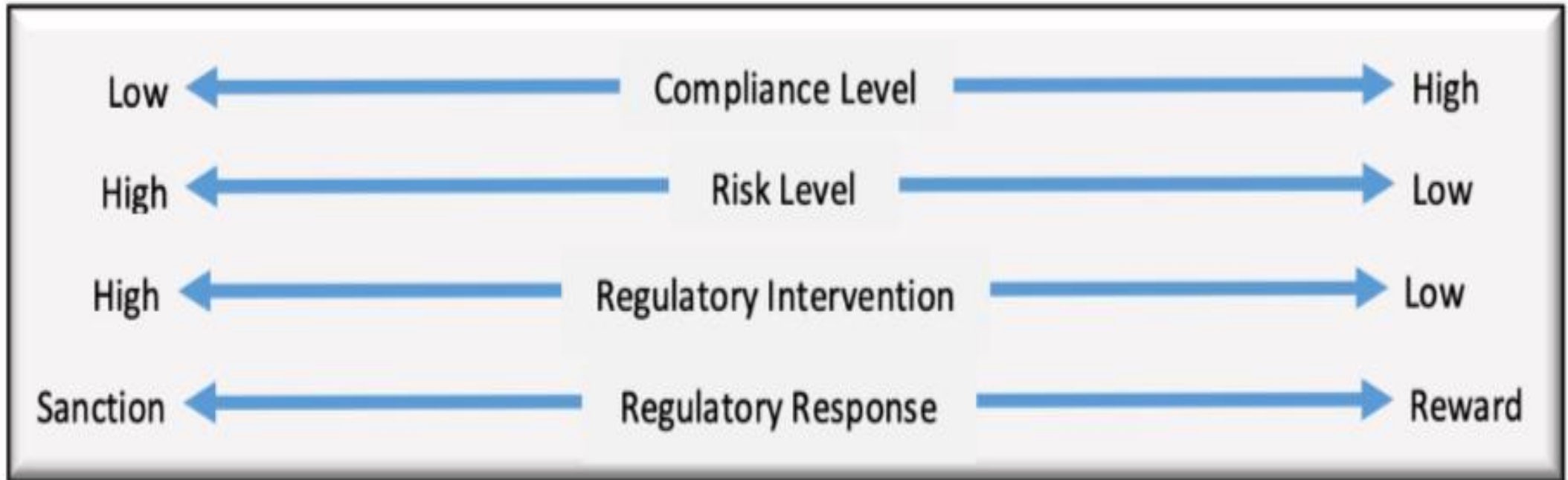
The Risk Management Process



Revenue Compliance Risk Treatments

- Every identified risk will have a range of risk treatments available, from information programs right through to serious sanctions such as financial penalties, de-registrations or even prosecution
- For example, where revenue is at risk, here are just some of the options available to improve compliance levels:
 - Monitoring of payments
 - Education & Advice
 - Clarification & Simplification
 - Binding Rulings
 - Audit
 - Leverage Exercises
 - Sanctions (for non-compliance)
 - Authorised Operator Status (for high compliance)

The Customs Compliance Continuum



Key Points

The international trading community requires clarity, certainty and transparency

Regulated parties should be able to readily determine their rights and responsibilities

Risk management provides the opportunity to ensure a balance between facilitation and regulatory intervention

It is equally as important to identify compliers as it is to identify non-compliers

Compliance assessment should focus on traders, not consignments

Invest in both juicy carrots and big sticks!