

# THE CUSTOMS BROKER PROFESSION

## Philippine Setting and its Significance in the Global Trade

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# Presentation Outline

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- ❑ Overview of the Customs Broker Profession
- ❑ PH Regulatory Laws and Profile of the Filipino Customs Brokers
- ❑ Recent Developments and Its Challenges to Customs Brokers
- ❑ The WCO Study Report on Customs Brokers
- ❑ Issues for Future Research
- ❑ Conclusion



# Overview of the Customs Broker Profession

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- ❑ Act as intermediaries between traders & Customs in the clearance processes.
- ❑ Support traders by providing necessary documentations & undertaking formalities on cargo clearance.

**- 2016 WCO Study Report on Customs Brokers**

# Overview of the Customs Broker Profession

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## ❑ Responsibilities & Expectations

- To maintain government interests by ensuring Customs compliance & other regulatory requirements.
- Ensuring the collection of appropriate duties and taxes.

# PH Regulatory Law & Licensing Requirements

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## ❑ Customs Brokers Act of 2004

- Customs broker as a practice of profession with a Regulatory Board
- Pass the licensure examination

## ❑ Academic requirements

- 4-year degree in Customs Administration studies
- Completion of continuing professional education

# PH Regulatory Law & Licensing Requirements

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## ❑ **Code of Ethics and Code of Technical Standards for Customs Brokers**

- Strict adherence to uphold the law and regulations

## ❑ **Self-regulation thru professional organization**

- Automatic Membership in the Accredited Professional Organization (APO) of Customs Brokers
- Oversight authority organization to maintain compliance and professionalism of Customs Brokers.
- With strong recommendatory powers to discipline erring Customs Brokers.

# Customs Education in the Philippines

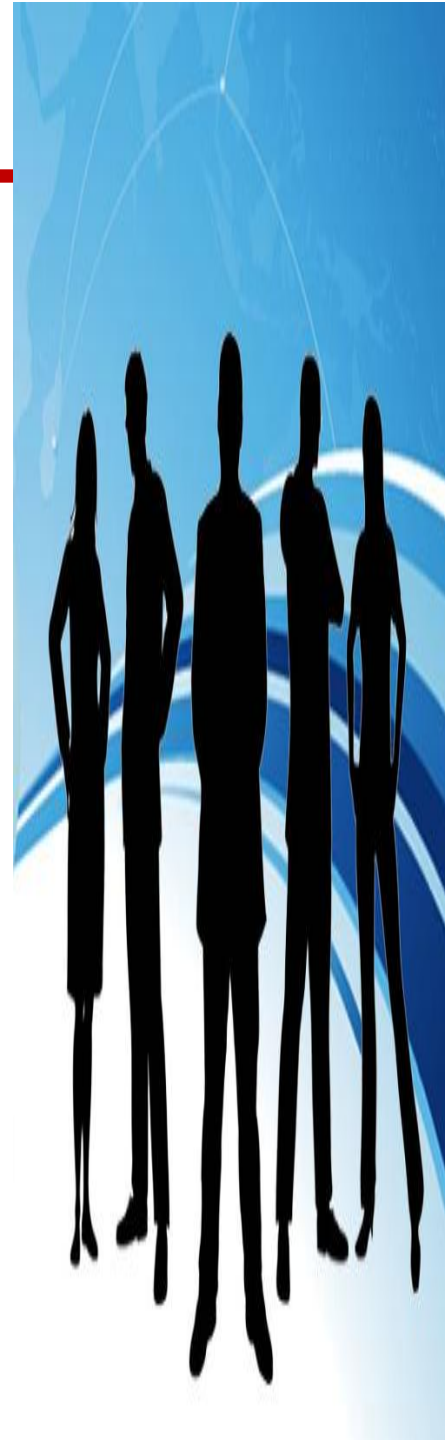
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- ❑ **75 HEIs** regulated by the Commission of Higher Education (CHED) offering BSCA with a new curriculum.
- ❑ **20,000** Customs Administration Students enrolled nationwide.
- ❑ Core subjects, aside from tariff & customs laws, include logistics, supply chain, finance, taxation and international trade.
- ❑ Strong pool of faculty from government, CB practitioners, researchers and scholars.
- ❑ A Master's degree program in Customs Administration and Supply Chain Management.

