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F. No. VIII(Cus)17-02/CT/2017/SO/NGP-II

Dated: 23/01/2017

STANDING ORDER No: 03/2017-CUS

Subject: Implementation of Risk Management System (RMS) in Exports – regarding

Attention is invited to the Central Board of Excise and Customs (CBEC) Circular No. 23/2013-Cus dated 24th June, 2013, for operationalizing the Risk Management System (RMS) in Exports. The detailed procedure for clearance of Shipping Bills on implementation of RMS under the Indian Customs EDI System (ICES) is given below. Certain guidelines to the Local Risk Manager (LRM) officers are also given.

2. The implementation of RMS (Export) at **ICD, Borkhedi** will commence from **30th January 2017** and all Shipping Bills (SB) filed in ICES will be processed under the RMS.

3. **Objective:** The objective of the RMS is to strike an optimal balance between facilitation and enforcement and to promote a culture of compliance. The RMS for exports is developed with the following components (i) effective utilization of human resources, to match the workload with the resources available (ii) ensuring proper and expeditious implementation of existing controls over export under the applicable Allied Acts and Rules (iii) ensuring appropriate control measures for proper and speedy disbursement of drawback and other export incentives. By expediting the clearance of compliant export cargo, the RMS for exports will contribute to reduction in dwell time, thereby achieving the desired objective of reducing the transaction cost in order to make the Indian business, internationally competitive. The RMS in exports will enable low risk consignments to be cleared based on the self-assessment of the declarations by exporters. This will enable the department to enhance the level of facilitation and speed up the process of cargo clearance. It seeks to concentrate the department's resources on relatively higher risk areas so that the checks exercised are meaningful and effective. The RMS will reduce the burden of routine assessments so that the officers are enabled to devote more time to transactions that require closer scrutiny, thereby improving the quality of work. With the introduction of the RMS, the present practice of routine verification of self-assessment and examination of Shipping Bills will be discontinued and the focus will be on quality assessment, examination and Post Clearance Audit (PCA) of Shipping Bills selected by the Risk Management System, in order that the resources of the department are utilized more effectively.

4. The export RMS will be implemented in two phases. In the first phase, the RMS will process the data and provide the output to ICES only up to goods registration/examination stage. In the second phase, the RMS will also process the Shipping bill data after the Export General Manifest

(EGM) is filed electronically and provide output to ICES for selection of Shipping Bills for Drawback scrutiny and Post Clearance Audit (PCA). It is decided to launch the first phase of export RMS now and the second phase would be launched later. The following instructions are for the first phase of export RMS implementation.

5. The RMS Process: Shipping Bills (SB) filed electronically into the Indian Customs EDI System (ICES) through the Service Centre or the ICEGATE will be processed by RMS. The RMS will process the data through a series of steps /corridors and produce an electronic output for the ICES. The RMS will process Shipping Bill data, on submission and after every amendment till goods registration stage and communicate the output to ICES. This output from RMS will determine the flow of the Shipping Bill in ICES i.e whether the Shipping Bill will be taken up for Customs control (verification of self-assessment or examination or both) or to be given “Let Export Order” directly after payment of Export Duty (if any) without any verification of self-assessment or examination. The RMS will also provide instructions for Appraising Officer/Superintendent, Examining Officer/Inspector or the Let Export Order (LEO) Officer, wherever necessary. The RMS may facilitate Shipping Bills which are perceived to be compliant with the Customs Laws and Regulations. Such self-assessed Shipping Bills will be ready for goods registration and “Let Export Order” after payment of export duty (if any) on presentation of required documents, on the basis of the self-assessment without any assessment /examination by the officers. Facilitated Bills will be subjected to inspection i.e. checking of marks & numbers on the packages and container no. and seal no. in case of factory stuffed containers before giving LEO. High risk consignments will be interdicted by the RMS and sent for verification of self-assessment and/or examination by the officers based on risk parameters and also on a random basis. Further, if any non-compliance is noticed, the system may also select such Shipping Bills for Assessment and/or Examination. All such Bills which are selected for action by Customs will be processed in the ICES as per the treatment and instructions communicated by the RMS. It needs to be noted that the decisions communicated by the RMS on the need for verification of self- assessment and/or examination and the appraising and examination instructions communicated by the RMS have to be followed by the Officers involved in assessing and/or examining the export consignments.

