Circular No.23/2007-Custo ms

F.No.450/20/2007-Cus.IV
Government of India
Ministry of Finance
Department of Revenue
Central Board of Excise and Customs
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New Delhi, June 28th, 2007.

To
All Chief Commissioners of Customs
All Chief Commissioners of Customs & Central Excise
All Commissioners of Customs,
All Commissioners of Customs & Central Excise,
Directorate General of Revenue Intelligence,
Directorate General of Systems & Data Management,
Directorate General of Valuation,
Directorate General of Safeguards,
Director General of Audit,
webmaster.cbec@icegate.gov.in.
Sir,

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Subject:- Risk Management System (RMS)- Charter of functions for Risk Management Division and constitution of national/local risk management committee- regarding-

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The undersigned is directed to invite attention to Board's Circular No.43/05-Customs dated 24.11.2005 introducing Risk Management System as a significant step in the ongoing Business Process Re-engineering initiative of the department. In continuation of this initiative, a Risk Management Division (RMD) has been created in the Directorate of Systems and Data Management, CBEC with its headquarters in Mumbai.

2. The objective of the Risk Management System (RMS) is to achieve an optimal balance between providing appropriate levels of facilitation to the international trading community and ensuring compliance with regulatory provisions. With a view to streamlining the operations of the RMS, the Risk Management Division with the following charter of functions has been created.

3. **Charter of functions for the RMD.**

3.1 The RMD will have the overall responsibility for the management of the RMS which has been designed to address risks facing Customs, i.e., the potential for non-compliance

with Customs and allied laws and security regulations, including risks associated with the potential failure to facilitate international trade.

3.2 The RMD will be the nodal agency with the overall responsibility for designing and implementation of Risk Management System using various risk parameters and risk management tools. RMD will suggest assessment and examination in respect of consignments perceived to be risky and facilitate the remaining ones.

3.3 The RMD will also be responsible for collecting and collating information and developing an intelligence database with a view to effectively implement the RMS and also carry out effective risk assessment, risk evaluation and risk mitigation techniques. It will update and maintain risk parameters in relation to the trade, commodities and all stakeholders associated or involved with the supply chain logistics.

3.4 The RMD will be the nodal agency for Accredited Client's Programme (ACP). It will maintain a list of accredited clients in the RMS and closely monitor the compliance standards of these accredited clients.

3.5 The RMD will closely interact with all Custom Houses, Directorate of Revenue Intelligence (DRI) and Directorate of Valuation (DOV) to enable it to effectively address national risks. The local risks will be largely addressed by RMD in co-operation with the Custom Houses where import/export clearances are actually effected. Further, the RMD will also closely interact with Directorate of Valuation (DOV) on all matters pertaining to the Valuation Risk Assessment Module (VRAM) of RMS. DOV will guide and advise RMD on all matters pertaining to valuation in RMS. DOV will also supply the list of Most Sensitive Commodities with value bands, the list of valid valuation alerts and the list of Unusual Quantity Code(UQC) at agreed intervals.

3.6 The RMD will also review the performance of the RMS in terms of reviewing the various targets/interventions inserted by the Local Risk Management (LRM) Committee, make an objective assessment of the effectiveness of such insertions, and ensure that the performance is consistent with the objective laid down. For this purpose, the RMD shall provide necessary advice and guidance to Custom Houses as and when required, which shall be followed. The RMD will also review the extent of facilitation being provided to the trade and offer necessary guidance to the officers in the Custom Houses with a view to providing appropriate facilitation and also ensuring compliance.

3.7 The RMD will also coordinate and liaise with other Government Departments (OGDs), in order to deal with risks relating to the compliance requirements under allied Acts which the Customs department is required to administer, under the overall direction of the D.G. (Systems).

3.8 The RMD will work in close coordination with NACEN in developing training manuals and other documentation necessary for the implementation of RMS. In addition to this, it will also work out regular training schedules for training of officers responsible for implementing the RMS in major customs locations.

3.9 The RMD shall work in close coordination with Directorate General of Audit (DG Audit), which has the responsibility for formulating audit policies and procedures, developing criteria and parameters for selection of cases or documents for audit.

3.10 DG(Systems) will submit periodic reports on the functioning of the RMS to the Board.

National Risk Management (NRM) Committee

4.1 There shall be established a National Risk Management (NRM) Committee with the DG(Systems) as the head. The RMD will be the nodal agency responsible for convening the National Risk Management (NRM) Committee to review the functioning of the RMS, supervise the implementation of RMS and provide feedback for improving the effectiveness of RMS. The NRM Committee will be a standing committee and shall include representatives of Directorate General of Revenue Intelligence (DGRI), Directorate General of Valuation (DGOV), Directorate General of Audit (DG Audit), Directorate General of Trade Facilitation (DGSTF) and Tax Research Unit (TRU).

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4.2 The NRM Committee shall be convened at least once every quarter and will have the following functions:

i) Review of the performance of the RMS including progress on implementation of the ACP and reviewing the implementation of PCA (Post Clearance Audit) functions;

ii) Review of Risk parameters and behaviour of important risk indicators;

iii) Review of economic trends, changes in policies, duty rates, exemptions, market data etc., that adversely impact on customs functions and processes and suggesting remedial action thereof;

iv) Any other matter of import / export which the RMD considers important enough to engage the NRM Committee's attention.

Local Risk Management (LRM) Committee

5.1 A Local Risk Management (LRM) committee shall be constituted in each Custom House / Air Cargo Complex / ICD and shall be headed by an officer not below the rank of Commissioner of Customs.

5.2 The LRM Committee will comprise the Additional / Joint Commissioner in charge of Special Investigation and Intelligence Branch (SIIB), who will be designated as the Local Risk Manager, and will also function as the Secretary of the Committee. The LRM Committee shall also include the Additional / Joint Commissioner in charge of Audit and a nominee, not below the rank of a Deputy Director from the regional / zonal unit of the DRI, and a nominee, not below the rank of Deputy Director from the Directorate of Valuation, if any.

5.3. The LRM Committee will meet once every month and will have the following functions:

i) Review of trends in imports of major commodities and valuation with a view to identifying risk indicators

ii) Decide on the interventions to be put in place at the local level, both for assessment and examination of goods prior to clearance and for post clearance audit.

iii) Review the results of interventions already in place and decide on their continuation/modification or discontinuance etc.

iv) Review the performance of the RMS and evaluate the results of the action taken on the basis of the RMS output.

v) Any other matter which the LRM Committee considers important to be brought before the NRM Committee

5.4. Periodic reports, as may be prescribed by the RMD, will be sent to the RMD with the approval of the Commissioner of Customs.

6. All field formations are requested to take note of the charter of functions of RMD and the creation of NRM / LRM Committees for effective implementation of the Risk Management System. The above instructions may be brought to the notice of all concerned.

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Yours faithfully,

(Anupam Prakash)
Under Secretary to the Government of India

Copy to :

1. PS to Chairman & all Members (CBEC)
2. All Joint Secretaries /Directors/DSs/USs/STOs/TOs in CBEC
3. All Directorate in CBEC
4. Guard file.

(Anupam Prakash)
Under Secretary to the Government of India