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Government of India

Ministry of Finance

Department of Revenue

Central Board of Excise & Customs

November 24th, 2005

Subject: Introduction of Risk Management System (RMS) in Imports- regarding-

Attention is invited to the Board"s circular letter F.No.450/30/2003-Cus-IV dated 4th April, 2003 on Self Assessment Scheme for Accelerated Clearance of Import/Export Cargo and Board's Circular No. 42/2005-Cus dated 24.11.05 on Accredited Clients Program. An Inter Ministerial Group (IMG) headed by Secretary (Revenue) consisting of representatives from Ministry of Shipping, Ministry of Commerce, Planning Commission besides CBEC, recommended to Introduce Risk Management System (RMS) as a measure of trade facilitation and for selective screening of only high risk cargo for customs examination. Such systems should provide for a special customs clearance procedure for authorized persons (Accredited Clients) having good track record and who meet specified criteria identified by the Customs.

2. The Board has decided to introduce the 'Risk Management System' (RMS) in major Customs locations where the Indian Customs EDI System (ICES) is operational. The implementation of the RMS is one of the most significant steps in the ongoing Business Process Re-engineering initiatives of the Customs and Central Excise Department.

3. The ever increasing volumes and complexity of international trade and the deteriorating global security scenario present formidable challenges to Customs. The exponential growth in trade volumes means that the traditional approach of scrutinizing every document and examining every consignment will simply not work, as it would neither be desirable nor possible to constantly increase the resources with the increasing workload. Also, there is a need to reduce the dwell-time of cargo at the ports and airports and to reduce the transaction costs in order to enhance the competitiveness of Indian businesses, by expediting release of cargo where compliance is high. This necessitates that the department should be selective in its approach to deployment of its resources. The advances in Information Technology offer an opportunity to address these challenges faced by the department by putting in place an effective risk management system. The primary objective of the Risk Management System, therefore, is to strike an optimal balance between facilitation and enforcement and to promote a culture of compliance. It is intended to improve the management of the resources of the department to enhance the efficiency and effectiveness in meeting stakeholder expectations and to bring the Customs processes at par with the best international practices.

4. With the introduction of the RMS, the present practice of routine assessment, concurrent audit and examination of almost all Bills of Entry will be discontinued and the focus will be on quality assessment, examination and Post Clearance Audit of Bills of Entry selected by the Risk Management System.

5. Bills of Entry and IGMs filed electronically into ICES through the Service Centre or the ICEGATE will be transmitted by ICES to the RMS. The RMS will process the data through a series of steps and produce an electronic output for the ICES. This output will determine whether the Bill of Entry will be taken-up for action (appraisement or examination or both) or be cleared after payment of duty and Out of Charge directly, without any assessment and examination. Also where necessary, RMS will provide instructions for Appraising Officer, Examining Officer or the Out-of-Charge Officer. It needs to be noted that the decisions communicated by the RMS on the need for assessment and/or examination and the appraising and examination instructions communicated by the RMS have be followed by the field formations. It is possible that in a few cases, the field formations might decide to apply a particular treatment to the BE which is at variance with the decision received from the RMS owing to risks which are not factored in the RMS. Such a course of action shall however be taken only with the prior approval of the jurisdictional Commissioner of Customs or an officer authorized by him for this purpose, who shall not be below the rank of Addl./Joint Commissioner of Customs, and after recording the reasons for the same. A brief remark on the reasons and the particulars of Commissioner's authorization should be made by the officer examining the goods in the departmental comments in the EDI system.

6. The existing system of concurrent audit shall be abolished and replaced by a Post-Clearance Compliance Verification (Audit) function. The objective of the Post Clearance Verification Programme is to monitor, maintain and enhance compliance levels, while reducing the dwell time of cargo. The RMS will select the bills of entry for audit, after clearance of the goods, and these selected bills of entry will be directed to the audit officers for scrutiny by the EDI system. In case any possible short levies are noticed, the officers will issue a Consultative Letter setting out the grounds for their view to the Importers/CHAs. This is intended to give the importers an

opportunity to voluntarily comply and pay the duty difference if they agree with the department's point of view. In case there is no agreement, the formal processes of demand notices, adjudication etc. would follow. It may also be noted that the auditors are specifically being instructed to scrutinize declarations with reference to data quality and advise the importers/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. It hardly needs emphasis that compliance in all its dimensions is in the mutual interest of the Government and the Trade and Industry and it will enable the government of give increasing levels of facilitation. The Importers/CHAs are urged to co-operate in the department's efforts in this direction.

7. The national management of the Risk Management System shall be the responsibility of the Risk Management Division, being established under the Directorate General of Systems. There will be a local Risk Management System catering to the needs of the Custom Houses. The local Risk Management System will carry out the live processing of the Bills of Entry and Import General Manifests etc. The Commissioners of Customs are required to appoint the administrator for the 'Local Risk Management System' at the level of the Joint/Additional Commissioner for assigning user privileges on the Local Risk Management System.

8. The implementation of RMS will necessitate reorganization of staff. Custom Houses are required to undertake a comprehensive re-organization of the officers deployed for processing Bills of Entry. The present appraising facilities should be right-sized in tune with the reduced quantum of Bills of entry coming for assessment. Such staff should be diverted to the Post Clearance Audit. The strength of the staff for examination of cargo would also be required to be readjusted.

9. The existing facilitation schemes viz., the Self-assessment scheme, Fast track / green channel scheme, Accelerated customs clearance schemes etc., would be phased out with the implementation of the RMS and the Accredited Clients Programme. As the deployment of the RMS is likely to take place in phased manner across the ICES locations, the existing facilitation schemes will continue to be operative in each Customs station until the operationalisation of the RMS at that station.

10. NACEN will support the RMD in conducting the necessary training of the officers for running and managing the RMS at the ICES locations.

11. Detailed draft Public Notices, Standing Orders and Instruction Manuals will be forwarded by the DG (Systems) separately

12. Receipt of this circular may please be acknowledged.

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