



**CUSTOMS MEMORANDUM ORDER (CMO)**

NO. 21-2020

**SUBJECT: ENHANCED CARGO SELECTIVITY SYSTEM**

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**Introduction.** This Order is issued pursuant to Executive Order No. 836 series of 2009, Section 301 and other relevant provisions of Republic Act No. 10683, otherwise known as the Customs Modernization and Tariff Act (CMTA), Customs Administrative Order No. 6-2009, Customs Memorandum Order No. 51-2009, and other related customs rules and regulations.

**Section 1. Objectives**

- 1.1.** To promote trade facilitation and to provide a seamless movement of goods across borders through secure international trade supply chains with the use of risk management and modern technology;
- 1.2.** To use automation to the fullest extent possible, and adopt a compliance measurement strategy to support risk management;
- 1.3.** To prevent the entry of contraband and prohibited goods through efficient and effective intelligence coordination, and secure timely information pipeline from all sources to the RMO;
- 1.4.** To have a dynamic, systematic, structured and documented process in setting and updating of Selectivity Screens;
- 1.5.** To embed the risk management process across the Bureau and define the roles and functions of every office in the risk assessment, targeting and feedback mechanism.

**Section 2. Scope.** This Order covers the operational procedures of the Risk Management Office in data gathering and analysis, risk assessment, profiling and targeting, updating of Selectivity Criteria and Parameters, and the monitoring and evaluation of results thereof. This will also cover the roles of other concerned offices and/or Collection Districts nationwide in the risk management process relevant to the improvement of the Selectivity System of the Bureau.

### **Section 3. Definition of Terms**

**3.1. Risk Management** - The systematic application of management procedures and practices which provide the Bureau with necessary information to address movements or consignments which present a risk.<sup>1</sup>

**3.2. Selectivity System** - The application of risk management and the use of risk-based channeling (red/yellow/green) that allows the Bureau to allocate its scarce resources to the high-risk areas while increasing the efficiency of the clearance process for low-risk shipments.<sup>2</sup>

**3.3. Selectivity Rules** - The conditions set in the risk management function of the customs computer system using criteria, parameters, and other data elements that determine the level of treatment to be applied to the goods declaration through automated channeling of goods.

**3.4. Risk Matrix** – Tool for ranking and displaying risks by defining ranges for consequence and likelihood.<sup>3</sup>

**3.5. National Customs Enforcement Network (NCEN)** – A system developed by the WCO to assist the Bureau administrations with the collection and storage of law-enforcement information on the national level, with the additional capability to exchange this information at the regional and international levels.<sup>4</sup>

**3.6. Cargo Targeting System (CTS)** – A cargo manifest risk assessment solution developed by the WCO to enable its Members to carry out international best practice cargo risk assessment to manage risk and facilitate trade and thus implement key parts of the WCO's SAFE Framework of Standards and Kyoto Convention.<sup>5</sup>

**3.7. Client Profile Registration System (CPRS)** – System where all application of importers and customs brokers are stored upon the approval of the Accounts Management Office (AMO) before the said importers and customs brokers shall be allowed to transact with BOC.

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<sup>1</sup> Annex 1, WCO Safe Framework of Standards, 2018 Edition; Standard 6.3 Revised Kyoto Convention

<sup>2</sup> United Nations Trade Facilitation Implementation Guide

<sup>3</sup> WCO Risk Management Compendium Glossary

<sup>4</sup> <http://www.wcoomd.org/en/topics/enforcement-and-compliance/instruments-and-tools/cen-suite/ncen.aspx>

<sup>5</sup> [http://www.wcoomd.org/en/topics/wco-implementing-the-wto-atf/~/\\_media/6E2118554F6A43DB83A07C603494C627.ashx](http://www.wcoomd.org/en/topics/wco-implementing-the-wto-atf/~/_media/6E2118554F6A43DB83A07C603494C627.ashx)

