



REPUBLIC OF THE PHILIPPINES  
DEPARTMENT OF FINANCE  
**BUREAU OF CUSTOMS**  
Manila

09 October 2008

**CUSTOMS MEMORANDUM ORDER**

No. 36-2008

**To: All Deputy Commissioners  
Service Chiefs  
District Collectors  
Deputy Collectors for Operations  
Division Chiefs  
Clark and Subic Freeport Zone Authority Officials  
Subic and Clark Freeport Zone Locators  
Customs Brokers, Attorneys-in-Fact  
All Others Concerned**

**Subject: Interim Enhanced Cargo Transfer System for Transit  
Goods Consigned to Freeport Zone Locators, which  
Are Discharged at Ports and Airports with Operating  
E2M Customs System and with Subic and Clark  
Freeport Zones as Final Destinations**

**I. Objectives**

To immediately contribute to the simplification, harmonization and improved security effectiveness of Customs procedures for transit-cargoes destined for the Subic and Clark Freeport Zones, as well as help promote the other objectives of the Joint Memorandum Order (JMO) of the Bureau of Customs, Subic Bay Metropolitan Authority and Clark Development Corporation dated 21 August 2008

**II. Coverage**

This Order shall apply to the interim system which will govern transfer of the

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above mentioned subject importations until implementation of the harmonized Admission/Import Permit (AIP) and Transit Declaration System provided in the BOC-SBMA-CDC JMO dated 21 August 2008.

### III. General Provisions

#### 1. Transit Cargo Transfer Documentary Requirements

1.1 Import Entry and Internal Revenue Declaration with Model of Declaration 8-8 (Transit), duly accomplished and supported by the Bill of Lading/Airway Bill, Invoice, Packing List and Freeport Zone Admission Document/Import Permit (print-outs of Section 2.2 below). These required documents shall be in lieu of the Warehousing Entry, Transshipment Permit (BOC Form 199), Transit Cargo Manifest, Boal Note and other documents required under other Customs Orders. A license, authorization, clearance or permit issued by the designated government regulatory office must also be provided, following established procedures, for any regulated or controlled commodity included in an importation. The documents required herein must be presented to the Customs Freeport Zone Office (CFZO) as provided in Section 3.

1.2 General Transportation Surety Bond (GTSB), one for every port of discharge of transit goods, issued by a Customs-accredited surety company, to guarantee the direct and faithful delivery of transit goods to the locator's premises at the Freeport Zone destination, as stated in the Transit-Declaration. Posting of the GTSB shall not be required per transit cargo discharged. It is sufficient that a GTSB is registered with the Bureau's Bonds Division or equivalent office in the port of discharge of the transit goods and that the GTSB conforms to with the following

1.2.1 The face value amount of the GTSB to be posted by a Freeport Zone locator, in a port of discharge of transit cargoes consigned to it, shall be computed as follows:

$$\text{Amount of GTSB in a port of discharge} = 3 \times \frac{\text{Total duties and taxes due on all transit-cargoes discharged in the port during the last 3 months of the current year}}{91 \text{ or } 92 \text{ days in the last 3 months}}$$

- 1.2.2 Required GTSBs must be registered with the Bureau's Bonds Division in each of the ports and airports where transit goods of a Freeport Zone locator are discharged. Certified true copies of the GTSBs must also be presented to the Freeport Zone Authority of the locator enterprise to enable the Authority to perform the function stated in Section IV. 2.4.
- 1.2.3 The District Collector of the port of discharge shall have the authority to require an increase in the amount of the GTSB posted by a Freeport Zone locator where the value of current transit cargoes and corresponding taxes and duties due on the cargoes discharged at the port have significantly increased beyond the level during the last 3 months of the current year, which levels used the determination of the existing GTB posted by the Freeport Zone locator.

## 2. Required Electronic Submissions

- 2.1 Freeport Zone locators and/or their authorized representatives shall lodge applications for Transit-Declaration described above, via the internet and through BOC-accredited Value Added Service Providers (VASPs), using the Phase 1, E2m Customs Single Administrative Document (PSAD).
- 2.2 BOC-accredited VASPs shall provide the front end system which Freeport Zone locators shall use to electronically lodge Transit-Declaration applications and which will allow Freeport Zone locators to print the Transit-Declaration application with the Assessment Notice, after registration of the Transit-Declaration application with ACOS.
- 2.3 VASPs accredited by Freeport Zone Authorities shall provide the front-end Systems, which Freeport Zone locators shall use to electronically encode and lodge AIP applications and which CFZO officials shall use to authenticate AIPs submitted with the Transit-Declaration.
- 2.4 Freeport Zone Authorities and BOC shall operate and maintain the back end systems and databases for processing AIP and

