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**PUBLIC GOVERNANCE DIRECTORATE
PUBLIC GOVERNANCE COMMITTEE**

High Level Risk Forum

Implementation of the OECD FTZ Recommendation

Certification Scheme

In accordance with OECD Recommendation on Countering Illicit Trade: Enhancing Transparency in Free Trade Zones [OECD/LEGAL/0454], adopted by the OECD Council on 21 October 2019, the OECD has consulted with the TF-CIT bureau, national experts, and experts from the Testing Inspection and Certification (TIC) Council to design a mechanism for assessing the performance and the compliance of the FTZs with the Code of Conduct included in the Recommendation structured in two parts: (i) a Certification Scheme that sets out the scope of audit and processes for the conduct of the audit and certification and (ii) a set of criteria that any Certification Body applying the Certification Scheme should meet. This document sets out the Certification Scheme.

This is a revised version that takes into account delegates' comments.

The references to the OECD in the document are undergoing further internal review.

This document will be presented at the 10th plenary meeting of the TF-CIT. While formal approval will be requested after the elaboration of the full assessment mechanism, in the absence of further comments at this stage the certification scheme document will be considered provisionally final.

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Glossary

Free Trade Zone (FTZ) Management

A person/several persons or an entity managing the FTZ on behalf of the owner of the FTZ (delegation, outsourcing, contracting).

Free Trade Zone (FTZ) Economic Operators (replacing the terms members, suppliers, producers, licensed companies, businesses operating in FTZs)

Operators working/operating within the FTZ, licensed by the regulator, paying for renting or owning premises in the FTZ, and/or for other services provided by the FTZ (such as security, logistics/handling services)

Assessment / Audit

Process for obtaining relevant information about an object of conformity assessment and evaluating it objectively to determine the extent to which specified requirements are fulfilled

Legal Framework

Local legislation in a country or international legislation, applying to the FTZ and its activities

Certification body

Body that performs conformity assessment activities, excluding accreditation

Certification scheme

Set of rules and procedures that describes the objects of conformity assessment, identifies the specified requirements and provides the methodology for performing conformity assessment

Audit

Process for obtaining relevant information about an object of conformity assessment and evaluating it objectively to determine the extent to which specified requirements are fulfilled

Verification

Confirmation, through the provision of objective evidence, that specified requirements have been fulfilled

Auditee

Organization being audited

Stakeholder / interested party

Person or organization that can affect, be affected by, or perceive itself to be affected by a decision or activity (example: customers, owners, people...)

Regulatory requirement

Obligatory requirement specified by an authority mandated by a legislative body

Non-conformity

Non-fulfilment of a requirement

Traceability

Ability to trace the history, application or location of an object

Note 1: When considering a product or a service, traceability can relate to:

- the origin of materials and parts;
- the processing history;
- the distribution and location of the product or service after delivery.

Objective evidence

Data supporting the existence or verity of something

Note 1: Objective evidence can be obtained through observation, measurement, test, or by other means.

Note 2: Objective evidence for the purpose of audit generally consists of records, statements of fact or other information which are relevant to the audit criteria and verifiable.

Information system

Network of communication channels used within an organization

Introduction

Background: the OECD Recommendation on Transparency in FTZs

The OECD Recommendation on Countering Illicit Trade: Enhancing Transparency in Free Trade Zones [OECD/LEGAL/0454] (“the Recommendation”) was adopted by the OECD Council on 21 October 2019 on the proposal of the Public Governance Committee (PGC). The Recommendation aims to assist governments and policy makers in reducing and deterring illicit trade conducted through and inside Free Trade Zones (FTZs).

The need for a standard on illicit trade and Free Trade Zones

Over the past decades, FTZs have been established at a record rate to attract new business and foreign investment. Their aim is to facilitate trade and economic growth by eliminating tariffs, quotas and other taxes and minimising bureaucratic requirements, including certain customs procedures and disclosure requirements.

While FTZs produce economic benefits to their local economies, there is strong evidence that illicit trade (e.g. counterfeits, wildlife and arms) flows through them. OECD analysis has identified a positive correlation between the size of FTZs - in terms of employment and numbers of firms - and the value of illicit trade in counterfeits. Some FTZs are also found to be key trans-shipment points for illicit goods that have been repackaged or relabelled to conceal their point of origin, before entering the legitimate supply chain.¹

Development of the Recommendation

The 2017 Ministerial Council Statement recognised the need for international cooperation and partnerships to fight international corruption and illicit trade.² Subsequently, the OECD High Level Risk Forum (HLRF) agreed in December 2017 that its Task Force on Countering Illicit Trade (TF-CIT) should develop a draft set of guidance on countering illicit trade.

Building on several years of previous analytical work and expert consultation, an initial draft was discussed in March 2018, which included written inputs from consultations with the Financial Action Task Force (FATF), the World Custom Organization (WCO) and the World Trade Organization (WTO) Secretariats.

As a next step, an on-line public consultation took place from July to September 2018. A variety of stakeholders provided input, including amongst others representatives from OECD Members and non-Members, FTZ operators, their associations, intermediaries (including shippers, freight forwarders and couriers) and industries established in FTZs or using FTZs in course of their supply chains. Over 200 individual stakeholders participated, with nearly 100 pages of written comments received.

Scope of the Recommendation

The Recommendation is designed to ensure transparency in FTZs and is framed as part of the broader effort to counter illicit trade. It calls on Adherents to encourage FTZs to implement a “Code of Conduct for Clean Free Trade Zones” (CoC) set out in the Annex to the Recommendation. The Recommendation also

¹ See OECD/EUIPO (2018), Trade in Counterfeit Goods and Free Trade Zones: Evidence from Recent Trends, Illicit Trade, OECD Publishing, Paris/EUIPO, Alicante, <https://doi.org/10.1787/9789264289550-en>.

² See <https://www.oecd.org/mcm/documents/2017-ministerial-council-statement.htm>

calls on the PGC, through the TF-CIT to “[e]stablish a mechanism for the assessment of the performance and the compliance of FTZ with the Code of Conduct for Clean Free Trade Zones”.

Introduction to the Certification Scheme

Following the adoption of the Recommendation the TF-CIT started working on development of a mechanism to assess and monitor compliance of FTZs with all the provisions of the Code of Conduct. The mechanism has been developed as a diagnostic tool through an inclusive process led by the TF-CIT, in close consultation with numerous stakeholders, including experts in the area of testing, inspection and certification (TIC), represented by the TIC Council.

The TIC Council’s members have a worldwide extensive and unique expertise in the area of Inspection, Testing and Certification and they assisted in design and development of a Certification Scheme in the form of a diagnostic tool and related guidance as to its implementation.

The Certification Scheme was developed to assess and monitor compliance of Free Trade Zones with all the provisions of the Code of Conduct. In addition, the Certification Scheme will also facilitate stakeholders in being compliant with the Code of Conduct. The Certification Scheme aims at supporting FTZs in defining and applying the good governance practice suitable to ensure the required transparency of the trades occurring in the area under their management.

