

Best practices model for licensing customs brokers

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Abstract

In some parts of the world, customs brokers have been offering advice and providing services to importers and exporters for hundreds of years. In some other regions, the customs broker is a nascent profession, while in other countries they do not exist as unique service providers. Where there are customs brokers, there has been a tendency to organise and work together to understand the customs function, enhance services offered to importers and exporters, and improve the environment in which trade is conducted within that country. Since 1990, customs brokers from around the world have been represented by the International Federation of Customs Brokers Associations (IFCBA), which, in May 2009, approved a best practices model for the licensing of qualified customs brokers. The IFCBA supports the establishment of transparent, accountable and consistent broker licensing regimes by relevant government agencies worldwide.

This paper reflects the principles developed and approved by the IFCBA in that best practices model.

Introduction

In some parts of the world, customs brokers have been offering advice and providing services to importers and exporters for hundreds of years. In some other regions, the customs broker is a nascent profession. And in yet other countries, the customs broker does not exist as a unique service provider leaving others to fill the knowledge gap as part of a broader service option.

Where there are customs brokers, there has been a tendency to organise and work together to better understand the customs function, enhance the services offered to importers and exporters and ultimately, improve the environment in which international trade is conducted within that country. In the late 1980s, several of those countries with longstanding customs broker communities began exploring how they could collaborate to their mutual benefit and that of their clients.

Since 1990, customs brokers from around the world have been represented by the International Federation of Customs Brokers Associations (IFCBA) which, in May 2009, approved a 'Best practices model for the licensing of customs brokers' following a three-year period of study, consultation and drafting. Based on a survey of, and consultation with, customs broker associations across five continents,¹ the end result has been enthusiastically received by both customs brokers and customs administrations around the world.

Best practices

The World Customs Organization's (WCO) understanding of best practices is 'Methods and techniques that have consistently shown results superior than those achieved with other means, and which are used as benchmarks to strive for'.²

This year's theme at the WCO highlights the Customs-Business Partnership, and the IFCBA 'Best Practices' document addresses what has been a major gap between customs administrations and the private sector on a matter of important mutual interest, the licensing of customs brokers.

The survey that marked the early stages of the 'Best Practices' project was undertaken to:

- i. establish a database of existing practices concerning licensing of customs brokers in IFCBA member countries
- ii. provide the basis for provision of submissions on customs broker licensing to the World Customs Organization/World Trade Organization in response to WTO initiatives on [the] use of customs brokers³
- iii. create best practices recommendations on customs broker licensing for Customs administrations and related organizations (IFCBA 2009, p. 1).

The general principle of customs brokerage licensing is that such regulation is the responsibility of government. It is recognised that regulation may be for individuals and/or business entities (sole proprietors, partnerships or corporations).

IFCBA recommendations regarding customs brokers' scope of practice⁴ include the following:

- Economic operators can use only customs brokers as third parties to transact business with Customs.
- Economic operators acting on their own behalf to transact business with Customs must meet the same knowledge standard as customs brokers.
- Licensed customs brokers may direct and supervise the work of employees performing the release and accounting functions.
- Customs brokers may wish to assume joint and several liability with their clients for the payment of duties and taxes (IFCBA 2009, p. 1).

The best practices model recommends that:

an individual, or at least one partner of a partnership, or at least one officer of a corporation, applying for a customs brokerage license must

- be a citizen or permanent resident where such legislation exists
- have reached the legislated age of majority
- provide records demonstrating
 - a) the minimum experience requirements, usually 3-5 years in a customs brokerage environment, or
 - b) the successful completion of a training program as required by legislation or regulation
- have successfully completed a licensing examination or equivalent procedure
- pass a credit history check
- have no violations of a serious nature related to imports/exports (IFCBA 2009, p. 2).

It is also stated that business entities operating as customs brokers must provide evidence of financial stability (this could be past and current financial statements).

Additionally, ‘in cases where payment is made on behalf of an economic operator, the customs broker must provide a financial guarantee or security deposit in accordance with legislated or regulated requirements’ (IFCBA 2009, p. 2).

The IFCBA best practice model for licensing of customs brokers is not limited to regulation of entry into the profession. It is also recommended that, once licensed, the following principles should apply:

1. in order to protect the client’s interests, customs brokers should establish standards of professional practice on [a] national basis.
2. the knowledge and skills required in customs brokerage are best acquired and developed through ongoing professional development within the industry, and can include courses, seminars and events provided by customs brokerage associations as well as corporate in-house training, informal on-the-job training activities, and tertiary education at recognized national educational institutions.
3. customs brokers must demonstrate continued financial stability.
4. customs brokers must demonstrate high levels of Customs compliance.
5. customs brokerage training, including e-learning opportunities, should be widely available.
6. suspension or cancellation of a customs broker license must be subject to appeal. Neither suspension nor cancellation should take place until finalization of the appeal process (IFCBA 2009, p. 2).

Conclusions

The IFCBA supports the establishment of transparent, accountable and consistent broker licensing regimes by relevant government agencies, worldwide. It is our conviction that failure to do so will negatively affect the customs process and the customs brokerage community, as well as the many thousands of importers and exporters who depend on a high standard of services from their customs brokers.

References

- International Federation of Customs Brokers Associations (IFCBA) 2009, ‘Best practices model for the licensing of customs brokers’, May, Ottawa, ON, Canada, http://ifcba.org/UserFiles/File/BestPracticesModel_LicensingCustomsBrokers.pdf.
- World Trade Organization (WTO) 2009, ‘Draft consolidated negotiating text’, Negotiating Group on Trade Facilitation, 14 December, WTO, Geneva, Switzerland.

Endnotes

- 1 Countries which responded to the survey are Angola, Australia, Canada, China, Hungary, India, Jamaica, Japan, Korea, Mauritius, Mexico, New Zealand, the Philippines, Poland, Portugal, Sri Lanka, Turkey, and the USA.
- 2 Businessdictionary.com.
- 3 World Trade Organization (WTO) document, TN/TF/W/165, 14 December 2009.
- 4 ‘Scope of practice’ is defined as the activities of customs brokers which are regulated.

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Carol West is President of the Canadian Society of Customs Brokers (CSCB) and a founding director and now Secretary of the International Federation of Customs Brokers Associations (IFCBA). She was appointed to the World Customs Organization's (WCO) Private Sector Consultative Group (PSCG) when it was formed in 2006, and was elected its Chair in June 2008. She has contributed to the WCO's capacity building work on the *SAFE Framework of Standards*. In 2009, Carol was awarded the inaugural Canadian Awards of Trade in Imports and Exports (CATIE) award for Trade Leadership in Canada, and in early 2010, she was recognised by the WCO on International Customs Day for her service to the international customs community. She has also received a Certificate of Merit from the WCO for rendering exceptional service to the customs administration of the CBSA by strengthening partnerships between the Agency and the private sector.