Transit Declaration applications, respectively

- 3 A CFZO shall be established in each port of discharge where this Order shall be implemented, which will initially include the Ninoy Aquino International Airport (NAIA), Port of Manila (POM) and the Manila International Container Port (MICP). CFZOs shall be established in other ports of discharge of transit-goods consigned to Subic and Clark Freeport Zone locators, when required.
  - 3.1 CFZOs, which shall be headed by designated senior BOC Officials and manned by BOC officials and personnel, shall be under the direct supervision and control of the BOC Deputy Collectors for Operations of the ports of discharge, who shall be responsible for the efficient and effective monitoring and accounting of all transit-cargoes released and transferred to their Freeport Zone destinations.
  - 3.2 CFZOs shall be responsible for processing Transit-Declarations applications and for releasing transit-cargoes from the ports of discharge and monitoring their direct and faithful transfer to Freeport Zone destinations.
- 4 Physical examination of transit-cargoes at the port of discharge shall follow an Automated Risk Management and Selectivity Program (ARMSP) to be set up and operated for the purpose. Physical examination may also be undertaken on a transit-cargo where there are derogatory information received from competent authorities, in which case an authority to undertake physical examination must be obtained from BOC officers authorized to issue Hold and Alerts under existing Orders.
- 5 Freeport Zone locators shall pay the BOC Cargo Transfer Fee (CTF) for every transit cargo processed and released from the port of discharge using Pre-Payment Accounts for BOC Cargo Transfer Fees they shall establish and maintain in banks accredited by the BOC for the purpose.

**IV. Administrative Provisions**

- 1 Freeport Zone locators shall register their authorized representatives with Freeport Zone Authorities and provide them with appropriate ID cards and written authorizations to act and sign official documents for and in their behalf.

2. Freeport Zone locators shall enroll with the Freeport Zone Authorities and accredited VASPs mobile phones and/or e-mail addresses which will receive system generated text and/or e-mail messages on A/IP applications lodged in their names
- 2.1 Payment of the Processing Fee for an A/IP application lodged through a Freeport Zone Authority-accredited VASP will trigger the sending of a system-generated e-mail and/or SMS message to e-mail addresses and/or mobile phones enrolled by the Freeport Zone locator with the VASP
- 2.2 A Freeport Zone locator should immediately inform the Freeport Zone Authority of any unauthorized application for an A/IP, upon receipt of an e-mail and/or SMS message indicating lodgment of an A/IP application which has not been authorized. Denial by a Freeport Zone locator of ownership of a transit-cargo attributed to it shall cause the immediate issuance of a Hold and Alert Order on the transit cargo
- 2.3 A Freeport Zone locator who fails to inform the Freeport Zone Authority that it is not the owner of a transit-cargo attributed to it in an A/IP application shall be deemed the owner of the transit-cargo and shall be subject to penalties which may be imposed in case the transit cargo is found to be in violation of rules and regulations of the BOC and/or Freeport Zone Authority and other laws
- 2.4 Upon full operation of real-time scanning facilities of A/IP Barcodes, which will confirm delivery of the transit-cargoes to Freeport Zone destinations, Freeport Zone Authorities shall advise the BOC to discontinue under-guarding of transit-cargoes during transfer from the ports of discharge to their Freeport Zone destinations, provided that Freeport Zone Authorities shall allow Freeport Zone locators to use the Enhanced Automated Cargo-Transfer System only where they have posted the required GTSDs and registered them with the BOC Bonds Division in the ports of discharge of their transit-cargoes.
- 2.5 The Office of the Deputy Collector for Operations of every port of discharge shall regularly audit transfers to ensure that all transit-cargoes are delivered to their Freeport Zone destinations within a reasonable time after release and that no

goods are diverted into the customs territory during the transfer process, to protect government interests.

**Operational Provisions**

**1. Issuance of Admissions/Import Permits**

Submission and processing of A/IP applications shall be through the system of and following the procedure prescribed by the Freeport Zone Authority

**2. Lodgment of Transit-Declaration Applications**

Freeport Zone locators shall lodge Transit-Declaration applications through BOC-accredited VASPs and print Transit-Declaration and Assessment Notices with the system-generated Customs Reference Numbers, which will confirm full completion of lodgment.

**3. CFZO Processing of Transit-Declaration Applications**

Upon presentation by a Freeport Zone locator or its authorized representative of a Transit-Declaration application and the required supporting documents, among which is the approved A/IP issued by the Freeport Zone Authority, the CFZO shall undertake the following

- 3.1 Receive and check completeness of the approved A/IP, Transit-Declaration application and required supporting documents submitted.
- 3.2 Validate the A/IP presented using by scanning the Barcode of the A/IP and comparing the particulars of the A/IP (hard copy) presented and the particulars of the A/IP which appears in the computer monitor in the CFZO workstation connected to the A/IP System of the Freeport Zone Authority.
- 3.3 Validate the Transit-Declaration application with the ACOS system by using the system-generated Customs Reference Number printed on the Transit-Declaration application to retrieve the electronic SAD and visually comparing the hard copy of the Transit-Declaration presented to it.
- 3.4 Undertake ACOS processing of the Transit-Declaration application, including Manifest write-off processing, if the port of

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discharge has no operating electronic Manifest Clearance System.