# Profile of Filipino Customs Brokers

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- ❑ **8,000+ CBs registered with the Professional Regulations Commission**
- ❑ **2,000+ CBs accredited by PH Customs nationwide.**



# Recent Developments & Standards

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- ❑ **PH accession to the Revised Kyoto Convention (RKC)**
- ❑ **World Trade Organization- Agreement on Trade Facilitation (WTO-ATF)**
- ❑ **Passage of the Customs Modernization and Tariff Act (CMTA)**
  - All with the same objective of allowing traders to lodge customs declarations with or without a Customs Broker.
  - Customs Broker s' regime is phasing out.
  - Engagement of CB is commercial decision of traders based on market principles.

# Challenges for CBs

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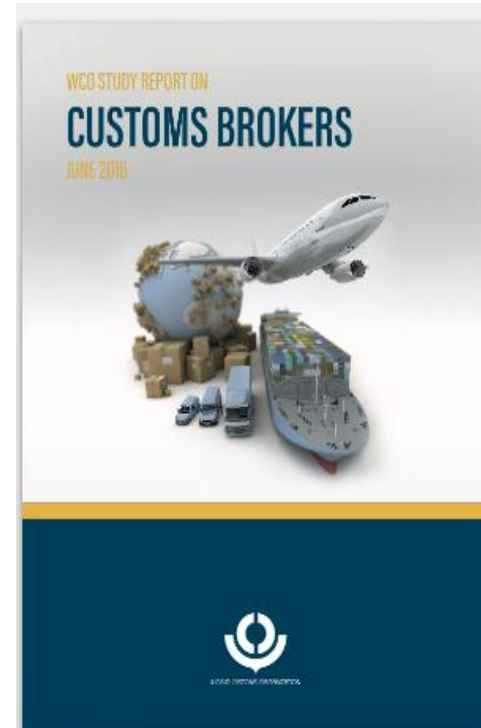
- ❑ Declarant now decides the use of Customs Broker (Optional).
- ❑ Entry of Third Party (Atty-in-fact) by June 2018
- ❑ PH Customs Broker Profession may be hugely affected.
- ❑ Entry of Informal brokers not only deleterious to professional CBs, but to traders in terms of Customs compliance.
- ❑ 75 HEIs may decrease enrollment or close.



# WCO Report on the Use Customs Brokers

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- ❑ **73% Members** – no mandatory customs brokers requirement
- ❑ About **23% Members** required the use of CB.
- ❑ Only **5 of the 22 members**, who require the mandatory use of CB, identified the problem of informal or unauthorized brokers while **13 Members** identified the usage of informal brokers as a serious problem.
- ❑ An **average of about 82%-99%** of the declarations are produced or filed by CB despite its engagement being optional in other jurisdictions.



# WCO Findings - Cooperation by Customs Administration & Customs Brokers

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- ❑ **Customs should have a regular constructive engagement with broker- first line of interface between Customs and traders.**
- ❑ **Standard 8.5 & 1.3, GA-RKC-** Provides for Customs to establish & maintain consultative relationships with the trade, by requiring Customs to include third parties (e.g.,CB or CCBI) in their formal consultations on customs modernization, trade facilitation, AEO, RKC and other initiatives.
- ❑ Customs could leverage the role of CB as a communicator and force multiplier to improve compliance, curb illicit trade or smuggling and other customs technicalities and frauds.
- ❑ Customs Brokers can be equally engage in an efficient and effective implementation of bilateral or multilateral agreements, enhancing supply chain security and accurate data collection.

# Issues for Research or Future Study

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- ❑ **Impact on Customs compliance and trade facilitation in minimizing the use of Customs Broker .**
  - Popularity in the Asian considering the culture, national and economic situation.
  - Considering the reason why several Members reported a high percentage of use of customs brokers despite being optional in their jurisdiction.
- ❑ **Is Customs Broker a sunset profession?**
  - Optional engagement of customs broker's services.
  - The need for policy alignment or oversight mechanisms.

# Conclusion

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- ❑ **Customs Broker is not a sunset profession in the PH**
  - For the highly compliant & professional customs brokers.
  - Strict Implementation and huge penalties under the CMTA on customs technicalities & compliances may be a bar for declarant to let go the services customs brokers.
  - Strict implementation of anti-bribery, FCPA and other similar laws makes it difficult for international market leaders not to engage Customs Brokers.

# Conclusion

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*“There is no “one size fits all” solution. Most Members have established Customs Brokers’ regime that are already well suited to their national demands and needs, which may require some adjustments to leverage new opportunities and to meet emerging challenges...”*



**MAZUHAY!!!**