6. Movement of Shipping Bills: All the Shipping Bills filed electronically in ICES will be parsed and processed by RMS on submission and after every amendment (s). The output of RMS processing will be communicated to ICES. The RMS output will determine the movement/ routing of Shipping Bills in ICES. The Shipping Bill may be sent for Assessment and Examination, Assessment only or Examination only depending upon the interdictions by the RMS tools. If a bill is not interdicted by any of the RMS tools, such facilitated bill will move directly to goods registration after payment of export duty/ cess (if any). All the Shipping Bills have to undergo goods registration before giving LEO. The LEO can be given only after verifying the compliance with the applicable Compulsory Compliance Requirements (CCRs). The system is designed in such a manner that, owing to some technical reasons if the RMS (Export) fails to provide output to ICES (Export) or RMS output is not received at ICES (Export) end in time, the existing norms of assessment and examination prescribed in the Board’s Circular Nos 06/2002 – Customs dated 23.01.2002, 01/2009-Cus dated 13.01.2009, and 28/2012–Customs dated 16.11.2012 would be applicable.

7. **Assessment of RMS interdicted Shipping Bills in ICES:** The RMS will not alter the existing process and movement of Shipping Bills on the ICES. When RMS interdicted bills are directed for assessment by the system, officers concerned are required to perform appraising/ verification of self-assessment in ICES as per the RMS instructions. The RMS instructions will be displayed in ICES screen of the officer as Appraising Instructions. The RMS instructions can also be accessed by using “View” option in the SB header. Instructions will be given in the RMS tools interdicting the bill as per the perceived risk in each Shipping bill based on the declarations made in the bill. Officers assessing the SB shall carefully read each instruction and arrive at a decision to tackle the risk. These RMS instructions form an assist and are intended to guide the officers in assessment. All such instructions are displayed as RMS instructions in ICES. Officers are expected to study all the instructions on the screen carefully and assess the SB in compliance of the RMS instructions. Officers shall enter the reasons in the Departmental Comments if any of the RMS instructions are not followed. It needs to be noted that the officer need not limit his scrutiny to the strict confines of RMS instructions. The officer has the freedom to go beyond the instructions and scrutinize other sensitive aspects of the SB which are not referred to in RMS instructions. Whenever the Officer assessing the SB feels that any specific RMS instruction is not in tune with the declaration in the SB, he/she should enter a detailed comment in the departmental comments and proceed to take decision as per law. The Risk Management System will also provide to the officers a category of instructions termed Compulsory Compliance Requirements (CCRs). This term refers to compliance requirements that have to be mandatorily fulfilled such as Minimum Export Price (MEP) and clearance from the Other Governmental Departments (OGDs) like Drug Control authorities, Inspection Agencies, Narcotics Commissioner and Ministry of Chemicals and Fertilizers etc. It may be noted that while all efforts have been made to make the RMS database containing these instructions as comprehensive as possible, certain requirements might have escaped notice. The officers, therefore, should bear in mind that these are mandatory requirements under the Foreign Trade Policy (FTP) and other Allied Acts which must be fulfilled before allowing clearance. In case it comes to the notice of any officer that a specific requirement is not listed, then he shall communicate the same immediately to the local Risk Manager, who in turn will inform the Risk Management Division (RMD) team, for necessary updation of database. When a SB comes for assessment, the Appraising Officer after completion of his scrutiny of RMS instructions and SB declaration shall write a self contained order for examination so as to cover all the critical parameters of examination (as identified by the RMS instructions).

8. **Amendments:** Introduction of RMS (Export) does not change the procedure and practice hitherto being followed with reference to amendments to SB. But the officers handling amendments should note that any amendment would lead to a change in risk perception and consequent treatment of risk by RMS. The RMS will process the SB after every amendment and provide its output to ICES. However, the treatment of risk after the amendment(s) will be communicated in ICES only after goods registration. There may be some cases wherein the on submission treatment of risk is to send the SB for “examination only” and after amendment(s) the risk treatment would get modified to send the SB for “Assessment or Assessment& Examination”. In such cases RMS instructions to “Send the SB back to AC for assessment” will be displayed in the Inspector’s screen in ICES after goods registration. Such SBs should be sent

back to AC for assessment by the examining staff. Officers should scrupulously follow the RMS instructions.

9. **Goods Registration:** The goods registration is mandatory for all the SBs. There is no change in the goods registration procedure. The system will display the Single-Sign-On Id (SSO Id) of the officer for inspection/examination. If the SB is interdicted for examination, the package numbers to be examined will also be displayed.

