

THE COMPLETE CUSTOMS COMPLIANCE PLAYBOOK

A Guide to Choosing and Using ABI Software to
Accelerate Customs Clearance

Magaya

Trade processes and best practices in the age of globalization are complex and comprehensive, to say the least. *Compliance* is now the keyword for companies looking to meet growing global demand.

But the evolving nature of customs regulations — both at home and abroad — creates ongoing challenges for organizations looking to streamline the movement of products across borders, into warehouses, and eventually onto the doorsteps of consumers worldwide.

Clearing customs quickly and efficiently is directly correlated with profitability. But, with so many bureaucratic obligations, compliance can consume a lot of time. Selecting the right ABI software to support your compliance operations can have a significant impact on your bottom line.

In our complete customs compliance playbook, we'll walk you through what matters most: the driving forces behind customs compliance regulations, who bears the responsibility for ensuring compliance, and how you can leverage software to streamline and secure the crucial processes surrounding compliance.



The 2 Cs of Customs Compliance: Conformity and Consistency

As complicated as the world of customs compliance can be, ultimately, the goals of its many regulations all boil down to conformity and consistency:

Conformity helps regulate the process of importing goods. If each importer uses their own version of documentation, data recording, and delivery, it becomes impossible for the CBP to effectively process goods in a timely fashion, in turn frustrating the ability of companies to access or manage their inventory from international suppliers. As a result, compliance conditions enacted under the Trade Facilitation and Trade Enforcement Act (TFTEA) of 2015 focus on conformity of regulation and reporting to ensure that the CBP, American importers, and any other relevant agencies can ensure customs reporting conformity.

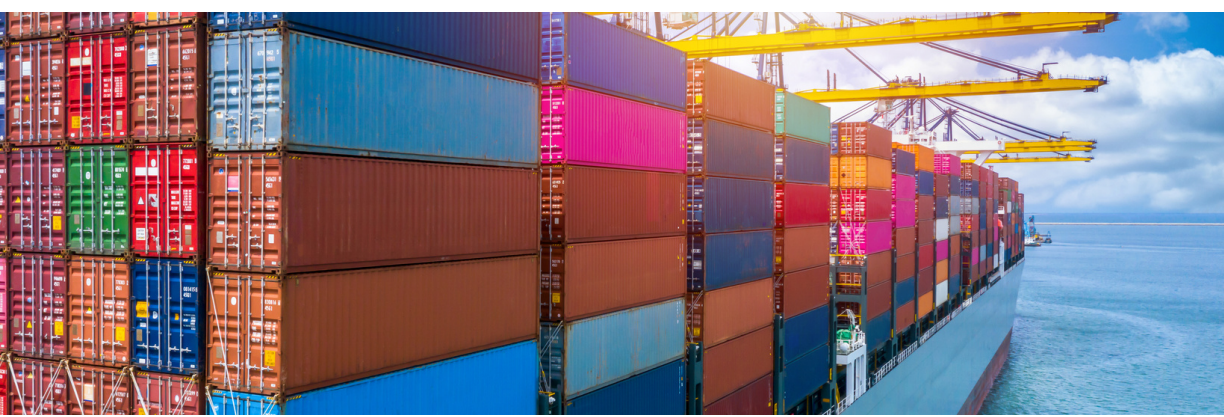
Consistency, meanwhile, is critical to ensure that all goods entering the country are easily traced back to their point of origin and that all reports contain key information about the value, purpose, and eventual destination of goods. This is essential in an increasingly globalized environment that sees goods from multiple countries — all with their own standards around manufacturing, safety, and compliance — arriving in the United States every day. By specifying standardized reporting structures for all importers, the CBP can rapidly assess goods using multiple, consistent criteria and release them to importers as quickly as possible.

The CBP offers a helpful checklist to ensure companies can satisfy key compliance requirements, which include:

- *Careful preparation of invoices, including sufficient space between lines that are easy to read and contain all relevant data*
- *Consistent marking and numbering for each package to ensure it can be easily identified*
- *Complete, detailed descriptions of each item in your shipment and in each individual package*
- *Compliance with specific import standards and records-keeping related to substances such as food, cosmetics, alcohol, and dangerous goods*
- *Comprehensive physical safety measures to ensure goods are not compromised in storage or during transport*
- *Consider the use of carriers that participate in the Automated Manifest System (AMS) and licensed customs brokers who participate in the Automated Broker Interface (ABI)*
- *Connect with CBP officials with any questions or concerns before proceeding*

While the list of required actions and recommended steps is substantial, it's worth noting that failure to comply with compliance regulations will hinder the ability of importers to quickly and reliably access products and deliver on customer expectations.

Who is ultimately responsible for customs compliance?



