



22 December 2008

CUSTOMS MEMORANDUM ORDER

NO. 01-2009

**SUBJECT: ADDITIONAL GUIDELINES FOR THE
 ACCREDITATION OF INFORMATION VALIDATION
 SERVICE PROVIDER (IVSP)**

Pursuant to Customs Administrative Order (CAO) No. 7-2008 and in line with the e2m Customs, the following rules and regulations are hereby issued:

SECTION 1. OBJECTIVES

- 1.1 To effectively implement CAO No. 07-2008 entitled, "Accreditation of Information Validation Service Provider (IVSP) for Integration into BOC's Client Profile Registration System";
- 1.2 To ensure that the interests of the government are amply protected by providing procedures and guidelines for validation of client profile information;
- 1.3 To enhance the accreditation procedures for BOC stakeholders.

SECTION 2. SCOPE OF SERVICES

The scope of services to be outsourced to the accredited IVSP shall include the following:

- 2.1. Design and implement an Information Validation System (IVS) which includes the development of an Information Validation Report (IVR);
- 2.2. Develop and implement procedures for the validation of client profile information;
- 2.3. Develop a Client Risk Assessment System (CRAS);
- 2.4. Develop a database to be used by BOC in periodic risk assessments on subject importers/clients/stakeholders;
- 2.5. Integrate the services and the systems developed as stipulated in paragraphs 2.1, 2.2, 2.3, and 2.4 with the computerized e2m Customs System as specified by the MISTG;
- 2.6. Perform such other services required by the BOC as defined in the Terms of Reference to be prepared by the IVSP Accreditation Committee (IAC) subject to the approval of the Commissioner.

SECTION 3. ADMINISTRATIVE PROVISIONS

3.1 IVSP Accreditation Committee (IAC). The IVSP Accreditation Committee (IAC) is hereby created which shall be composed of:

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|------------------------------------|----|---------------|
| 1. Deputy Commissioner, AOCG | -- | Chairman |
| 2. Deputy Commissioner, MISTG | -- | Vice-Chair |
| 3. Deputy Commissioner, RCMG | -- | Co-Vice Chair |
| 4. Director, Administration Office | -- | Member |
| 5. Director, CIIS – Member | -- | Member |
| 6. Director, Legal Service | -- | Member |
| 7. Director, PSDS | -- | Member |
| 8. Director, ESS | -- | Member |
| 9. Executive Director, CAS | -- | Member |

3.2. Functions of IAC. The IAC shall have the following functions:

- 3.2.1. Facilitate and fast-track the accreditation process to optimize the impact of the outsourcing activity;
- 3.2.2. *Recommend relevant policies, responsibilities and liabilities of IVSP, rules and processes related to all issues surrounding the accreditation of IVSP;
- 3.2.3. Recommend evaluation criteria and business model for accreditation of IVSP for approval of the Commissioner of Customs;
- 3.2.4. Meet regularly or as often as may be necessary to carry out its functions;
- 3.2.5. Perform such other functions as may be assigned to it by the Commissioner.

3.3. IAC Quality Assurance Team. IAC Quality Assurance Team (QAT) is hereby created and shall be composed of the technical experts from MISTG to check and test the necessary infrastructure, computer system/facilities for the accreditation of IVSP.

3.4. IAC Secretariat. The IAC shall be assisted and supported by the IAC Secretariat and members thereof to be named in the Customs Personnel/Special Order for the purpose to perform the following functions:

- 3.4.1. Provide administrative and secretarial support to the IAC;
- 3.4.2. Receive and check the completeness of applications;
- 3.4.3. Establish a system for the effective monitoring and reporting of applications or matters received and taken cognizance of by the IAC pursuant to this Order;
- 3.4.4. Organize and make necessary arrangements* for the IAC meetings;

- 3.4.5. Prepare minutes of the IAC meeting, decisions/resolutions, and internal and external communications, including the sending of notices when required;
- 3.4.6. Keep and secure all pertinent documents handled by IAC;
- 3.4.7. Perform such other functions as may be assigned to it by the IAC.

SECTION 4. ACCREDITATION CRITERIA

- 4.1 IAC shall formulate accreditation criteria for evaluation of applications pursuant to this Order to be approved by the Commissioner;
- 4.2 The duly approved accreditation criteria shall be published by the IAC together with the invitation for accreditation of IVSP.