Objectives of the Certification Scheme

The Certification Scheme aims to serve several purposes:

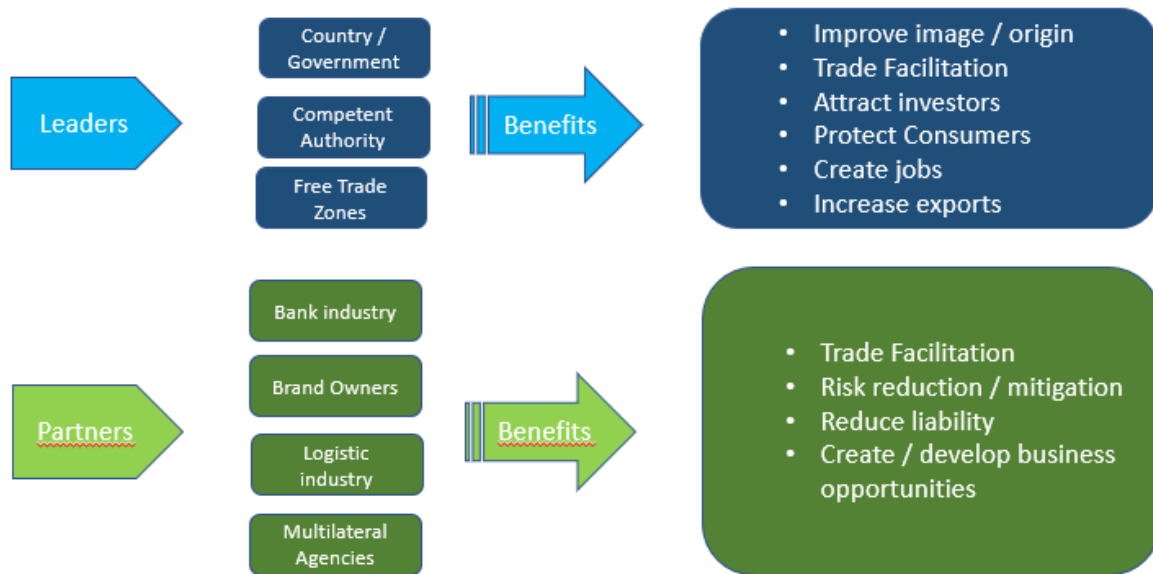
- to assess and monitor compliance of FTZs with all the provisions of the Code of Conduct, as foreseen in the Recommendation. In particular, to enable Certification Bodies to audit FTZs and assess their compliance based on evidence collected by an independent auditor according to the sampling methodology described in the Certification Scheme.
- to articulate in factual terms the requirements that will be implemented by the FTZs who intend to show a level of transparency in the spirit of the Code of Conduct
- to evaluate and assess the collected evidence with the specified requirements audited and consigned in the audit report. The Certification Body would review the audit report and decide whether certification can be granted, or corrective action will be undertaken by the FTZ.
- The Certificate of Conformity would enable the FTZs and its Economic Operators to communicate with all its potential stakeholders about their compliance with the Certification Scheme and promote their activities locally and internationally.

Benefits of the Certification Scheme

The mapping below intends to give an overview of the benefits for each group of stakeholders that will be generated by the compliance with the Code of Conduct and the Transparent Free Trade Zone Certification Scheme.

Moreover, this section considers some key actions that can give momentum to the implementation of the Code of Conduct / Certification Scheme by the Free Trade Zone Economic Operator.

Value Chain of OECD Countering Illicit Trade Code of Conduct



Government

Group	Benefits	Drivers / Actions
Government	Improve the image of the hosting Country as a participant to the fight against illicit trade	incentivize the FTZ to be compliant <ul style="list-style-type: none"> • subsidies • easy access to the domestic market • investment in infrastructures • export promotion • subsidise training to qualify manpower
	Attract reputable investors	implement a legal framework compliant with the Code of Conduct
	Create jobs, social stability	Enforce Code of Conduct on the national territory
	Reduce risk to introduce illicit trade on the local market	

Customs Administration and Enforcement Agencies in the hosting economies

Group	Benefits	Drivers / Actions
Customs and enforcement agencies in the hosting country	Contribute to the good image of the administrations	Implement a targeted controls with a risk management tool to «control better with less»
	Reduce risk to introduce illicit trade on the local market	
	Transparent processes	
	Contribute to a clean and reputable origin	

Customs Administration and Enforcement Agencies in the receiving countries

Group	Benefits	Drivers / Actions
Customs and enforcement agencies in the receiving countries	Lower risk origin when the goods are shipped from a Compliant FTZ	Clear access to a green channel when goods originate from a Compliant FTZ
	Contribute to “control less but better”, enable to reduce the resources to control the goods imported from the Compliant FTZ and to grant fast clearance	

Free Trade Zones

Group	Benefits	Drivers / Actions
Free Trade Zones	Wider access to export markets	Implement the Code of Conduct
	Facilitate business conducting with potential <ul style="list-style-type: none"> • Access to financing • Access to new customers • Access to local Governmental support • Access to Multi-lateral organisation support 	

Financing and Insurance Industry

Group	Benefits	Drivers / Actions
Financing and Insurance Industry	Reduce the risk to finance illegal business	Encourage to comply with CoC
	Reduce the risks to insure illegal goods	
		Better financial conditions or insurance premium

Multi-lateral Organisations / NGOs

Group	Benefits	Drivers / Actions
Multi-lateral Organisations / NGOs	Support the attractiveness of investors	Give access to Programs limited to certified FTZ
	Support the creation of employment	Finance or support a FTZ process to certification

Brand owners

Group	Benefits	Drivers / Actions
Brand Owners	Facilitate the qualification of reliable suppliers (production capacity)	Provide better business opportunities to Certified FTZ operators
	Increase protection against counterfeiting	

Trade Associations

Group	Benefits	Drivers / Actions
Trade Association	Improve the image of the Association	Encourage their members having a FTZ operation to comply with CoC
	Facilitate business for their members	
	Secure access to good suppliers	
	Widen export markets access	

Logistic Industry

Group	Benefits	Drivers / Actions
Logistic Industry	Reduce liability towards involvement with illicit trade	Accept to carry goods from Certified FTZ
	Lower costs of verification, insurance and transport	Apply a risk premium for shipments from non Certified FTZ

Consumers

Group	Benefits	Drivers / Actions
Consumers	Reduce the risks to find products of low quality, counterfeited or illegal	Consumers may require certification of local FTZ to avoid leakage of bad products on their market

Scope of Audit (the Certification Scheme)

The Certification Scheme enables assessment and monitoring of compliance of FTZs with all the provisions of the OECD Code of Conduct for Clean Free Trade Zones (CoC), set out in the OECD Recommendation on Countering Illicit Trade: Enhancing Transparency in Free Trade Zones [[OECD/LEGAL/0454](#)] (“the Recommendation”). This section outlines the specific conditions for FTZs to be eligible to certification.

Pre-requisite to be eligible to certification

The Certification Scheme can be implemented under the condition that the Domestic Law allows compliance with the Specified Requirements:

The Domestic Law should be compliant with the revised Kyoto Convention, in particular the Specific Annex D, chapter 2 on Free Zone and with the provisions on border measures of the TRIPS Agreement (articles 51 to 60).

This may be supported by either:

- Evidence of adherence to the Recommendation.
- A declaration from the Government (e.g., Ministry of Economics/Finance/Trade/Internal affairs as applicable) that the legal framework applicable to the FTZs Economic Operators established in their territory or that are otherwise under their administrative control, respects points a) to i) of provision 1 of the Recommendation.

The OECD will keep a record of countries and territories fulfilling the pre-requisite and make it available to the eligible Certification Bodies to proceed with the Audit and Certification.

In case one or more specified requirements cannot be met due to the existence of specific legal provisions in the Domestic Law, the FTZ Management will inform the OECD and the Certification Body. The Certification Body will review the points and identify an action plan to align these points with the Specified Requirements of the Certification Scheme.