The responsibility for customs compliance ultimately resides with the importer of record (IOR), who could be the eventual owner of the goods, the purchaser, the reseller, or even a customs broker.

While exporters are required to properly categorize and describe their products before shipping, the importer of record is responsible for the accuracy and completeness of any compliance documentation and must also ensure that all regulations are satisfied.

In the United States, CBP compliance regulations state that all importers are responsible for:

- Collecting, validating, and submitting critical data about all imported goods
- Storing this data and providing upon request of the CBP
- Assessing data collected to ensure its accuracy and ongoing with new compliance regulations as trade agreements and import laws evolve
- Ensuring that all product descriptions, value figures, and origin information are current
- Marking all products with a clear indication of their origin country and manufacturer

Failure to comply with these regulations can result in delays to existing shipments or disruption to key lines of service if CBP agents must take extra steps to confirm key data. Importers may be assessed fines or penalties based on any discrepancies between stated goods value and actual assessment, and, in cases of extreme negligence or refusal to follow importing guidelines, can even lose the ability to import goods into the United States altogether.

Combatting Customs Compliance Complexity

The complex nature of customs regulations creates a critical compliance challenge.

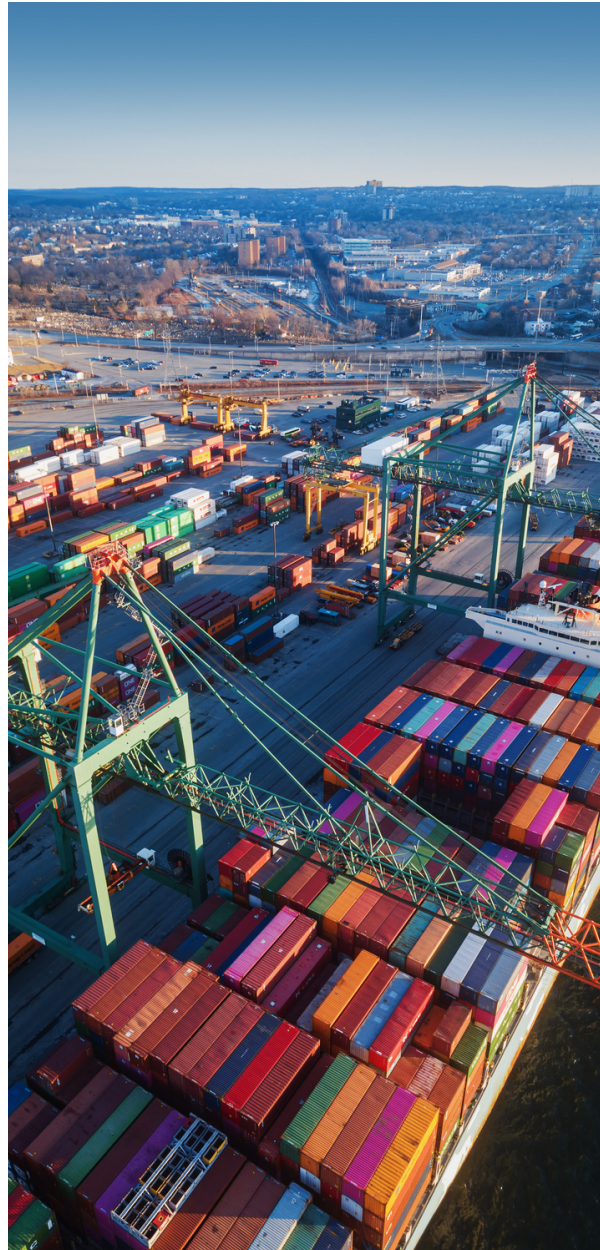
The sheer number of compliance rules and regulations combined with variations based on country of origin, international shipping laws, and applicable treaty conditions can frustrate even experienced importers when it comes to streamlining the import process.

From potential errors stemming from manual data entry to duplicate efforts if teams can't effectively communicate and collaborate, complexity in customs can ultimately lead to consumer frustration — and lost revenue.

Plus, customs regulations and related tariff schedules are ever-evolving. Trying to keep up with the constant pace of change may feel like a losing battle without the right support.

As a result, **choosing the right ABI software for your business is a crucial decision** that can prevent costly errors, speed up processes, and improve customs compliance by delivering end-to-end visibility and control, providing businesses with the data to satisfy IOR requirements on demand.

With software markets and customs solutions rapidly evolving, the question remains: how do importers find the best-fit ABI offering?



How to Choose the Right Customs Compliance (ABI) Software for Your Business

While specific business needs and IOR requirements will ultimately dictate the ideal solution for individual importers, there are general guidelines that apply across IOR operations — from freight forwarders to third-party logistics firms to customs brokers, warehouses, NVOCCs, and even self-fliers.