**Section 4. Main Roles of BOC Offices in Cargo Selectivity Capability.**

Effective risk management cannot be practiced in isolation but needs to be built into existing decision-making structures and processes.<sup>6</sup> Key areas in the overall risk management process are performed at various levels by all offices within the Bureau to ensure efficient and effective cargo control, including the following main roles of the BOC offices with regard to the Selectivity System but are not limited to own integration of risk management in their specific structures and/or mandates:

- 4.1. Risk Management Office (RMO)** - Responsible in operating the Risk Management function of the Customs Computer System by translating the risks identified across the Bureau into Selectivity Rules and recommend to the Commissioner of Customs policies and programs to increase efficiency and effectiveness of the Bureau's Selectivity System.
- 4.2. Intelligence Group (IG)** - Supervises the day-to-day operations of the Risk Management Office for an intelligence-driven risk management.
- 4.3. Management Information Systems and Technology Group (MISTG)** – Provides technical assistance in order that cargo selectivity is made possible by automated declaration processing systems to select shipments based on specific criteria and to direct those shipments for a variety of types and levels of treatment thru a risk management system capable of continuous improvement and enhancement.
- 4.4. Customs Intelligence and Investigation Service (CIIS)** - Responsible in providing Risk Management Office target-specific profiles, modus operandi and other derogatory information gathered by intelligence officers from various field stations that must be efficiently intervened through selectivity tagging.
- 4.5. Legal Service** – Utilize the data gathered by RMO to profile and build up cases relative to importers and other stakeholders of the Bureau and prosecute all violations of the CMTA identified through the operations of this Order.
- 4.6. Enforcement and Security Service (ESS)** - Monitors treatment of goods at various level of clearance procedure and report to RMO, thru the National Customs Enforcement Network (NCEN), an active repository of information of how smuggling activities are carried out - from the modes of concealment, modes of transportation, timeline and other findings.

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<sup>6</sup> WCO Risk Management Compendium Volume 1, p.12

- 4.7. Import Assessment Service (IAS)** - Responsible in providing Risk Management Office data and other information involving loss or decline of government revenue due to improper valuation and/or classification.
- 4.8. Trade Information and Risk Assessment Office (TIRAO)** – Reviews available data to determine compliance markers of traders for the purpose of developing an audit program and provide feedback to RMO on the results as reference for continuous monitoring and evaluation of compliance of traders.
- 4.9. Accounts Management Office (AMO)** – Responsible in managing the profiles thru the Customs Profile Registration System (CPRS) by regularly updating the details of newly accredited, revoked and/or suspended importers, exporters and brokers and providing Risk Management Office relevant data of high-risk accounts.
- 4.10. X-Ray Inspection Project (XIP)** - Ensures that shipments tagged for X-ray are inspected and results are regularly reported to Risk Management Office and update RMO of its workload capacity in order to maximize the use of non-intrusive inspection to facilitate trade while ensuring border protection.
- 4.11. Collection Districts** - Responsible in carrying out appropriate treatment on selected goods based on the lane color and report all findings through the Inspection Act<sup>7</sup> as well as its workload capacity, and any interventions performed to address risk and/or facilitate trade and all other observations and recommendations thru the Risk Management Units (RMUs)<sup>8</sup> for the continuous review and recalibration of Selectivity Rules by the Risk Management Office.
- 4.12. Other BOC Offices/Customs Personnel** - The Risk Management Office shall have the authority to require data and information relevant to its function from all offices and personnel of the Bureau.<sup>9</sup>

**Section 5. Operational Provisions.** To ensure sustainable system of setting and changing the Selectivity Screens, RMO shall undertake the following specific tasks:

- 5.1. Risk Identification.** The Strategic Assessment Unit (SAU) shall conduct risk identification describing the current control system, its strength and weaknesses, likelihood of occurrence of risk, its category, the risk matrix and potential impact to be able to come up with proper risk evaluation and prioritization.