Sampling of Specific Requirements

The audit process requires the selection of files or records through the various specified requirements detailed in this document. These files or records apply to specified requirements listed in the documents, including: A5, B7, C1-6, D3-7, E3, E5-7, F1 and G3-5. The Auditor will be asked, whenever applicable, to select samples according to the Standard 19011 with a minimum of 5 files or records for verification. The Auditor can select additional files or record if esteemed necessary. In case the sampling is less than 5, the Auditor will report and provide an explanation. In case no file could be selected, this should be reported accordingly, and the reason explained by the FTZ Economic Operator and reported by the Auditor.

Free Trade Zone Organisation

Registration of the entity in charge FTZ Management

The Free Trade Zone (FTZ) will have a valid registration with the government / relevant authorities of the country or jurisdiction where the FTZ is located. A copy of valid registration certificate / license / deed needs to be presented by the FTZ as a proof of compliance. A Tax Identification Number will be provided

and if not available, FTZ will justify. These requirements will be compliant with the domestic law applicable to Free Trade Zone.

Organisation

FTZ will have a clear description of their organization, their role and responsibilities. The FTZ will provide supporting documentation that will comprise:

- Organization chart / management structure of the FTZ with number of staff
- Job / role description for key positions
- Type of the Free Trade Zone (Free Port, Free trade Zone, Export Processing Zone, Special Economic Zone), International / Domestic etc.
- Permissible activities in the FTZ for the economic operators.
- A layout of the premises of the FTZ (preferably to scale).
- Ownership structure (government / private / semi-government)
- Description of applicable rules, regulations and procedures for economic operators willing to operate in FTZ
- Name of the contact person appointed as per point 7 of the CoC.

Register of the FTZ Economic Operators

The FTZ Management will maintain a register of all the FTZ Economic Operators as legal entities authorized (licensed) to operate in the FTZ.

Each record will show a copy of the legal documents establishing the company (registration at the Chamber of Commerce, Court, deed, etc.) according to the Domestic Law.

The Competent Authorities are responsible to approve, renew or revoke the FTZ Economic Operator's licenses in accordance with the Domestic Law. Each FTZ Economic Operator will receive a FTZ Operating License by the Competent Authorities. In case the license is subject to special conditions such as time limit or others, the said conditions will be detailed in the register. FTZ Economic Operators are responsible to comply with these conditions and to update the FTZ Management about its compliance or non-renewal of the FTZ Operational License.

Moreover, the registration will include the type of activities, as defined by the domestic law, for which the FTZ Economic Operator has been approved. In case the Economic Operator intends to change the activity type under which it was approved, it will notify the Competent Authorities and receive the formal approval before engaging with the declared activities.

All the above information will be made available to the FTZ Management for proper recording.

Free Trade Zone Economic Operators' Documentation

FTZ Management will have each FTZ Economic Operator to sign a commitment to act in compliance with the principles of the CoC and the Certification Scheme.

Copy of the contract (concession, rental, right of use) signed between the operator and the FTZ, with all annexes will be present in the archives.

FTZ Economic Operator Organisation

Each FTZ Economic Operator will provide supporting documentation describing their organisation. These documents include the following:

- Organization chart
- List of the industrial, commercial, or service activities performed by the operator in the FTZ since the establishment in the FTZ, including date of start and end
- Layout of the lots under concession (or under any other sort of agreement for utilisation) from the FTZ to the operator, with indication of the relevant activities (e.g., gates, warehousing, manufacturing, conditioning, packaging, administrative offices, security, service to personnel, etc.)
- List of personnel, including type of activity, role, position in the organisation
- Record the name of the contact person appointed as per Section “COC Contact Point”.

Specified requirements

Paragraph 2 of COC: Notify the competent authorities in advance of any industrial, commercial or service activity taking place in the FTZ.

Paragraph 3 of COC: Prohibit operators and persons who do not provide the necessary assurance of compliance with the applicable customs provisions from carrying out an activity in the FTZ.

Clause	Specified requirements
A.1	FTZ Management will be a registered entity according to the domestic law. The auditor will review documentary evidences that may include, according to the Domestic Law, Registration Certificate, Tax Identification Number, License to operate in Free Trade Zone and any relevant document.
A.2	FTZ Management will present organizational documentation that will include the organization chart, the articles of association, the FTZ layout and any document providing information about the FTZ organization and its activities.
A.3	FTZ Management will maintain a register of the active Economic Operators, keeping record of their legal registration and FTZ Operation Licenses which may include specific conditions and type of activities, according to the Domestic Law.
A.4	FTZ Management will keep the register updated. In case time limit apply, renewal or any other conditions that are linked to the FTZ Operational License, FTZ Management is responsible to follow up, collect supporting documentation and update the register accordingly.
A.5	FTZ Management will keep record of the actual FTZ Economic Operators activities and verify that they are aligned with the activities granted in the FTZ Operational License. In case the activities change, the FTZ Economic Operator is responsible to inform the FTZ Management accordingly and, according to the Domestic Law, update its FTZ Operational License and any other applicable document. The auditor will select samples for verification, as outlined in the section “Pre-requisite to be eligible to certification”.
A.6	In case the Competent Authorities decide to suspend or withdraw or cancel a FTZ Operational License, the FTZ Management will update the register accordingly and take any action required by the Domestic Law.
A.7	FTZ Management will keep a copy of the commitment signed by the FTZ Economic Operators to comply with the CoC / Certification Scheme and all other contracts and documents linked to their respective operations.
A.8	The audited FTZ Economic Operators will provide a copy of the signed commitment to comply with the CoC / Certification Scheme.
A.9	The audited FTZ Economic operators will provide the documentation describing their organization and their activities.

Key personnel and training

COC Contact Point

Each entity operating in the FTZ will appoint a COC Contact Point with the necessary skills and resources for the implementation and management of the requirements related to the CoC / Certification Scheme and to respond effectively to any request for information from the Competent Authorities or any other Party. This person needs to have an appropriate educational and professional background including training about the CoC and the Certification Scheme. The Contact Point can delegate or sub-contract the tasks.

Compliance to these requirements will be confirmed by the following evidence:

- an appointment letter from FTZ management as the COC Contact Point with clear description of the role and responsibilities.

- Evidence that the name and contact details and responsibilities of the Contact Point have been communicated to the relevant Competent Authorities and other stakeholders.
- Job description to include responsibilities of the COC Contact Point
- Training records and certificates showing knowledge, skills and capability of the Contact Point in reference to the FTZ operations and CoC / Certification Scheme;
- Evidence (e.g. organization structure) showing that the Contact Point has access to the management and adequate resources required for his/her role and responsibilities.

Training

FTZ Management will ensure that their own management and the key staff and the FTZ Economic Operators’ management and key staff are aware of the requirements of the CoC / Certification Scheme and are committed to its implementation. Compliance will be confirmed by:

- Awareness training / records of briefing for key staff and management
- Signed letter by the management confirming their understanding of the CoC and their commitment to implement it in their operations.

Specified requirements

Paragraph 7: FTZ will appoint a dedicated point of contact with the necessary skills and resources to respond effectively to such requests for information from the competent authorities.