- 3.5 Check for any Alert or Hold Order issued on the transit-cargo, pursuant to CMO 104-92 and, in the presence of one, and notify the order-issuing office in order that appropriate action can be undertaken.
- 3.6 Present the Transit-Declaration to the Head of the CFZO for approval of the Release Clearance for the transit cargo, where no Alert or Hold Order is found to have been issued or where physical examination, conducted on the basis of an Alert or Hold Order or derogatory information received, proves that the transit-cargo is compliant with customs rules and regulations and other existing laws.
- 3.7 Head of the CFZO approves Release Clearance by signing in the Delivery Box of the Transit-Declaration.
- 3.8 Forward the signed Transit-Declaration to the Warehouse/ Arrastre Operator for release of the transit-cargo.

**1. Release of the Transit Cargo**

- 4.1 The Customs Warehouseman or Wharfinger in the Customs Public Warehouse/ Container Yard-Customs Freight Station (CY-CFS) shall check and verify the identity of the person who will receive the transit cargo upon its release to ensure that the transit cargo is released to the Freeport Zone locator's duly authorized representative.
- 4.2 The Customs Warehouseman or Wharfinger in the Customs Public Warehouse/ Container Yard-Customs Freight Station (CY-CFS) shall check the number of packages, weight and markings on the package of loose transit-cargo and make sure that these match the particulars in the Transit-Declaration.

Where they differ, the Customs Warehouseman or Wharfinger shall submit an Irregularity Report to the Deputy Collector for Operations, who shall cause the same to be subject of examination. Upon clearance from the Deputy Collector for Operations, the Customs Warehouseman or Wharfinger shall supervise loading of the transit cargo on the carrier.

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- 4.3 The Customs Warehouseman or Wharfinger shall attach numbered seal, to be provided by the Customs Public Warehouse/ CY-CFS Operator, on the back door of the container van or other carrier, prior to the release of the transit-cargo for transfer to its Freeport Zone destination

5. **Delivery of the Transit-Cargo to its Freeport Zone Destination**

- 5.1 The authorized representative of the Freeport Zone locator shall receive and transport the transit-cargo to its Freeport Zone destination

- 5.2 Until the BOC has implemented the Automated Risk Management and Selectivity Program (ARMSDP) provided in Section III.4, the authorized representative of the Freeport Zone locator shall bring the transit-cargo to the Customs Clearance Area (CCA) for inspection by designated officials of the BOC and Freeport Zone Authority

- 5.3 Upon arrival at the CCA, the authorized representative of the Freeport Zone locator shall present the A/P to the official of the Freeport Zone Authority for scanning of the Barcode, to confirm delivery of the transit-cargo to its Freeport Zone destination.

(Note: Scanning of the A/P Barcode will cause the A/P System of the Freeport Zone Authority to register in its Database, real time, an electronic confirmation of the delivery of the transit-cargo to its Freeport Zone destination. The CFZO in the port of discharge shall be allowed access to the Database of the A/P System of the Freeport Zone Authority for the purpose of verifying which released transit-cargoes have been delivered to their Freeport Zone destinations )

- 5.4 The authorized representative of the Freeport Zone locator shall then present the Transit-Declaration for the signature of the designated BOC official, also to confirm delivery of the transit-cargo to its Freeport Zone destination. He shall provide the BOC official a copy of the Transit-Declaration and retain a signed copy for the Freeport zone locator.

- 5.5 When the ARMSDP is already being implemented, officials of the BOC and Freeport Zone Authority, shall conduct scanning of the A/P Barcode and signing of the Transit-Declaration in an area

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they will agree upon and shall allow immediate delivery of the transit-cargo to the Freeport Zone locator's venue where the transit-cargo does not bear any sign that it has been opened or tampered during its transfer from the port of discharge to the Freeport Zone destination

- 5.6 Designated BOC and Freeport Zone Officials shall undertake joint inspection of a delivered transit-cargo where there are indications that the cargo may have been opened or tampered during its transfer from the port of discharge to the Freeport Zone destination, provided that BOC official who performed the inspection shall prepare a formal report on the inspection conducted, which he will jointly sign with the designated Freeport Zone Authority official.
- 5.7 The BOC and Freeport Zone Officials shall undertake appropriate action against the Freeport Zone locator and/or its authorized representative in cases where customs rules and regulations and/or other existing laws are found to have been violated during the transfer of the transit-cargo from the port of discharge to its delivery to the Freeport Zone destination.

**VI. Repealing Clause**

All rules and regulations inconsistent with this Order are hereby deemed repealed, suspended or modified accordingly.

**VII. Effectivity**

This Order shall take effect immediately

**NAPOLEON MORALES**  
Commissioner