SECTION 5. ACCREDITATION PROCESS

5.1 Pre-Qualification Process

- 5.1.1 Through the IAC, BOC shall publish in two (2) newspapers of general circulation an invitation for accreditation from IVSP companies. The invitation includes the eligibility requirements and the Terms of Reference that shall be determined by the IAC and approved by the Commissioner.
- 5.1.2 After the issuance of the invitation to apply for accreditation of IVSP but before the date for accepting the application for accreditation to be specified in the said invitation, the IAC shall conduct a pre-qualification conference to clarify and/or explain any of the requirements, terms and conditions for the accreditation of an IVSP.
- 5.1.3 A company who meets the eligibility requirements of this Order wishing to apply for accreditation shall accomplish the Application Form which is hereto attached as ANNEX "A". The complete application together with all the documentary requirements including the BOC Official Receipt representing non-refundable payment of processing fee in the amount of Fifty Thousand Pesos (P50,000.00) shall be submitted to the IAC Secretariat on such date specified in the abovementioned invitation.
- 5.1.4 IAC Secretariat shall check the completeness of the application and the full payment of the processing fee.
- 5.1.5 Upon instruction from the IAC, the QAT together with the IAC Secretariat shall conduct site visits and inspection of the actual operation of the applicant for the purpose of pre-qualification. The QAT and IAC Secretariat shall submit its findings/recommendations to IAC.

- 5.1.6 Upon the direction of the Chairman of the IAC, the Secretariat shall calendar the meeting and issue the necessary notices to all members and interested parties.
- 5.1.7 The IAC shall pre-qualify not more than three (3) service providers from those who have submitted their applications and have been determined as eligible. Only the top three (3) among those determined as eligible shall be considered. The Committee shall issue a Decision in writing approving or denying the application.
- 5.1.8 The IAC shall notify the applicants whose applications have been denied attaching the corresponding Decision with the information that subject Decision is final and non-appealable.
- 5.1.9 Similarly, the IAC shall inform the pre-qualified IVSP/s in writing of the initial approval of its application and its qualification to proceed to the next stage of the process.

5.2. Qualification Process

- 5.2.1. The IAC shall schedule the conduct of a conference among the pre-qualified IVSPs to discuss/clarify, among other things, the technical and financial requirements of the accreditation of an IVSP and the Terms of Reference to be issued to them.
- 5.2.2. Pre-qualified IVSPs shall submit their technical and financial proposals through the Secretariat within the prescribed period identified during the abovementioned conference.
- 5.2.3. Through the IAC, BOC shall release to pre-qualified IVSPs the Terms of Reference (TOR) and the Non Disclosure Understanding which will be signed by their authorized officials.
- 5.2.4. Upon instruction from the IAC, the QAT together with the IAC Secretariat shall conduct site visits and inspection of the actual operation of the pre-qualified IVSPs for the final phase of the accreditation process. Likewise, the QAT shall conduct a testing and determination of the system requirements of the pre-qualified IVSPs which include, among others, checks for user-friendliness of the system. The QAT and IAC Secretariat shall submit its findings/recommendations to IAC.
- 5.2.5. The IAC shall evaluate applications using the Quality-Cost Based Evaluation/Selection (QCBE/S) to be adopted by the IAC and approved by the Commissioner. The IAC shall issue a Decision in writing approving or denying the application for accreditation, stating the reason and area of non-compliance in case of denial.
- 5.2.6. BOC through the IAC shall select and accredit not more than three (3) IVSPs.

- 5.2.7. The IAC shall notify the pre-qualified IVSP/s whose applications have been denied attaching the corresponding Decision with the information that subject Decision is final and non-appealable.
- 5.2.8. In case of approval and upon payment of an initial accreditation fee in the amount of Php50,000.00 (for the probationary accreditation), a Certificate of Accreditation shall be issued by the IAC to the IVSP/s indicating therein the Official Receipt Number and the probationary status for six (6) month of such accreditation.
- 5.2.9. After issuance of the Certificate of Accreditation, the IAC shall make an official announcement and/or publish the accredited IVSP/s for the information of the stakeholders.
- 5.2.10. The accredited IVSP shall undergo the aforesaid six (6)-month probationary period (technical evaluation) after which the BOC through the IAC shall decide whether or not it will grant full accreditation status to the IVSP.
- 5.2.11. Upon granting of full accreditation status and payment of the remaining accreditation fee, the applicant shall be issued an accreditation Certificate, indicating therein the Official Receipt Number and the period of validity of such accreditation.