Clause	Specified requirements
B.1	FTZ will provide evidence of the appointment of a dedicated COC Contact Point and that the name, position and contact details of the contact person have been communicated to the relevant Competent Authorities and other stakeholders as necessary.
B.2	FTZ to provide description of the role and responsibilities of the dedicated COC Contact Point.
B.3	FTZ to provide evidence (e.g. training records, certificates and experience etc.) showing knowledge, skills and capability of the dedicated COC Contact Point in reference to the CoC / Certification Scheme;
B.4	During the interview with competent authority, the auditor to confirm about the appointment of the COC Contact Point by the FTZ.
B.5	FTZ to provide evidence (e.g. organization structure) showing that the COC Contact Point has access to the necessary resources to effectively fulfil the responsibilities of the role (e.g. access to management, economics operators etc).
B.6	FTZ Management to give access to the training material used to deliver training on the CoC / Certification Scheme
B.7	FTZ Management will provide the list of personnel (segmented by level and type of activity) and together with evidences of training attendance on the code of conduct and operation. The auditor will select samples for verification, according to the methodology presented in the section “Pre-requisite to be eligible to certification”.
B.8	The auditor will gather signed letters by the management confirming their understanding of the Code of Conduct for Clean Free Trade Zones and their commitment to implement it in operations of FTZ. The list of signatories will match the organisation chart collected as per A.2

Sampling of the FTZ Economic Operators for auditing purposes

Only a sample of FTZ Economic Operators will be subject to audit verification, accordingly with the methodology presented below.

The sample will be partly selective based on the factors set out below and partly random, and will result in a representative range of different Economic Operators being selected.

Size of Sample

The minimum number of FTZ Economic Operators to be visited per audit is: the size of the sample will be the square root of the number of Economic Operators: $(y=\sqrt{x})$, rounded up to the next whole number, where y = number of Economic Operators to be sampled and x = total number of Economic Operators.

Selection of sample

The auditor will report the approach used for the selection to the FTZ Manager.

At least 25% of the sample will be selected at random.

The selection will consider, among others, the following risk Criteria (list non exhaustive):

- Start of the operation (the operators entered in the FTZ since last certification should be audited first)
- Time since last verification
- Past reports on misconduct / complaints
- Type of activity executed in the FTZ by the Operator
- Reports from open databases on key personnel of the operator and shareholders
- Results of internal site audits and management reviews or previous certification audits
- Significant variations in the size or activities of the Economic Operator

Data Management System

Verify that FTZ Operators maintain digital records of all transactions

Compliance of Data Format

The FTZ Operator will provide data management system documentation to verify the compliance of data records with the format of required by the Competent Authorities.

Compliance of Data Implementation

The FTZ Operator will provide extracts of data from the Data Management System to verify that information is properly recorded, accordingly to the requirement set by the Competent Authorities, and corresponding with all information reported in the software documentation.

Example of data sets to be present in the Data Management System include:

- Sales documents (item, value, currency, client, payment transaction, date of order, date of delivery, record of exiting at operator gate, bill of lading, invoice, packing list)
- Purchase documents (item, value, currency, supplier, payment transaction, date of purchase, date of reception, record of entrance at operator gate, bill of lading, invoice, packing list, certificate of origin)
- Licence from the Intellectual Property (IP) Owner in case of production or assembly activity.
- Warehouse management (item, pick up, delivery, stock, current inventory)
- Production Line (depending on the production, different dataset will be available)
- Presence of personnel (identity, identification number, entrance/exit time from the operator site)
- Record of requests from the competent authority
- Record of reports provided on request to the competent authority

The operator will provide evidence on how data recorded in the data management system are used in the valorisation of the commercial cycle of transactions (i.e., order of raw material or semi-manufactured products, purchase of material, input in the plant, processing/manufacturing, warehousing, sale, expedition/delivery, invoicing, financial transactions).

Data Security and Availability

The FTZ Operator will provide evidence that access to the systems is governed by means of user identification and secure credentials, that access to the system are properly traced and activities on data are logged.

The system will ensure a data retention of at least five years (or the duration defined in the domestic law if longer than five years) and be backed-up to guarantee retrieval in case of fault for the same period of time. The back-up and data retention policies are to be made available to the auditor, prior to the verification of retention.

Verification of Data Retention

The Operator will provide evidence that data are retained for the declared period, which should correspond to five years (or the duration defined in the domestic law if longer than five years), or the period of presence of the Operator in the Free Trade Zone, if shorter.

To prove retention, the Operator will provide an extraction of data relevant to all orders, sales, warehouse inventory, and production on a set of 5 dates chosen randomly by the auditor in the applicable retention period. Data are to be made available promptly, unless stored in back-ups, accordingly to retention and back-up policies.

Specified requirements

The following Specified Requirements are to be verified on the sample of FTZ Economic Operators, selected accordingly with the sampling rules described under section “Pre-requisite to be eligible to certification” above.

Paragraph 4: Ensure that economic operators active in the FTZ maintain for a period of five years detailed digital records of all shipments of goods entering and leaving the zone, as well as all goods and services produced within it, sufficient to know what is inside the zone at any given time. Records include sales and purchases operations and all commercial transactions to enable full accountability of materials used in production and assembling processes that may be reconciled with the volume and value of their commercial transactions. Records are to be made available to the CA upon request and maintained in a format as required by the Competent Authorities, so that it can be used by the latter for risk profiling purposes

C.1	The FTZ Manager and the selected Economic Operators will provide the auditor evidence of how compliance with this principle is ensured.
C.2	Verify that Data Sets of the FTZ Economic Operator Data Management System include: Sale operation (item, value, currency, client, record of payment transaction, date of order, date of delivery, record of exiting at operator gate, bill of lading, invoices, packing list) Purchase operation (item, value, currency, supplier, record payment transaction, date of purchase, date of reception, record of entrance at operator gate, bill of lading, invoices, packing list, certificate of origin) Licenses related to goods manufactured or assembled, from the I.P. Owner or Certification Authorities. Warehouse management (item, pick up, delivery, stock, current inventory) Production Line (depending on the production, different dataset will be available) Presence of personnel (identity, identification number, entrance/exit time from the operator site)
C.3	The Data Management System documentation will demonstrate the compliance of data records with the format required by the Competent Authorities.
C.4	The FTZ Economic Operator will provide evidence that data are retained for the declared period, which corresponds to either five years (or the duration defined in the domestic law if longer than five years), or the period of presence of the Operator in the Free Trade Zone, if shorter. The FTZ Economic Operator will be required to provide an extraction of data relevant to all orders, sales, warehouse inventory, and production on a set of dates chosen randomly by the auditor by sampling, according to the methodology presented in the section “Pre-requisite to be eligible to certification”. Extracts of data from the Data Management System are used to verify that information is properly recorded, accordingly to the requirement set by the Competent Authorities. The FTZ Economic Operator will show physically the goods if requested to do so.
C.5	Records will provide evidence that FTZ Economic Operator’s response to requests from the Competent Authorities occurred in due time. The auditor will select samples for verification, according to the methodology presented in the section “Pre-requisite to be eligible to certification”.
C.6	Gather evidence that access to the Data Management System is governed by means of user identification and secure credentials, that access to the system are properly traced and activities on data are logged. The system will ensure a

data retention of at least five years (or the duration defined in the domestic law if longer than five years) and be backed-up to guarantee retrieval in case of fault for the same period of time. The back-up and data retention policies are to be made available to the auditor, prior to the verification of retention.

Data transmission to the Competent Authorities

The FTZ Management will ensure that a data management system enabling timely reporting with the Competent Authorities, the FTZ operators and the FTZ Management is operational.

