



TRADE LINES

A Newsletter on
Customs Issues from
GHY INTERNATIONAL

OUR MISSION...

GHY International is committed to the standards of excellence and integrity on which our company was founded in 1901. We are dedicated to providing the highest level of personalized professional international trade services to our customers. We view our clients as business partners whose needs shape all of our endeavours.

AMPS

Is Now A Reality. So Who Owns What?

October 7, 2002 is a watershed date for Canadian Importers and Customs Brokers. It is the date that a clear line in the sand has been drawn by CCRA between compliance and non-compliance, enforced by a penalty regime called AMPS (Administrative Monetary Penalty System) that will enable Customs Officers from coast to coast to issue "tickets" for infractions ranging from \$100 to \$25,000 due to incomplete or deficient customs trade reporting.

In the years and months leading up to the implementation in October, we have communicated the importance of preparing for AMPS with our clients in one-on-one meetings, in seminars we have put on for our clients and others we have sponsored in conjunction with the Canadian Association of Importers and Exporters, and in newsletters.

Our message has been consistent throughout: **The new risks are costly. There is a significant gap in the detail required for Customs reporting post October 7th versus what was in place historically.** Conversely, those who do prepare and show due diligence will eliminate or at least lessen the risk of AMPS penalties, with the peace of mind and predictability that taking a prudent risk management approach brings.

We laude those of you who have prepared for AMPS, and would encourage those who have not to get in touch with your Account Manager or our Consulting Group to get more information and to put a plan together to deal with areas that may expose your company to the risk of penalties.

As your broker, we endeavour to do our best to report your trade data and to represent your interests before CCRA based on information we are provided. As such, we share compliance responsibility with you, and are partners in meeting our joint obligations under AMPS.

But it is important to note that while we report your imports to CCRA based on the information we have been provided on documentation from your vendors and carriers, it is the importer who is responsible to insure the integrity of the information we are working with throughout the supply chain, and to validate that the technical and non-technical information, reported to Customs by us on your behalf, is accurate.

The **Responsibility Matrix** that is included in this edition of Trade Lines identifies what you can expect us as your broker to facilitate and collaborate with you on, and what you as the Importer of Record must be aware of and own in the recently enforced AMPS environment.

We value our relationship with you as our client, and will continue to work with you in partnership to clear and report your shipments in a timely manner, help you understand your responsibilities as the Importer of Record to be in compliance with CCRA AMPS policy to minimize and eliminate the risk of AMPS penalties, and to work with you to be ready for when Customs calls.

Richard Riess
President
GHY International



We're Prepared to Take Your Word For It, But...Will

CCRA?

Our cover article by GHY President, Rick Riess, outlines the boundaries of responsibility within our relationship as a Customs Broker to you as the Importer of Record under the AMPS program that came into effect October 7, 2002.

As Mr. Riess points out, it is the importer who is responsible for the integrity of the information we are working with throughout the supply chain, and to validate that the information reported to CCRA is accurate.

Hopefully the following clarifies our role as an intermediary in the key areas of Tariff Classification, Valuation, Origin/NAFTA, Overages and Shortages, and Trade Statistics, all of which are focal points to various degrees for surveillance by CCRA under AMPS.

IMPORTANT



Photo courtesy of Canada Customs and Revenue Agency

Tariff Classification

In the absence of a sample, a detailed description, a binding ruling from CCRA applied for at your request, or a database that has been developed in collaboration with you, the tariff classification applied by GHY is based on the general invoice description provided on the documentation provided by you or your foreign vendor.

Valuation

The currency, date of direct shipment, and the price paid or payable by the Canadian purchaser noted on the Canada Customs Invoices (CCI's) or commercial invoices provided by you or your foreign vendor will be used to report the shipment to CCRA. Where advised by the importer or clearly stated on the shipping documents, value reported may be subject to certain adjustments including: tool and die allowances, assists, sales commissions, royalties and license fees, and transportation costs. Unless otherwise advised, GHY will base the value of the shipment on the documentation provided by the exporter.