To find customs compliance ABI software that both meets current needs and delivers on emerging requirements, companies should start with four questions:

1. How are current customs processes handled?

While it's often tempting for smaller firms that rarely import goods into the United States or deal with low-volume, low-complexity to handle customs compliance in-house, it doesn't take much for order volumes to ramp up and regulatory concerns to emerge. As a result, it's worth considering both your current need for partner government agency (PGA) certified import processes and how they may evolve over time.

2. What features are essential for key processes?

Does your organization handle reconciliations? In-bonds? Do you handle eManifests as the IOR for multiple third parties? By identifying where current processes are working as intended and where existing frameworks can't keep up, it's possible to narrow your search for ABI software.

The goal here isn't finding a broad solution that offers more than you need and has a cost to match — instead, companies need to find ABI software that can be tailored to meet current process needs and improve ongoing operations.

3. What are the current — and expected — volumes of customs transactions across the organization?

How many import orders is your firm currently processing? What's the outlook for next month? Next year? While global markets are subject to ongoing fluctuation, reliable importers are never out of work; those able to navigate regulatory complexity are sought after by enterprises looking to move goods into the United States, but that lack the time or budget to handle complex compliance processes internally.

Evaluating current and expected transaction volumes can help identify the best-fit ABI software for your organization. Ideally, look for a provider that can both handle current customs compliance concerns and scale up on-demand as volumes increase.

4. What level of support is required to ensure streamlined operations?

When it comes to support for customs compliance, companies must consider two broad areas: system and staff. System support is necessary when existing infrastructure or new software updates cause process problems — as a result, it's critical to look for an ABI software vendor that provides both detailed documentation and ongoing technical support for its products.

For staff, meanwhile, it's essential to select a solution that's easy and intuitive to learn. Adopting a new system can speed processes and reduce complexity — but only if staff can easily make the transition.



A Customs Compliance Glossary

The sheer number of terms associated with customs processing and compliance can easily overwhelm even experienced business owners and operators. Some of the most common terms include:

- *ACE* — The Automated Commercial Environment system is used by the CBP to both streamline import operations and ensure compliance with key rules and regulations.
- *ABI* — The Automated Broker Interface is an opt-in program available to importers and brokers as a way to reduce the potential for import data errors. According to the CBP, 96 percent of all import entries are filed using the ABI.
- *Air Manifest* — An air manifest lists the cargo, passengers, and crew of any aircraft arriving in the United States and is required for customs compliance.
- *AWB* — An air waybill includes detailed information about goods being transported by air that allows the shipment to be easily analyzed and tracked. Multiple copies of an AWB are required to ensure that all parties involved have access to shipping data.
- *BOL* — A bill of lading is issued by carriers to acknowledge the receipt of goods for shipment. In the United States, BOLs are used for all types of import transportation — ground, sea, or air.
- *BOM* — The bill of materials contains detailed information about the materials and components present in any shipment of goods, along with their quantities.
- *CBP* — The U.S. Customs and Border Patrol is responsible for overseeing and enforcing customs compliance requirements. Other agencies — such as the DEA or FDA — can order the CBP to export or destroy imported goods that don't meet regulatory requirements.
- *CFS* — A container freight station is used to load or unload containerized cargo — first at the point of departure and again at the point of arrival — to verify shipment contents. CFS fees typically apply for each step of this process and vary by country.
- *COC* — A certificate of conformity is a mandatory document that must be obtained by importers to demonstrate that products meet minimum regulatory standards for safety and function.
- *Common Carrier* — Common carriers are businesses that transport goods for compensation. They range from owner/operator trucking companies to national airlines and commercial transport fleets.
- *DGN* — Importers must obtain a dangerous goods note that describes the details of any shipment that may contain hazardous materials.
- *EBond* — Electronic bonds are now supported by CBP ACE systems for shipments that require bonds as security for shipment.