The FTZ Management will ensure that the data management plan describes the various communications flows in line with the following Principles

1. The FTZ Economic Operators will send an advanced notification for each inbound and outbound shipment to the Competent Authorities in accordance with the legal provisions. The provisions will describe the type of document(s) and the time limits
2. The FTZ Economic Operators will keep a detailed inventory for each storage premises. The Competent Authority will define the data structure and the frequency of transmission by the FTZ Operators to the Competent Authorities.
3. The FTZ Management will keep a detailed record history of all movement of goods entering and leaving the FTZ Area and be able to issue a report on a regular basis to the Competent Authorities. The format of the report and the frequency of transmission will be defined by the Competent Authorities.
4. The FTZ Economic Operators might be requested by the Competent Authority to provide additional information or documents related to a specific shipment. In this case, the Competent Authority will address a request to the COC Focal Point (at operator's level) to submit these documents within an indicated time limit.

Specified requirements

Paragraph 5: Transmit in a timely manner to the competent authorities the records and information requested in accordance with domestic law and required to be maintained by recordkeeping requirements.

Paragraph 6: FTZ will ensure that economic operators active in the FTZ are required to grant access to their detailed digital records upon request of the competent authorities in the jurisdiction where the zone is established.

D.1.	FTZ Management to present the data exchange plan between the FTZ Management, the FTZ Economic Operators and the Competent Authorities
D.2.	FTZ Management will provide the set of written documents communicated by the Competent Authorities describing the provisions related to the exchange of data.
D.3.	FTZ Management will keep acknowledgement of receipts by each FTZ Economic Operator for the delivery of each document described under point D.1 and D.2 above. Auditor will check at random. The auditor will select samples for verification, according to the methodology presented in the section "Pre-requisite to be eligible to certification".
D.4.	The FTZ Management will give access to the detailed report of all shipments entering and leaving the FTZ Area and show the evidence of transmission to the CA. The auditor will select samples for, according to the methodology presented in the section "Pre-requisite to be eligible to certification".
D.5.	Audited FTZ Economic Operators will provide advance notifications transmitted to the CA for inbound outbound shipments. The auditor will select samples for verification, according to the methodology presented in the section "Pre-requisite to be eligible to certification".
D.6.	Audited FTZ Economic Operators will provide copy of the transmission of the Inventory Reports requested by the CA. The auditor will select samples for verification, according to the methodology presented in the section "Pre-requisite to be eligible to certification".
D.7.	In case the CA require additional information or documents related to a specific shipment or group of shipments, the FTZ Economic Operators will show copy of these requests from the CA and the corresponding transmission to the CA. The auditor will select samples for verification, according to the methodology presented in the section "Pre-requisite to be eligible to certification".
D.8.	In case the FTZ Economic Operator was not able to comply with the request for information issued by the CA, it will report these cases to the auditor and present the corrective action, if any.

Examination of merchandises by the Competent Authorities

All the FTZ Operators will have a minimum of one internal visit by the COC Contact point during the three-year certification cycle.

Monitoring of the FTZ Area by Competent Authorities

The FTZ Management is responsible for the security of the FTZ area and will ensure the monitoring of people, all means of transport and merchandises entering and leaving the FTZ area. A register of these movements will be held by the FTZ Security and made available to the Competent Authority usually upon request. However, the FTZ Management and the Competent Authority may agree to share the register's data on a regular basis.

Examination of goods entering the FTZ Area by the Competent Authorities

The Competent Authority will have access to all the means of transport, containers and merchandises crossing or stored in the FTZ area for enforcement check. The Competent Authority may decide to adopt the examination modus operandi of their choice that in general can be classified in three different categories: (1) examination on a time to time basis by a non-permanent team, (2) examination at random by a permanent team and (3) systematic examination by a permanent team.

The examination can be executed by visual verification or by any other mean defined as appropriate by the Competent Authority. It may include the usage of X-Ray Scanners, digital inspection or any other technology selected by the Competent Authority. The examination can be done in full or by sampling.

The Competent Authority will inform the FTZ Management about the chosen examination model and will ensure that the FTZ Management is organised appropriately.

Examination of the merchandises at the premises of the FTZ Economic Operator by the Competent Authorities

The FTZ Management and each FTZ Economic Operator will ensure that the Competent Authority can carry out unobstructed, ex officio enforcement checks.

The Competent Authority can decide to proceed with the checks on a selection basis with the intervention of external officers or have a permanent team at the FTZ Operator's premises.

Each FTZ Economic operator will have a dedicated Contact Point responsible to coordinate the examination of the merchandises according to the selection made by the Competent Authority.

The FTZ Economic Operator will make available the merchandises to an appropriate space where the Competent Authority can proceed with the checks.

Specified requirements

Paragraph 1: Provide unconditional access to the competent authorities, in accordance with their domestic law, to carry out unobstructed, ex officio enforcement checks of operators in support of investigations of violations of applicable laws and regulations.

Clause	Specified requirements
E.1	FTZ Management to provide a written description of the enforcement checks' processes. The set of documents to be presented to the Auditor.
E.2	A set of written documents provided by the Competent Authorities describing the provisions related to the enforcement checks. The set of documents will be presented by the FTZ Management to the Auditor.
E.3	Keep a record of acknowledgement of receipt by each FTZ Operator of each document described under point E.1 and E.2 above. The auditor will select samples for verification, according to the methodology presented in the section "Pre-requisite to be eligible to certification".

E.4	Movement of goods at the Gate (inbound and outbound): FTZ Management to keep records of all movements of goods across the Gate and provide a statistical report to the Auditor.
E.5	Enforcement checks at the Gate: If applicable, FTZ Management to keep records of the number of shipments targeted by the Competent Authorities for enforcement checks at the Gate area. FTZ Management will provide this information in the form of a statistical report to the Auditor and the auditor will select samples for verification, according to the methodology presented in the section "Pre-requisite to be eligible to certification". If not applicable, the FTZ Management will describe where the enforcement checks take place.
E.6	Audited FTZ Economic Operator will provide a list of their inbound and outbound consignments targeted for enforcement checks by the Competent Authorities, and the acknowledgement of the check execution. The auditor will select samples for verification, according to the methodology presented in the section "Pre-requisite to be eligible to certification".
E.7	Audited FTZ Economic Operator will provide a list of inventory checks conducted by the Competent Authorities. The auditor will select samples for verification, according to the methodology presented in the section "Pre-requisite to be eligible to certification".
E.8	Audited FTZ Economic Operator will present the enforcement check processes and demonstrate with evidences the compliance with these processes.
E.9	FTZ Economic Operator will report cases of penalties incurred by the non-presentation of the goods to the Competent Authorities in conformity with the applicable procedures and the request for enforcement check by the CA.

Note: *** all data gathered through the above points will be cross-checked through the interview with the CA, if applicable.

Inventory check by the auditor

In complement to the physical checks conducted by the Competent Authorities as described in the section "Examination of merchandises by the Competent Authorities" above, the auditor will check physically the inventory by sampling. The methodology applicable is described in the following Specified Requirements

Specified Requirements

Clause	Specified requirements
F.1	The selected FTZ Operators will provide an up-to-date inventory report to the auditor, each inventory record will be linked to the applicable documentation which are stored in the Data Management System and made available to the auditor upon request. The Auditor will select records for verification by sampling, according to the methodology presented in the section "Pre-requisite to be eligible to certification".
F.2	For each selected inventory record, the auditor will make a data consistency check among the documents. The FTZ Operator will provide all the necessary documentation which will be: Purchase Order, payment record, bill of lading or transport document, invoice, packing list, technical product sheet, test reports, certificate of origin, licence from the IP Owner as applicable.
F.3	The auditor will then proceed with the visual inspection of the merchandise corresponding to the samples of the selected records. The merchandise as described in the documentation and the quantity will be compared visually with the merchandise shown by the FTZ Operator.
F.4	The Auditor will proceed then with a reverse verification which consists of selecting at random merchandises available in the inventory, which will be other than those merchandises already inspected previously. The Auditor will verify that the selected merchandises are reported in the inventory report supplied and will check the conformity and consistency with the documents available in the Data Management System.