NAFTA

In order to take advantage of free trade benefits, the importer must declare that they have a valid Certificate of Origin on hand at time of import. Where appropriate origin validation in the form of a current Certificate of Origin is available at time of accounting, GHY will apply NAFTA benefits. Where appropriate origin validation is not available at time of accounting, GHY will apply the Most Favoured Nation (MFN) rate of duty to the transaction. Refunds can be applied for after the fact, but must be supported by a valid certificate provided to GHY.

Overages & Shortages

GHY will submit entries to CCRA on the basis of quantities and unit of measure information provided at time of accounting. If variances are discovered by the importer upon receipt of the goods, the onus is on the importer to advise GHY to submit a refund or amending entry as appropriate.

Statistical Information

GHY will submit entries with non-technical trade data on the basis of information provided on documents from you, your foreign vendor or carrier, unless otherwise advised prior to accounting.

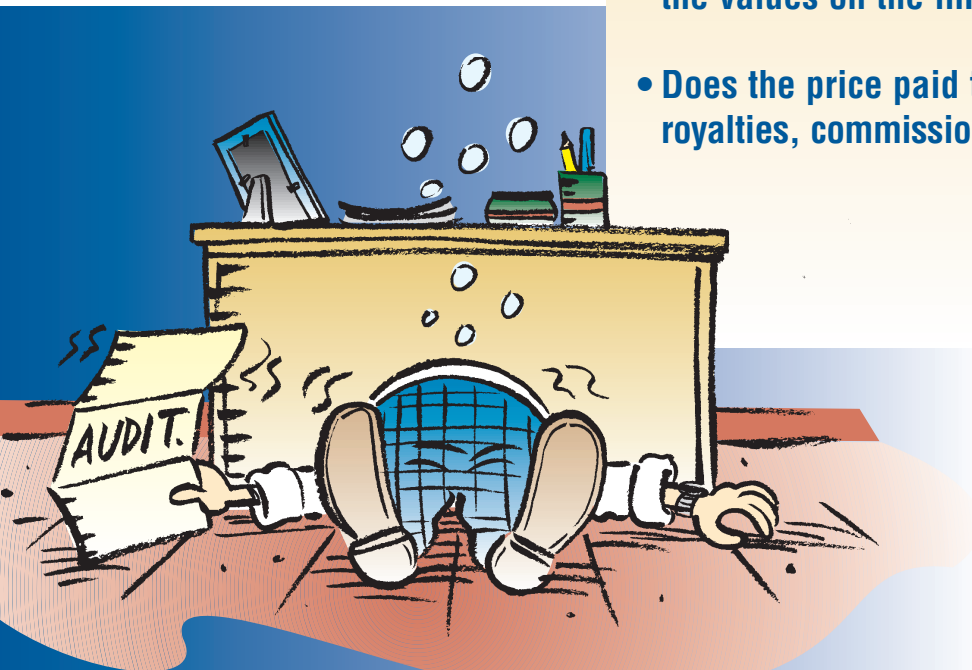
CCRA

Is Coming To Do An Audit, What Can You Expect?

In a typical PV (Periodic Verification) or CAR (Customs Assessment Review) CCRA auditors set up an appointment to come to your premises to interview your personnel and gather information in the Purchasing, Receiving, Customs Accounting, and General Accounting areas. This is a starting point in determining if proper linkages are in place to track your company's import activities.

They will ask questions of your staff to determine if and where there are gaps in your import tracking and information management process, and then request specific records to validate that the appropriate checks and balances are in place. Among the questions you can expect at the initial stages of the CCRA audit are:

- Do your records distinguish domestic and import purchases?
- Do your purchase orders match what was actually shipped by your foreign supplier?
- Are quantities received the same as those reported at time of entry into Canada?
- Can you track an import to a specific purchase order and receiving report?
- Were shortages and overages flagged and reported to CCRA after the fact?
- Do the amounts actually paid for the goods match up with the values on the import documents?
- Does the price paid to your foreign supplier reflect any royalties, commissions, assists, or tooling considerations?



continued on page 3...