- *EEI* — Electronic export information is filed in AES systems and is the same as the information collected by hard-copy Shipper's Export Declarations.
- *FTA* — Free trade agreements allow the movement of goods and services freely between signatory nations. In most cases, common goods can be imported without tariffs or hindrances, but most FTAs do include specific categories of exclusion.
- *FTZ* — A foreign trade zone is an area adjacent to ports of entry where imported goods can be packed, unpacked, and evaluated without being subject to local import duties.
- *HTS* — The harmonized tariff schedule was designed by the World Customs Organization (WCO) to uniformly classify goods that are shipped and sold internationally.
- *In-Bond* — An in-bond shipment moves through the United States — for example, from Mexico to Canada — but won't be sold or commercialized in the USA. In-bond shipments are (as needed) stored in bonded warehouses along their route.
- *IOR* — The importer of record is classified as the owner or purchaser of goods being transported and is responsible for meeting CBP compliance expectations.
- *ISF* — The importer security filing is required for any goods arriving in the United States by ocean vessel and describes specific cargo information requested by the CBP. Shipments arriving without an ISF will not be processed.
- *POA* — Power of attorney authorizes the IOR to act on behalf of their eventual customer or buyer and make decisions regarding how shipments are processed, handled, and disbursed.
- *SLI* — The shipper's letter of instruction allows a carrier to create and sign a bill of lading on behalf of the shipper.
- *STIC* — The Standard International Trade Classification is a numerical system created by the United Nations to help standardize the classification of commodities worldwide.
- *Straight Bill of Lading* — A straight bill of lading is nonnegotiable and directly consigns imported goods to a named consignee.
- *Through Bill of Lading* — A through bill of lading combines domestic and international carriage requirements to create a single bill of lading for shipments. These bills of lading are not applicable for ocean shipments, which typically require both inland and international bills to meet compliance standards.
- *Without Reserve* — Shippers may allow their agents to act "without reserve", allowing them to make key decisions or modifications to shipments without direct approval.

The Complete Customs Clearance Solution: Magaya Customs Compliance

Magaya Customs Compliance is a U.S. Customs-certified platform (listed under ACELYNK with CBP) that keeps you compliant while significantly reducing costs and increasing operational efficiency. With real-time visibility into all your transactions, duties, fees, and CBP response messages in a single window, Magaya Customs Compliance is your key to faster, easier ACE filings with full CHB management, enabling the filing of ISF, Entry Summary, Cargo Release, 7512s (InBond), e214s (FTZ), Drawback, Reconciliation, AES, eManifest, Entry Type 86, and more.

Magaya Customs Compliance excels across five key areas to deliver enhanced customs compliance:

Ease of adoption

Magaya Customs Compliance has a user-friendly user interface designed to make it easy and enticing for staff to transition from legacy systems to new software. Along with complete visibility of all transaction types from a single dashboard, Magaya Customs Compliance also provides an in-depth, self-service user manual to help staff resolve specific issues quickly and easily.

Real-time connectivity

Leveraging modern cloud technology, Magaya Customs Compliance empowers real-time data transfer between IORs and the CBP, significantly reducing the risk of delayed form submissions or necessary responses. In addition, Magaya Customs Compliance provides out-of-the-box, real-time API/EDI capabilities that help align current import processes with CBP expectations.

Proactive updates

Customs regulations and tariffs are not static. They change constantly. As a result, Magaya Customs Compliance leverages dedicated compliance personnel to ensure emerging changes to compliance regulations are proactively integrated into ABI systems.

Active automation

The sheer volume of customs compliance processes makes automation a critical feature of any ABI software solution. Magaya Customs Compliance delivers on three fronts: Parts automation, form automation, and automated validation. Parts automation streamlines the process of completing FDA, EPA, and other agency forms, while forms

automation makes it possible to capture data from one customs form and auto-fill another, in turn reducing the need for repetitive, manual processes. Finally, automated validation checks and verifies all form data and alerts users to potential conflicts or issues. For example, if staff enter international tariff numbers that carry specific duties, they'll receive an automatic notification.

Reduced IT spending

Magaya Customs Compliance leverages cloud technology, meaning it requires no new hardware or software investment from organizations. In addition, the use of advanced automation and the familiar format of the Magaya Customs Compliance UI mean that companies don't need to spend time and money on new IT personnel to help with deployment — adoption is easy with intuitive interfaces and automatic alerts. Using multiple, redundant data centers virtually eliminates system downtime while improving customs compliance security at scale by providing easily auditable records of all import and regulatory actions, which are now critical to meet evolving standards of reasonable care.

Customs compliance is quickly becoming more complex as the volume of global imports increases over time. It is thus critical for companies to not only recognize and respond to new CBP regulations - but also deploy software solutions that streamline staff adoption, solve operational challenges, and satisfy the emerging demand for reasonable regulatory care. Magaya Customs Compliance has everything you need to ensure compliance is achieved in the most efficient, leanest way possible.

ABOUT MAGAYA CORPORATION

Magaya delivers a Digital Freight Platform that accelerates growth with flexible, interoperable, and modular cloud-based solutions designed to optimize and digitize end-to-end logistics operations and customer experience. Whether used together as an integrated digital freight platform or independently, Magaya solutions enable businesses of all sizes to streamline complex and redundant processes, enhance the customer experience, optimize productivity, reduce costs, and grow revenue. At Magaya, we are passionately devoted to ensuring our customers' success through our innovative technology and comprehensive array of related professional services. We take great pride in our people, experts in the field of logistics automation, who are always willing to go the extra mile for our customers. There are no limits to your growth with Magaya. Visit magaya.com to learn more.