10. **Examination:** The examination of all RMS interdicted bills shall be carried out as per the instructions communicated by the RMS and the assessing officer's examination instructions. Certain SBs may be directly routed by the RMS for examination without any assessment by officers. In such cases, the RMS instructions for examination should be treated as examination orders. The officers shall bear in mind all existing standing orders and circulars issued by the department, while performing their work. The examining officers must ensure that the goods under examination tally with the declared description, including critical parameters like brand, model, make, number, specification, grade, purity, configuration, capacity, denier etc., which may have a direct bearing on valuation, benefits under Export Promotion schemes and classification etc. The examination of the goods and Let Export Order (LEO) shall be completed by the officers, only after ensuring that the compulsory compliance requirements (CCRs) mentioned in the RMS instructions are duly complied with. Whenever the Officers examining the cargo feel that the CCRs figuring on their screen are not applicable to any specific SB/ item, they must enter a departmental comment in the SB in the EDI specifying the reasons thereof before giving clearance. It is also clarified that officers in the shed may examine a consignment even if it is facilitated and directly selected for LEO by the RMS, if they have a valid reason for doing so. However, such examination should be done only after prior approval of the Commissioner or an officer authorised by him for this purpose, who shall not be below the rank of Additional/Joint Commissioner of Customs and after recording the reasons for the same. A brief remark on the reasons and particulars of Commissioner's authorization shall be made by the officer examining the goods in the departmental comments in the EDI system.

11. **Let Export Order (LEO):** It may be noted that even though in many cases the RMS decides to give appraisal and examination waiver, the LEO function would not be dispensed with and customs clearance in terms of Section 51 of the Customs Act, 1962 will continue to be given by the proper officer to each and every SB. It must be understood that the LEO officer will have a very important responsibility after introduction of RMS (Export), since he/she will exercise the last check before the goods are given clearance for exportation. Therefore the LEO officer should scrutinize the declarations in documents like AR4/ARE1 vis-à-vis the declarations in the SB and if he/she has strong reasons to believe that the exporter has mis-declared the description, RITC or value of the goods, he/she should send the SB back to the appraising group (if required), for assessment but only after prior approval of the Commissioner or an officer authorised by him for this purpose, who shall not be below the rank of Additional/Joint Commissioner of Customs and after recording the reasons for the same. A brief remark on the reasons and particulars of Commissioner's authorization shall be made by the officer examining the goods in the departmental comments in the EDI system. The Officer giving the LEO shall ensure that the consignment complies with CCRs appearing in the RMS instructions. Before

giving LEO the officer shall also ensure that the dockets containing all the relevant documents are collected and retained in the office. It is clarified that whenever the decision of the LEO officer is at variance with the CCRs and RMS instructions in respect of a particular SB, he/she should record the reasons for his/her view in the EDI.

12. **Export General Manifest (EGM):** After issue of LEO, the next major event in the processing of a SB is the filing of EGM. There will not be any change in the procedure for filing of EGM. In the second phase, the RMS will also process the SB data after EGM is filed electronically and provide output to ICES for selection of SBs for Drawback scrutiny and PCA. Detailed instructions in this regard will be issued during the implementation of second phase of Export RMS.

13. **Data Quality:** The Assessing/Examining officers are also required to focus on the 'data quality' of the SB declarations. The assessing officer should check the description of the item, besides the correctness of classification, valuation, claim of benefits under export promotion schemes, if any, and also ensure compliance with mandatory requirements prescribed under Foreign Trade Policy and/or allied enactments. They are required to check all critical aspects of description like brand, model, make, number, specification, grade, purity, configuration, capacity, denier etc. which may have a direct bearing on valuation, classification or claim of benefits under export promotion schemes. They shall make sure that all mandatory fields in the SB are properly filled. While discharging their functions, they would be required to follow all the existing instructions /Standing Orders on the subject. Additional information, wherever required may be sought from the exporters. However, frivolous and piece-meal queries should be avoided and the query should be detailed and covering all aspects. The Additional/Joint Commissioners in-charge of Export shall monitor the queries closely.

14. **Recall of facilitated Shipping Bills:** It is expected that officers will act strictly according to the treatment and instructions provided by the RMS. Hence recall of SB and subsequent reassessment of the facilitated Shipping Bills (where no assessment and no examination are prescribed by the RMS), contrary to RMS instructions, should be avoided as a matter of routine. However, under extraordinary circumstances or on the request of the Exporter/CHA, the AC/DC in-charge shall take written approval of the Commissioner or an officer not below rank of Additional/Joint Commissioner authorized by him before recalling a SB and the details of the same shall be recorded as departmental comments.

15. **Documents Collection:** While discharging the LEO responsibility, the following documents should be collected from the exporter/ CHA by the officer giving LEO after affixing his/ her signature on the important documents.

- a) Copy of the Shipping Bill
- b) AR-4/ ARE- 1 (wherever applicable).
- c) Invoice/packing list
- d) ADC clearance, wherever required.
- e) Other documents specified in the CCR instructions.
- f) SDF (Statutory Declaration Form), wherever required.

- g) RBI GR waiver, wherever applicable.
- h) CENVAT declaration, wherever required.
- i) Any other documents submitted by the exporter/CHA.

All these documents should be neatly kept in a docket, which will have a check list on the top, containing the documents listed supra. The Check list shall be signed by the LEO officer and the representative of the exporter/CHA. While signing the documents, the LEO officer shall put his name stamp under his signature.