- **Do your receiving and accounts payable documents match up with the Customs entries submitted?**
- **Are your NAFTA Certificates of Origin accurate and valid – do they match the products you actually import?**
- **Are the descriptions on the Customs invoices from suppliers an accurate reflection of the products you import?**
- **What is your record keeping process for imports, where do you retain your import records, and for how long?**

As with any CCRA audit for Income Tax or GST, it is important to be transparent and forthcoming in providing information and documents that may be requested. It is advisable that a single point of accountability within your company at a senior level be assigned to work with CCRA throughout the process, and to be the point person to oversee changes in your import processes that may need to be implemented as a result of CCRA's findings.

Your GHY Account Manager should be advised as soon as possible that you are undergoing a CCRA review, and be made aware of any changes to your import procedures.

As always, we strongly recommend that you prepare for an audit before you get the call from CCRA. Our Consulting Group can assist in simulating a mini-audit and going through essentially the same type of process you can expect from CCRA, which will help to identify potential gaps or issues in your importing process that should be addressed.

Where errors or omissions are discovered by you or with the help of GHY Consulting, it is important to take the appropriate corrective action and report to CCRA proactively within 90 days to amend or correct specific entries affected. This will negate the potential of AMPS penalties on those transactions, and show due diligence on your part that you are taking a proactive approach to complying with CCRA's import regulations.



"Oh, Oh!"

You've Received a Notice Of Penalty Assessment (NPA) Under AMPS,



Now What?

The Notice of Penalty Assessment, or NPA in CCRA's world of acronyms, is not a document to be taken lightly. It can be issued by an Officer on the front lines, during the course of a desk audit, or pursuant to a Periodic Verification (PV) audit or Customs Assessment Review (CAR) audit.

The NPA is sent directly to the Importer of Record, with a copy to the Customs Broker, and identifies the transaction(s) involved, reason for the assessment, specific AMPS legislation pertaining to the infraction, penalty level, amount, and options for the Importer.

These options include payment within 30 days, redress for obvious errors within 30 days, or an appeal to the Minister within 90 days of the NPA being issued.

Because CCRA has made it clear that the objective of introducing a penalty regime is not to punish but rather to incent importers to become and stay compliant with CCRA's trade regulations, a fourth option will be made available to Importers for more significant fines (in excess of \$5,000) by way of a Penalty Relief Agreement (PRA).

The PRA is for contraventions that can be traced to a particular problem, which can be corrected by a change in the importer's Customs-related business systems or operations. The PRA will stimulate the corrective action to be undertaken, the time frame within which it must be completed, and success criteria by which the action undertaken will be deemed to be worthwhile to achieve improved compliance. When the success criteria have been achieved, the client will receive the agreed upon relief of the penalty amount assessed.

It is recommended that you contact your Account Manager immediately upon receipt of a Notice of Penalty Assessment, so it can be reviewed for potential recourse under obvious error or appeal provisions. At that time the nature of the infraction can be reviewed to determine if it represents an anomaly or a one-time occurrence, or points to other potential areas of concern that need to be corrected to avoid further penalties in the future.

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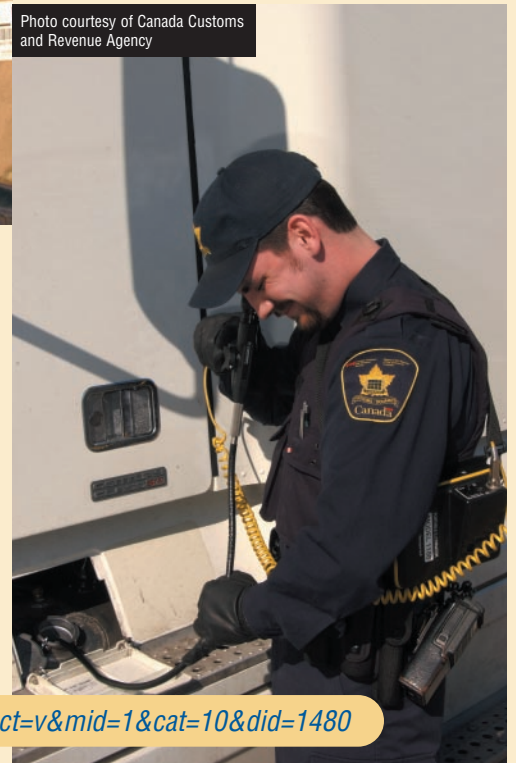