Commercial payments

FTZ Economic Operators have to prove that electronic payment is used as the preferred and privileged way of executing commercial or financial transactions, and that cash may be used only as exception, and for payments of limited amounts or situations where electronic is not an accessible mean of payment.

All commercial payments are to be traceable and recorded in the data management system, regardless their amount or nature (i.e., cash or electronic).

The system used to execute electronic and cash payments has to ensure the transparency and accountability of both the source and the destination, which are required to match those of reported in the document of the corresponding transaction (purchase or sale).

FTZ Management will make any reasonable endeavour to provide access to FTZ Economic Operators to privileged conditions with banks and financial operators, so that the cost of the electronic transactions is reduced.

Specified Requirements

Paragraph 8: Incentivize electronic payment for any commercial or financial transaction of the economic operators active in the FTZ occurring inside or originating from the FTZ and ensure the traceability of cash transactions.	
G.1	The FTZ Economic Operator will provide a document describing the management of treasury, with clear indication of appointments and relevant responsibilities
G.2	Cryptocurrencies cannot be used for executing financial transactions
G.3	Financial transactions are to be executed only in traceable electronic format (credit card, online banking, etc...). The auditor will select samples for verification, according to the methodology presented in the section "Pre-requisite to be eligible to certification".
G.4	Use of cash is limited for transactions below 20 000 USD (or equivalent in local currency) and subject to approval of the Cash Manager of the Operator
G.5	All cash transactions will be recorded in the Data Management System of the FTZ Economic Operator, indicating date, number and scanned copy of invoice/receipt/payment note, beneficiary, payer, amount and correspond to a specific purchase or sale operation therein recorded. The auditor will select samples for verification, according to the methodology presented in the section "Pre-requisite to be eligible to certification".
G.6	Availability of cash in the Operators' premises will be limited to 20 000 USD. If cash at the end of the day is above 20 000 USD, the surplus is to be deposited to the bank account on the next working day
G.7	FTZ Economic Operator will report and keep up-to-date in the data management system the availability of cash following daily reconciliation of cash transactions
G.8	Should the local environment prevent from using electronic means of payments, these cases will be properly documented.

Intellectual Property (I.P.) Rights verification

The FTZ Management will take appropriate measures to facilitate work of Competent Authorities against the trafficking of counterfeited products in their Free Trade Zone or by the FTZ Operators. This section aims at defining this specific role in addition to the provisions described in the other chapters of section "Scope of Audit".

Shipments and products information

FTZ Operators will provide the details of their inbound and outbound shipments when requested by COC Contact Point on a case by case basis.

The documents that can be requested are the invoice, the packing list, the transport title and, if applicable, i.e. in the case of manufacturing or assembly in an FTZ the I.P. License.

Shipment Data analysis and physical checks for I.P. Rights protection

FTZ Operators will submit the shipment's data for review when requested by the COC Contact Point, to identify the potential transactions covering IPR infringing products. For those cases with potential risk, the COC Contact Point will investigate further and ask the FTZ Operator to provide complementary information and to give access to the products for visual verification.

In case of doubt on the authenticity of documents provided by the FTZ Operator, the COC Contact Point may directly contact the issuing entity for verification.

In any case, for every request of shipment's data, the CoC Contact Point will issue an Analysis Report that will be made available to the auditor.

Whenever a doubt is identified, the FTZ Management will transfer the Analysis Report to the Competent Authorities for their verification according to the domestic law.

Inventory checks

The COC Contact Point can conduct random physical checks in the inventories located at the premises of the FTZ Operators. These verifications will be independent to those conducted under section "Shipment Data analysis and physical checks for I.P. Rights protection" above.

In principle, the COC Contact Point will proceed as follows:

- Inform the FTZ Operator 48 hours in advance of a visit for I.P. Rights inventory random check at their premises;
- Selection of products will be done visually at random by the COC Contact Point according to the sampling methodology defined under section "Pre-requisite to be eligible to certification".
- Each sample or Product will be photographed and, for each sample, the FTZ Operator will provide the set of documentation (invoice, Transport Title, packing list, I.P. License -- (in the case of manufacturing or assembly in a FTZ, as appropriate)
- The COC Contact Point will analyse each file and issue an Analysis Report.
- In case the Analysis Report's conclusion emits doubt about the product's authenticity, the Report will be transmitted to the Competent Authorities for investigations according to the domestic law, and to right holders.

Training and Education

OECD list of training and educational programs

OECD will facilitate contacts between Brand Owners, Trade Bodies and FTZ Management.

OECD will maintain a list of jurisdiction-specific lists of Training and Educational Programs to COC Contact Point.

Brand Owner, Trade Bodies and Consultants: Capacity building

Brand Owners usually propose educational programs enabling to increase awareness on their products and verification techniques.

Moreover, consulting firms offer commercially Programs related to counterfeiting. It includes the skills for identification and for risk management.

Last, Trade Bodies, and brand owners have developed anti-counterfeiting programmes, and IP-protection frameworks that facilitate co-operation between enforcement authorities and Brand Owners.

The OECD will facilitate access of the FTZ Operators and the COC Contact Point of the FTZ to relevant programmes and IP-protection frameworks.

Certification Industry: Capacity building to identify counterfeits

The Certification Industry can support the CoC Contact Point by providing training and educational materials to be used to identify the various signs they should look for when reviewing documentation and products, it includes the possible verification of any its members' test reports or certificates.

These resources can be made available to the CoC Contact Point, to the Competent Authorities and to the FTZ Operators.

Specified requirements

H.2	The COC Contact point will provide a list of all shipments data received from the FTZ Operators and the corresponding Analysis Report.
H.3	The Auditor will select samples in the list of shipment according to the methodology described under section “Pre-requisite to be eligible to certification” and check records accuracy and completeness.
H.4	The COC Contact point will provide the list of Analysis Report, which were identified with a doubt about the product’s authenticity. The Auditor will select records according to the methodology described under section “Pre-requisite to be eligible to certification” and check file’s completeness.
H.5	List of inventory checks will be provided for review.
H.6	From the list of inventory checks, the Auditor will review the list of files identified with a doubt about the product’s authenticity that were transmitted to the Competent Authorities. The Auditor will select records according to the methodology described under section “Pre-requisite to be eligible to certification” and check file’s completeness.

Risk profiling and trade facilitation measures

The Competent Authorities carry out the security, safety and financial risk analysis on all the cargo entering their territory. To assess the risks and respond appropriately, the Competent Authorities have a set of criteria enabling to establish the risk profile of the consignments. The criteria are not public.

The provisions of detailed quality data enable the Competent Authorities to screen and classify each transaction within a risk profile with the aim to apply the appropriate level of verification.

It is recognised that Risk Profiling technique contributes to optimize the mobilisation of resources and improve the trade facilitation without compromising the control’s efficiency of the shipments that may represent a risk of illicit trade practices.

Risk Profiling is strategic to the Competent Authorities and it is part of their exclusive core expertise. In this perspective, the Competent Authorities will define all the processes and requirements. The Competent Authorities proceed with the risk analysis and to improve its efficiency, will define the information and data to be supplied by the Economic Operators and all other sources of information such as shipping lines or others.

