



Republic of the Philippines
DEPARTMENT OF FINANCE
BUREAU OF CUSTOMS
Manila 1099

CUSTOMS MEMORANDUM ORDER
NO. 23 - 2010

21 JUN 2010

SUBJECT: RULES AND REGULATIONS PRESCRIBING THE PROCEDURE FOR THE IMPORTATIONS BY CUSTOMS BONDED WAREHOUSE OPERATORS OR ACCREDITED MEMBERS OF CUSTOMS COMMON BONDED WAREHOUSE OPERATORS CONSISTING OF ETHYLENE, BUTANE AND OTHER SIMILAR RAW MATERIALS DIRECTLY DISCHARGED FROM THE VESSEL THRU PIPELINE TO THE MEMBER AS AN EXCEPTION TO CMO 39-91

I. OBJECTIVES:

1.1 To fix as a baseline case the direct transfer thru pipeline of ethylene and butane from the discharging vessel to the Mariveles, Bataan plant of NPC Alliance (accredited member of Philippine Exporters Confederation, Inc.) under the August 6, 2008 2nd Indorsement of the Assessment and Operations Coordinating Group approving the said direct transfer of raw material importations as an exception to CMO 39-91 based on reasons and under terms and conditions set forth therein (copy of Indorsement attached as Annex A and forming an integral part hereof).

1.2 To provide the procedure which all similarly situated customs bonded warehouse operators (CBWs) and members of customs common bonded warehouse operators (CBW members) shall adopt subject to prior determination and approval by the Customs Bonded Warehouse Committee as to whether or not the CBW / CBW member's pertinent circumstances are similar to the aforestated NPC Alliance baseline case.

1.3 To ensure that all concerned Collection District Ports (i.e., the Port with jurisdiction over the CBW/ CBW Member and the District Port where the pertinent vessel will dock and discharge) and Bureau Of Customs offices, including the Customs Bonded Warehouse Operating Division and the concerned Warehousing Assessment offices, such as the Warehousing Assessment Division (WAD)/ Special Warehousing Assessment Unit (SWAU), are well-coordinated in their respective functions under the procedure herein set forth in order to prevent misdeclarations and other violations of bonded warehousing rules and regulations and for monitoring purposes in general.

II. SCOPE:

2.1 This Order applies only to the raw material importations of Customs Bonded Warehouse Operators (CBWs) and Accredited Members of Customs Common Bonded Warehouse Operators (CBW Members) consisting of ethylene in bulk, butane in bulk, and other similar raw materials that can be discharged only thru pipeline from the vessel direct to the CBW/ Member's Plant as the only efficient, practical and viable way of transporting the same without inflicting material damage thereto.

III. GENERAL PROVISIONS:

3.1 Under the provisions of CAO 2-91 as implemented by CMO 39-91, all raw material importations of Common Bonded Warehouse Operators (For the Account of its Accredited Members) shall be transported under-guarded by a Customs Guard and

covered by a boat-note from the Customs zone to the Common Bonded Warehouse. No withdrawal from said warehouse for production at the CBW member's factory shall be carried out unless a regular Warehousing Entry has been processed and supported by a requisition slip approved by the Customs warehouseman and, covered by a boat-note, under-guarded up to the said factory.

3.2 On account of the nature of ethylene and butane which can only be transported thru a pipeline at a temperature of negative 102 degrees centigrade, the direct transfer from the vessel to the CBW member's plant was deemed justified in the case of NPC Alliance and thereby approved by the Customs Bonded Warehouse Committee under its 1st Indorsement dated August 6, 2008 as an exception to CMO 39-91.