Reporting of Exported Goods Regulations

While Canada's AMPS program is directed primarily to imports, CCRA will also penalize Canadian firms who fail to report exports of shipments over \$2,000 to countries other than the United States. For more details and further information on reporting options, please refer to:

<http://www.ccra-adrc.gc.ca/customs/business/exporting/documentation-e.html>

Photo courtesy of Canada Customs and Revenue Agency



Source: www.customs.ustras.gov
Photo by: James R. Tourtellotte

Smart Border Update

In the wake of September 11, 2001, Canada and the US have embarked on a series of initiatives designed to create a harmonized approach to securing the movement of goods and people into both countries at border, perimeter, and inland points of entry. A "smart" border is one that will be able to identify and expedite low risk goods (**FAST**) and people (**NEXUS**), and focus Customs resources on higher risk traffic.

NEXUS refers to a fast-lane program to speed the flow of pre-screened low-risk travelers, while FAST provides for a simpler clearance process for lower-risk shipments by pre-authorized importers and carried by pre-authorized drivers and carriers. FAST incorporates the framework of

Canada's Customs Self-Assessment (CSA) and the US Customs Trade Partnership Against Terrorism (C-TPAT). Processes for approving qualified importers, carriers, and drivers, and for screening shipments at border, ocean, and air points of entry are being harmonized to ensure that the secure and efficient movement of low-risk goods and people is expedited, and that goods and people deemed a threat to the security of Canada and the US are targeted for greater scrutiny and enforcement. See:

<http://www.can-am.gc.ca/menu-e.asp?act=v&mid=1&cat=10&did=1480>



Source: www.customs.ustreas.gov
Photo by: James R. Tourtellotte

porters...

US Customs Requires Ultimate Consignee Information

US Customs is tightening up enforcement of regulations introduced in the summer of 2001, which have been loosely and inconsistently applied at the regional and port levels. It is now mandatory that IRS numbers of ultimate consignees be reported on all shipments valued over \$200 US. For more information please refer to:



Source: www.customs.ustreas.gov
Photo by: Gerald Nino

http://www.customs.ustreas.gov/impoexpo/trade_program/docs/3550_079a.doc

US Customs Site An Excellent Resource For Exporters

Want to find out what the hot issues are for Canadian companies shipping into the US? Need to know which forms to prepare, if special permits are required, where to find rulings on products, how to classify your products, or wondering how to export a motor vehicle to the US? Click on the link below for for a wealth of information and links to other useful sites.



Source: www.customs.ustreas.gov
Photo by: Gerald Nino

http://www.customs.ustreas.gov/impoexpo/imex_txt.htm



Photo courtesy of Canada Customs and Revenue Agency

GHY Opens Bonded Warehouse At Pembina, North Dakota

Vicki Wolfe, Vice President of GHY USA, Inc., is pleased to announce that a bonded warehouse license has been approved within GHY's Pembina Warehouse facility. "Exporters or their carriers can now take advantage of our bonded warehouse to enter large shipments into the US and then fill smaller orders to US clients. We can store bonded and non-bonded shipments for clients, provide pick and pack services, and coordinate onforwarding to consignees in the US per the client's orders or through one of our strategic freight partners," says Ms. Wolfe.

Contact Vicki Wolfe or Bob Cowie for more information @ 204 947 6851.

GHY's TradeForms Software Speeds Export Documentation Preparation

How many hours did you spend last week filling out forms for US Customs in order to export your goods? GHY has created a solution that can save you time and money through the development of web forms software that expedites the preparation of export documentation in record time. The software features secure Internet access from any location, flexibility to create documents off-line or on-line, saves information into templates and databases, and allows you to send completed forms to anyone, anywhere, by email. For more information call Nigel Fortlage, VP Information Services at GHY, or click on:

tradeforms@ghy.com

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