It is in the interest of the FTZ Management and FTZ Operators to implement processes or tools that will contribute to an efficient Risk Profiling process and FTZ Management and FTZ Operators will document these processes that will serve as a guidance.

Specified requirement

Principle: Promote any measure based on legislation, technology, procedure contributing to the best risk profiling and Trade Facilitation measures

I.1	The FTZ Manager and the selected FTZ Economic Operators will describe any provision or process that was implemented and contributes to facilitate trade. The nature of these provisions is not defined, it can cover any measure such as the introduction of a new technology (scanning equipment, bar codes), the implementation of a data transmission system such as Electronic Single Window, etc.... The principle is that these measures will contribute to facilitate trade and can be measured in terms of cost or time savings linked to the clearance process. Note: some of these improvements can be found in the Ease of Doing Business Report issued by the World Bank.
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Audit and certification

This section aims at providing guidance about the process and step to follow with the audit and the certification. The provisions presented in this section will be amended according to the objectives or requirements set by the OECD.

Audit Process

General

The programme for the full certification cycle will clearly identify the activity(ies) to be audited in order to be ensures that the Certification Scheme requirements are met. During the planning of the audit possible risks associated with the certification services are taken into account in order to be ensured that the certification / audit services provided are competent, consistent and impartial. Possible risks may include:

- the objectives of the audit
- the sampling used in the audit process and specifically the sampling of FTZ Economic Operators will be audited respectively
- real and perceived impartiality
- legal, regulatory and liability issues
- the FTZ organization being audited and its operating environment
- impact of the audit on the client and its activities
- health and safety of the audit teams
- perception of interested parties

The planning includes the certification audit (stage 1 audit and stage 2 audit), the surveillance audits (in the 1st and 2nd year) and the recertification audit in the 3rd year prior to expiration of the certificate. The three-year certification circle begins with the certification / recertification decision.

The determination of the audit program and any subsequent adjustments will consider the size of the FTZ the scope and complexity (including the number of FTZ Economic Operators), the processes and the results of any previous audits.

Audit Planning

The Audit Planning will be appropriate to the objective and the scope of the audit and will include the following information:

- The audit objectives
- The specified requirements

- The audit scope, including identification of the locations, departments or/and processes to be audited
- The dates and selected sites where the on-site audit activities are to be conducted, including visits to FTZ Economic Operators
- The duration of the on-site audit activities
- The roles and responsibilities of the audit team members and accompanying persons, such as experts and translators (where appropriate)

The opening Meeting

The assessment at the FTZ's premises starts with the opening meeting. The opening meeting is coordinated by the Lead Auditor / Assessor. The purpose of the opening meeting is to provide a short description of the certification process.

During the opening meeting:

- the introduction of the participants takes place, including an outline of their roles
- the scope of certification, the objectives and the criteria of the audit as well as and the audit plan are confirmed
- the audit / certification procedure is explained including the principle of sampling
- the communication process between the FTZ Management and the members of the audit team, the way the representative of the FTZ Management will become aware during the audit are confirmed as well as the audit language, the resources and facilities availability, the availability, the roles and the identities of personnel who will guide the members of the audit team, the relevant work safety, emergency and security procedures.
- The confidentiality of the Auditors is declared
- The method of reporting including the categorization of any findings is made clear
- The cases for the audit termination are explained and information about the appeal process is communicated
- The Scope of certification is made clear
- The Company becomes aware that during the audit any findings will be communicated to Its representatives

Audit Process

Within the framework of the audit at the FTZ, the auditors review and assess the effectiveness of the procedures which has been installed based on the Certification Scheme. The task of the auditors is to compare the practical application of the scheme requirements with the applicable processes and to assess them in relation to fulfilment of the requirements of the scheme. This is achieved by means of questioning of the employees, examining the relevant documents, records, orders and guidelines and also by visiting FTZ Economic Operators.

During the audit, the audit team will collect objective evidence to evaluate the compliance of the FTZ including the FTZ Economic Operators processes with the scheme requirements. A risk based chosen sample(s) of maximum 5 transactions per FTZ Economic Operator (as selected based on section "Sampling methodologies") will be selected follow the auditing trail. Audit trial, always includes the auditing of compliance with the Specified Requirements.

The auditor has to report the approach used for the selection to the FTZ Manager.

The Closing Meeting

A formal closing meeting will be held on the final day of the assessment for the purpose of:

- Presenting a summary of the auditor's activities to FTZ Management personnel present;
- Presenting the findings of the audit regarding matters of non-conformance (if applicable);
- Ensuring that the FTZ Management understands the classification of Non Conformities (Major and Minor, as described below) and to ensure all parties are clear regarding how the audit results will be reported and recorded;
- Listening to and acknowledging the FTZ Management's understanding of any non- conformance(s) which may be presented (if applicable);
- Communicating that any NC (Non Conformity) and Corrective Action Preventive Action Plan (CAPA) document will be signed by the FTZ Management's representative and the auditor for each one noted;
- Presenting the auditor's recommendation concerning the issuance of a Certificate of Conformity.
- Answering any questions concerning the auditor's findings and recommendation to be made to the Certification/Review Committee;
- Requesting that the FTZ Management provides any written comments or observations to for consideration on improving the Certification process.
- Explaining that the ultimate decision with respect to Certification lies with the Certification/Review Committee.

Remote Assessment

A Remote assessment consists of using electronic means to conduct the audit.

The rule is that the audit will be conducted on-site and, in exceptional circumstances, the Auditor may decide to conduct a Remote Assessment under the conditions that it is a follow-up audit and it can be done with confidence and professionalism. According to the auditing conditions, the Auditor may decide to conduct a complete or partial remote assessment which means that some parts are audited remotely, and some parts are audited on site.

Audit Summary Report and Final Report

An Audit Summary Report will be left on-site with the FTZ Management at the conclusion of the assessment, and to the OECD.

Reports will be released by the Certification Body to the organization as specified by the OECD.

The Certification Body will review all audit records along with other appropriate documentation and issue a final audit report, approved / verified NCs, Certificates of Conformity after Corrective Actions are approved, and certification requirements have been met.

Assessment Results

All audit types will be assessed utilizing a consistent methodology based on the CoC. Each system contains the list of requirements intended to demonstrate effective control of the system and also, in cases deemed necessary to ensure consistency, guidance for the auditor on inspectional techniques and sampling to be used.

The audit team will provide a quantitative output to the audit based on those specified requirements that can be verified as implemented and effective by the organization. Where conformance can be

demonstrated and verified by the auditor, the Assessment Tool / Report will be scored with a “yes” and the organization will receive full credit for the value of the requirement listed. Where conformance to the requirement cannot be demonstrated, the Assessment Tool / Report will be scored with a “no” and the organization will lose full credit for the stated requirement.

Non-Conformities (NC) defined

The following NC classifications will be used during the audit as well as being documented in the audit reports:

Major Non-Conformity

A Major NC will result in a significant risk of non-compliance with the CoC and the Specified Requirements.

A Major NC would preclude Certification until the Major NC is corrected and verified effective.

A Major NC requires a written a Corrective Action Preventive Action Plan (CAPA) with a response as agreed to between the auditor and the auditee.

A Follow-up Audit should be conducted to assure conformance to the requirements and for verification of effective action.

Once the major NC is closed and deemed effective, the certification will be issued.

For FTZ's that underwent their Initial Certification assessment and failed to demonstrate effective Corrective Action for a major NC will be denied certification.