16. Post Clearance Audit (PCA) in Export : Consequent to the implementation of second phase of export RMS, a Post- Clearance Audit (PCA) function will be introduced in respect of exports after the LEO is given for export consignment. The objective of PCA is to monitor, maintain and enhance compliance levels, while reducing the dwell time of cargo. The RMS will select the Shipping Bills for audit, after issue of LEO, and these selected Shipping Bills will be directed to the audit officers for scrutiny by the ICES. It may be noted that the auditors are specifically being instructed to scrutinize declarations with reference to export incentives; duty drawback and other compliance requirements. Wherever necessary, RMS will provide instructions for Audit Officers. In case any possible short levies or undue claim of export incentives are noticed, the officers will issue a Consultative Letter setting out the grounds for their views to the exporters/ CHAs. Audit Officers should also scrutinize declarations with reference to data quality and advise the exporters/CHAs suitably where the quality of their declarations is found deficient. Such advice is expected to be followed and will be monitored by the Local Risk Managers (LRM). Detailed instructions for PCA process in ICES and creation of audit section for PCA in export will be issued separately.

17. Risk Management System administration: As in the case of Import, the national management of the Risk Management System shall be the responsibility of the Risk Management Division (RMD). The local risks shall be addressed by LRM users in co-ordination with RMD. There will be a single Local Risk Manager (Admin) for both import and export. The Additional/Joint Commissioner in charge of SIIB is designated as the LRM (Admin). The LRM (Admin) shall assign privileges in RMS (Export) to the nominated officers. The users must change their passwords at regular intervals as per CBEC password policy. In addition to handling the Targeting and Intervention activities assigned to them, all LRM users should be vigilant about all such SBs which are getting facilitated and are being sent for clearance without any assessment and/or examination. Discrepancy, if any, found in respect of such Bills should be immediately brought to the notice of the LRM for further action. Issues having national implications should be escalated to RMD through the Commissioner. The Local Risk Management Committee (LRMC) constituted in terms Para 5 of CBEC Circular No 23/2007 – Cus dated 28.06.2007 shall conduct periodical review of trends in export of major commodities with a view to identify risk parameters for creation of interdiction tools. As in the case of import the LRM (Admin) shall co-ordinate with RMD on issues relating to export RMS.

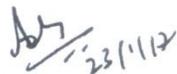
18. Roles and Responsibilities of Officers: The RMS does not substitute the duties and responsibilities that officers are required to discharge in their role as Customs Officers. It should, therefore, be seen as a tool for improving the performance of the department and a decision support system.

19. **Feedback:** The process of Risk management is incomplete without feedback. Officers are advised that any Appraising/Examination instructions, CCRs or any other aspect of the RMS which in their understanding is either not suitable or seemingly out of context in respect of any SB under their scrutiny, it should be immediately reported to the Local Risk Manager (LRM). Similarly if any of the CCRs are perceived to be incomplete and if any instructions are perceived to be inadequate, it should be reported to the LRM (Admin). Such feedback shall be routed to the RMD through the office of LRM (Admin) and will be used for updating the NRM.

20. It must be noted that the prime objective of the RMS is to enhance facilitation for compliant exporters and compliant consignments. Therefore, all officers, while being vigilant against abuse, must at all times act with a sense of responsibility and avoid doing anything that would cause undue delay or harassment to legitimate trade.

21. In case of any difficulties faced in the implementation of the Risk Management System, the Local Risk Manager (LRM), whose address and contact particulars are given below, may be contacted:

Shri Rakesh Deepak,
Joint Commissioner of Customs (SIIB) and Local Risk Manager (Admin)
Office of the Commissioner,
Customs, Central Excise & Service Tax, Nagpur – II Commissionerate
Civil Lines, Telengkhedi Road, Nagpur - 440001
Telephone No: 2562590 (Office), Web-mail:- deepakkumar1431965@gmail.com


(Ashish Chandan)
Commissioner
Customs, Central Excise and Service Tax,
Nagpur- II Commissionerate

To,
All Concerned.

Copy to:

1. The Chief Commissioner, Customs, Central Excise and Service Tax, Nagpur Zone, Nagpur.
2. The Director General, Directorate General of Systems, Customs & Central Excise, 4th & 5th Floor, Hotel Samrat, Kautilya Marg, Chanakya Puri, New Delhi – 110021
3. The Additional Director General, Risk Management Division, Directorate of Revenue Intelligence, Central Board of Excise and Customs, 13, Sir Vithaldas Thackersey Marg, Opposite Patkar Hall, New Marine Lines, Mumbai – 440020
4. The Assistant Commissioner, ICD, Borkhedi, Nagpur – II
5. The Assistant Commissioner (Systems), Nagpur – II with a request to upload the Public Notice on the official website of Nagpur – II Commissionerate
6. Office Copy