SECTION 6. CONDITIONS FOR ACCREDITATION

- 6.1 SLU and NDU.** The selected IVSP shall sign a Service Level Undertaking (SLU) and a Non-Disclosure Undertaking (NDU) to be prepared by the IAC subject to approval by the Commissioner.
- 6.2 Performance bonds.** The accredited IVSP shall post a Performance Bond, issued by a BOC-accredited surety company, amounting to Ten Million Pesos (Php 10M) and maintain the same during the subsistence and validity of the accreditation, which shall be forfeited in favor of BOC in the event it is established that the accredited IVSP is in default of any of its obligations.
- 6.3 Technical Acceptance Tests.** The accredited IVSP must successfully pass the technical acceptance tests (including systems integration, data security and integrity, communications, and performance) that will be conducted by the Management Information Systems and Technology Group of the BOC for the initial, the post probationary and the yearly technical evaluation and validation, to qualify for continuous accreditation.
- 6.4 Further Accreditation Process.** BOC may carry out further accreditation processes after three (3) years of operation of the initially accredited IVSP.

- 6.5 **Reservation to Change Accreditation Criteria.** BOC reserves the right to change any of the accreditation criteria as may be deemed necessary by the Commissioner.

SECTION 7. PERIOD AND RENEWAL OF ACCREDITATION

- 7.1 The selected IVSP shall be given accreditation status for a period of three (3) consecutive years, inclusive of the probationary period, and will be renewable yearly thereafter.
- 7.2 An accredited IVSP desiring to continue his services with the BOC is enjoined to file his accreditation renewal application with IAC at least thirty (30) days before the expiration of its three-year accreditation or one-year accreditation, as the case may be, subject to the evaluation of the quality of their performance as measured by the Service Level Undertaking (SLU), and compliance to Eligibility requirements.
- 7.3 No application for renewal of accreditation shall be accepted if the certificate of accreditation has been suspended or revoked during the time of its subsistence, unless subsequently lifted by the IAC.
- 7.4 An application for renewal filed beyond the prescribed period for application for renewal shall be considered a new application for the purpose only of charging the appropriate processing fee mentioned in Section 4.1 of this Order.

SECTION 8. SCHEDULE OF FEES

- 8.1 **Accreditation and Renewal Fees Payable to BOC by the Accredited IVSP.** A one time accreditation fee of PhP 300,000.00 (PhP 50,000.00 for probationary accreditation and balance of PhP 250,000.00 upon approval of full accreditation status) good for three (3) years and a yearly renewal fee of PhP 100,000.00 thereafter, shall be imposed.
- 8.2 **Fees Payable to IVSP by the transacting public.** The IVSP will determine its respective fee structures based on several factors such as market conditions and systems sustainability requirements, among others, which shall be submitted in the financial proposal. The schedule of fees as proposed shall be one of the bases for accreditation and shall not be increased without the prior approval by the BOC and the Department of Finance. The BOC shall not collect those fees in behalf of the IVSP.

SECTION 9. PRE-TERMINATION OF AGREEMENT OR CANCELLATION OF ACCREDITATION

- 9.1 BOC through the IAC may pre-terminate its Agreement with the accredited IVSP or cancel IVSP's accreditation for any of the following:

- 9.1.1 Violation of the provisions of this Order and related rules and regulations, including SLU and NDU.
- 9.1.2 Violation of the Tariff and Customs Code of the Philippines, e-Commerce Act and other related laws.
- 9.1.3 Actions inimical to the security and integrity of the BOC e-Customs operations.
- 9.1.4 Other violations as may be determined by the Commissioner of BOC.

SECTION 10. REPEALING CLAUSE

All orders, memoranda, circulars and such other issuances inconsistent herewith are hereby repealed and/or deemed modified accordingly.

SECTION 11. SEPARABILITY CLAUSE

If any part or provision of this Order is later on declared invalid or illegal, the remaining portion shall remain valid and unaffected.

Section 12. EFFECTIVITY CLAUSE

This Order shall take effect immediately.

NAPOLEON MORALES
Commissioner