<sup>7</sup> Memorandum dated June 8, 2020 signed by the Commissioner “Guidelines for Filling Out the Inspection Act”

<sup>8</sup> Customs Memorandum Order No. 44-2019 “Preparation of Regional Risk Management Units (RMUs)”

<sup>9</sup> Customs Administrative Order No. 06-2009, IV par. 2; Customs Memorandum Order No. 51-2009, V par. 2

**5.1.1. Risk Register.** All risks identified including additional information about each risk shall then be recorded in a Risk Register containing all references of how decisions and Selectivity Rules have arrived through risk weighing and prioritization.

**5.1.2. Internal Compliance Management.** SAU shall regularly monitor the compliance and effectivity of all the Selectivity Rules translated in the system and recommend preventive and corrective actions on the gaps identified that hinder the effective execution of objectives or targets.

**5.2. Selectivity Management.** The Operational Risk Assessment Unit (ORAU) shall be responsible for creation, monitoring and evaluation of set criteria and parameters including system behaviors affecting the selectivity.

**5.2.1. Criteria Management and Monitoring.** The creation, modification or deactivation of criteria shall be the sole responsibility of ORAU. All identified risks shall be translated as Selectivity Criteria ensuring that the conditions meet the expected outcome to address risks.

**5.2.2. Criteria Category.** All Criteria shall be categorized whether fixed or specific, and regional or national.

**5.2.2.1** Based on Manner of Creation:

- a. *Fixed Criteria* – criteria which are decided upon the Customs Risk Management Steering Committee or existing national and international policies which are monitored on a regular basis, reviewed, and updated periodically.
- b. *Specific Criteria* – criteria that are created on the basis of derogatory information and/or other time-sensitive data received by RMO that require immediate treatment.

**5.2.2.2.** Based on Geographic Application:

- a. *National Criteria* – criteria which are applicable on all ports and shall be implemented bureau-wide.
- b. *Regional Criteria* – criteria which are applicable only on particular collection district/s taking into consideration the risk appetite, issues and concerns arising therefrom

including but not limited to the workload capacity of the concerned port/s and subport/s.

**5.3. Profiling and Targeting.** The Bureau should use sophisticated methods to identify and target potentially high risk cargo, including - but not limited to - advance electronic information about cargo shipments to and from a country before they depart or arrive; strategic intelligence; automated trade data; anomaly analysis; and the relative security of a trader's supply chain.<sup>10</sup>

**5.3.1. Risk Assessment and Scoring.** The Research and Analysis Unit (RAU) shall be responsible in the profiling and targeting of shipments and creation of Selectivity Lists based on specific risk category using scoring system generated from the consolidated data and reports of various offices. The scoring system includes all the identified risk indicators and other threats in import and export.

**5.3.2. Cargo Targeting System (CTS).** The CTS holds all available information in the electronic manifest submitted by the shipping lines and freight forwarders. It shall be utilized to validate information from other sources to check data declared by the shipping lines, freight forwarders and importers, and detect possible violation.

**5.3.3. Selectivity Lists.** The metrics used as reference for risk assessment and profiling shall be revised depending on the trend analysis of RMO. Profiles shall be uploaded in Selectivity Lists for appropriate channeling and reviewed periodically for continuous improvement of profiling activities.

**5.4. Data Warehouse.** A main source of information for report generation and analysis shall be developed and maintained. For the creation of a Data Warehouse, RMO shall coordinate with the MISTG, for the extraction of all import and export data on a regular basis and move it to a dedicated server for RMO's consumption.

**5.4.1. Database.** Each unit shall maintain their own database of information depending on the nature of tasks assigned to each which will then be stored in the Office's Data Warehouse.

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<sup>10</sup> Standard 5, WCO Safe Framework of Standards.