IV. OPERATIONAL PROVISIONS:

Procedure for Importation

4.1 The CBW/ CBW FAO of its Accredited Member shall give the Bonded Warehouse Operating Division and the WAD or SWAU Examiner (whichever is applicable) two-working day advance notice for every importation of ethylene and butane or the pertinent raw material to enable the latter sufficient lead time to mobilize their personnel or representative for the intended examination and under-guarding at the site where the vessel is docked under the jurisdiction of the pertinent District Port or Sub-Port;

4.2 The CBW shall provide its assigned accredited broker the required Authority to Import/ Process and undertake advanced processing of the Transshipment Permit with the concerned Bonded Warehouse Operating Division;

4.3 The Bonded Warehouse Operating Division shall issue the following concomitant to the advanced processing of the Transshipment Permit:

- Mission Order designating the Customs Guard/s for under-guarding purposes
- Boatnote to be signed by the Customs Warehouseman upon verifying receipt of the shipment at the CBW Member's plant;

4.4 The pertinent Collection District Port or Sub-Port with jurisdiction over the docking/ discharging vessel shall issue the following as requisites for the processing of the pertinent Warehousing Entry:

- Transshipment Permit containing the necessary approval of the concerned Bonded Warehouse Operating Division and required signatures/ approval of the said Port or Sub-Port to complete the documentary processing of said Permit
- Permit to Discharge

4.5 At the point of discharge, the meter reading gauge shall be set at zero to enable the WAD or SWAU Examiner to monitor the discharging as requisite to the actual examination that said Examiner will conduct thereafter.

4.6 The WAD or SWAU Examiner shall then undertake actual examination during the discharge and shall verify the following supporting documents:

- Surveyor's Report at the Port of Origin
- Surveyor's Report at the Port of Discharge
- Gauge Reading indicating volume of raw material received at the Port of Discharge
- Authenticated copy of the Inward Foreign Manifest
- Bill of Lading
- Invoice

4.7 Within five (5) days from receipt of the raw material importation at the CBW Member's Plant, the CBW FAO of the said CBW Member shall file the Warehousing

Entry at its District Port of jurisdiction or destination with the following supporting documents:

- Bill of Lading
- Invoice
- Packing List
- Authenticated Copy of the Inward Foreign Manifest
- Surveyor's Report at the Port of Origin
- Surveyor's Report at the Port of Discharge
- Initial and Final Gauge Reading authenticated by the Port or Sub-Port with jurisdiction over the discharging vessel
- Computer Printout of the Gauge Reading indicating volume of raw material received at the Port of Discharge
- The usual Warehousing bond cover from the pertinent Bonds Division
- The WAD or SWAU's examination findings taken during the discharge at the pertinent Port or Sub-Port
- Boatnote duly signed by the Customs Warehouseman signifying receipt of the shipment at the CBW Member's Plant

Procedure for Exportation

4.8 The procedure for exportation shall conform to the provisions of CMO 39-91 except that at least three (3) working-day advance notice shall be given to the WAD or SWAU and the Bonded Warehouse Operating Division of the expected time of loading to give the latter enough lead time to deploy their personnel for the required examination and under-guarding from the CBW Member's Plant to the Port of Loading.

4.9 For liquidation purposes, the basis for conversion shall be the volume of the shipment as measured from the vessel prior to discharge.

Other Operational Provisions

4.10 To ensure that the rules and regulations on customs bonded warehouse are properly implemented thru effective coordination, evaluation, supervision and monitoring of CBW operations/activities, the Operating Division concerned shall submit a comprehensive report to the Deputy Commissioner, AOCG (Attn: Chief, Warehouse Coordination Division) containing the details of transfer together with all relevant information. In the same manner, the WCD, AOCG, in the exercise of its oversight function shall be given free access by the CBW operator to conduct regular checking of the operations of the CBW concerned.

V. PENALTY CLAUSE

Any violation of the provisions herein shall be subject to penalties under applicable laws and existing Customs warehousing rules and regulations including CMO 2-91, CMO 39-91 and CMO 34-2009.

VI. REPEALING CLAUSE:

All other customs rules, regulations and issuances or parts thereof inconsistent with this Order are hereby deemed modified/ repealed accordingly.

VII. EFFECTIVITY:

This Order shall take effect immediately.

NAPOLEON L. MORALES
Commissioner