**5.4.1.1.** For monitoring and evaluation:

- a) *Inspection Results* – these include results from Inspection Act accomplished by the officers at the Collection Districts, X-ray Reports containing all scanned shipments and each corresponding finding, and Risk Management Unit Reports.
- b) *Lodged and Assessed Entries* – all information on entries filed and assessed shall be accessible and extracted real-time for efficient monitoring and evaluation of selectivity screens.

**5.4.1.2.** For Profiling and Targeting:

- a) *Seizure and Forfeiture List* – All seizures and forfeitures decided in all Collection Districts shall be reported immediately to RMO containing all relevant information for its decision.
- b) *Alert Orders* – Alert Order Clearing House Desk or the office which issued the alert order shall submit a daily report to RMO on all alert orders issued containing all information relevant for the issuance of such order.

**5.4.2. Electronic Data/Report Collection System.** For a more efficient risk analysis and evaluation essential for dynamic updating of Selectivity Screens, RMO thru MISTG must develop an electronic system of submission of all the reports and data for the above-mentioned databases for the utilization of the offices responsible for its submission.

**Section 6. Compliance Program**

**6.1. Feedback Loop.** For a dynamic review of performance and continuous recalibration of the Selectivity Screens, a sustainable feedback mechanism is necessary to check how treatments are carried out in ascertaining threats and risks thru a viable reporting system.

**6.1.1. Inspection Act** shall be filled out by Customs Examiners and Appraisers, indicating appropriate fraud codes and other findings necessary to evaluate risk or compliance level of shipments.

**6.1.2. *Electronic Feedback Forms*** shall be filled out by Risk Management Units (RMUs) to immediately report any observation and other findings upon filing of goods declaration.

**6.1.3. *Secured Reporting Portal*** shall be developed to be utilized by various offices of the Bureau for up-to-date information sharing.

**6.1.4. *Intra-web Dashboard*** shall be shared across relevant offices to monitor the performance of the Selectivity including the selections and detections for analysis on areas that must be given immediate attention.

**6.1.5. *Direct Reports*** from various offices communicated thru electronic mail or written document.

**6.2. *Compliance Track Record.*** RMO shall generate a score card that measures compliance and/or risk levels of importers, exporters, brokers, commodities, and other essential profile categories based on the consolidated reports from all sources. The score cards and other related information shall be treated with utmost confidentiality and shall be made available only to the Commissioner of Customs, Deputy Commissioner for Intelligence Group and authorized RMO personnel.

**6.3. *Customs Risk Management Steering Committee.***<sup>11</sup> The Deputy Commissioner for Intelligence Group shall regularly convene members and other concerned offices to ensure every field in risk management - field operations, investigations, post-clearance, intelligence, tariff, valuation and information technology - is well represented through holistic decision making, overseeing the risk management and cargo selectivity processes, assuring integrity of those processes, monitoring the productivity of RMO, and securing that the processes are supported through out the BOC through a Risk Management policy that is regularly reviewed and revised.

**Section 7. Miscellaneous Provision.** A focal team from the Management Information Systems and Technology Group (MISTG) shall be responsible in providing immediate and direct response to the Risk Management Office on the following areas:

- a. Technical errors and other issues in the system;
- b. Network connections and other hardware components; and
- c. Project development and system enhancements.

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<sup>11</sup> Customs Special Order No. 22-2019



**Section 8. Administrative Sanctions.** A customs employee who violates any or part of the provisions of this Order shall be held administratively liable, in addition to the penal sanctions that may be imposed upon his person.

**Section 9. Repealing Clause.** All orders, memoranda, circulars or parts thereof which are inconsistent with this Order are deemed revoked, amended or modified accordingly.

**Section 10. Separability Clause.** If any part of this Order is declared by the Courts as unconstitutional or contrary to existing laws, the other parts not so declared shall remain in full force.

**Section 11. Effectivity.** This Order shall take effect on 01 SEP 2020.

*Handwritten signature*  
**REY LEONARDO B. GUERRERO**  
Commissioner



BOC-02-03018

AUG 26 2020