Failure to demonstrate effective corrective action for a major NC may result in suspension for the existing certificate until such time that effective corrective action has been demonstrated or otherwise may lead to Certificate Withdrawal.

Minor Non-Conformity

Failure to adhere to an approved policy, procedure, instruction or process, or failure to comply with required Competent Authority laws and guidelines, or where there is insufficient evidence to be classified as a Major NC;

A Minor NC requires a written a Corrective Action Preventive Action Plan (CAPA) with a response as agreed to between the auditor and the auditee.

The Minor NC and the CAPA will be accepted by the Certification Body prior to awarding of the certification. The Certification Body may ask documentary evidence of the corrective action and the effective verification will be done during the next audit. However, a Follow-up Audit could be required by the Certification Body.

If the Corrective Action is verified as ineffective at the next annual audit activity, the NC will be documented as a new NC and considered for elevation to a Major NC.

Additional Nonconformity Information

CAPA Plans (including Root Cause Analysis) are reviewed during the Certification Review and may be rejected, even if previously accepted by the auditor. Such CAPA plans will be resubmitted to the organization for follow-up and resubmission back to the Certification Body. Failure to respond to such CAPAs may also result in a decision to deny certification.

The verification of effectiveness of the CAPA Plans will normally be followed up during the next audit activity. If during the next annual audit activity the corrective action taken is found to be “not effective” a

new CAPA will be issued and may be elevated to a Major NC as deemed necessary by the auditor and/or the Certification Body.

Once CAPA plans and cause analysis are approved, changes that are made by the organization to approved CAPA plans will be re-submitted to the Certification Body, ideally at the time the decision to change the approved plan is made, and at minimum prior to the next audit activity.

In case some specified requirements are not met and the auditee states that the law doesn't allow or require to comply, the Auditor will describe the issue in the Audit Report. The audit will be put on hold and the CB will inform the Peer Review Committee accordingly for appropriate actions to be undertaken at their level.

The Certification Review

The Certification Body will review the audit summary report, notes, any required checklist/audit report, audit schedule, NC's and recommendation for certification concerning the issuance of the Certificates of Conformity. It is the responsibility of the Certification Body to grant, issue, suspend, withdraw or withhold issuance of the certificate, or otherwise recommend and plan for the site's enrolment in the Increased Monitoring Program. If the Certification is granted, the Certification Body will:

- Notify the organization that Certification has been granted for a period of three years.
- Provide the organization with the Certificates of Conformity.
- Authorize the organization to reference the Certification Body and use the Certification

If the Certification Committee denies the granting of a certificate, the organization will be notified in writing the reasons for not awarding certification. All outstanding fees will be paid at that time.

Modifications or Revisions to Certificates of Conformity

Certificates of Conformity are only valid at the location(s) that appear(s) on the certificate. If an organization changes location, the organization may be subject to a surveillance or special audit in order to maintain the validity of the certificate. After all audit fees have been paid, a revised Certificate of Conformity will be issued to the organization.

Changes in ownership, physical location, key personnel, and/or changes in facilities will be provided in writing to the Certification Body who will determine whether the changes impact the existing Certification. When there is a change in geographical location, the Scope Extension form will be completed and returned to the Certification Body who will determine if a special audit is required.

Special Audits

When a special audit, or short notice audit, is required, the Certification Body will notify, describe and make known in advance to the certified clients the conditions under which these short notice visits are to be conducted. In both short notice and unannounced cases, the Certification Body will exercise additional care in the assignment of the audit team because of the lack of opportunity for the organization to object to audit team members.

It may be necessary for the Certification Body to conduct audits of certified FTZ's at short notice or unannounced to investigate complaints, in response to changes, or as follow-up on suspended clients. Additionally, a short notice or unannounced audit may be required when:

- A major violation to the CoC is credibly alleged

- significant changes occur which have been submitted as required by the regulations, or become known by the OECD, and which could affect the decision on the FTZ's state of compliance with Competent Authorities requirements.

The following are examples of such changes which could be significant and relevant to the Certification Body when considering that a special audit or short notice audit is required, although none of these changes is an automatic trigger of special / short notice audit:

- New ownership;
- New facility, site change
- Special circumstance / violation of code (at the request of OECD)

An unannounced or short-notice audit may also be necessary if the Certification Body has justifiable concerns about implementation of corrective actions or compliance with the CoC.

Withdrawing, Maintaining, Limiting, Extending & Suspending a Certification

An organization may at any time terminate its participation in the OECD Transparent FTZ Certification. If a FTZ wishes to terminate its involvement, the FTZ will cease to make reference to involvement with the Program.

The Certification Body may, at its discretion, withdraw or suspend the Certification of an organization for cause such as violating the terms of Certification listed in this document or failure to notify of any significant changes that may affect the compliance with the CoC / Certification Scheme.

The Certification Body maintains an impartial and non-discriminatory inquiries, complaints, disputes and appeals program to evaluate the consideration of inquiries, complaints, disputes and appeals against any and all decisions

Inquiries, Complaints, Disputes, and Appeals

The Inquiries, Complaints, Disputes, and Appeals Committee will review all inquiries, complaints, disputes and appeals from an applicant, certified organization or individual. The audit report/CAPA, written testimony and any additional documents provided by the applicant will be reviewed prior to any decision being rendered.

Annex A.

Optional TOOL: The MOU with Competent Authorities

This Annex describes an optional tool that can be adopted by the Competent Authorities to strengthen and support the efforts for transparency undertaken by the Free Trade Zone Community.

Memorandum of Understanding between the Competent Authorities and the Free Trade Zone Management

The Competent Authorities and the FTZ Management may decide to enter into a Public Private Partnership (PPP) and coordinate their respective efforts with the aim to promote Transparent Free Trade Zones in compliance with the CoC / Certification Scheme.

The PPP could be formalized by a MOU or similar document and may cover the topics listed below: These topics are presented for guidance only; the list is not exhaustive nor limitative.

- For the Competent Authorities may name each entity (if applicable) that are representing the Competent Authorities for the application of the COC and the Contact Point.
- For the FTZ Management, name of the Contact Point.
- Competent Authorities may declare taking necessary actions to manage their operations in the most appropriate manner to be compliant with the COC / Certification Scheme.
- FTZ Management may share or give access to the register of active FTZ Economic Operators
- The Competent Authorities may inform directly the FTZ Management of any change of Economic Operator's status which comprises new FTZ operating licenses, change of activities, renewal, suspension and revocation
- FTZ management may distribute all the communications, legislation, instructions or guidance received from the Competent Authorities that are related to the application of the COC / Certification Scheme.
- FTZ Management may agree to take specific provisions in regard to enforcement checks of the goods entering or leaving their premises for inbound and outbound shipments. Moreover, the Parties may agree to dedicate proper resources.
- In case a complaint arises from the execution of their respective activities in relation to the CoC / Certification Scheme, the Parties may agree to manage jointly for amicable settlement.
- The Parties may agree on a specific duration and termination / renewal terms
- The Parties may define a communication plan to promote their PPP and the compliance with the CoC / Certification Scheme.
- The Competent Authority may agree to participate to an interview conducted by the Certification Body as described in the section "Interview with the Competent Authorities" below.

Interview with the Competent Authorities

In complement to the MOU, the Competent Authorities may be willing to participate to the audit with an interview of one or several CA's representatives enabling to strengthen the audit report.

Role and entities

Roles

The interview is a data gathering technique frequently used by auditors. It is a question-and-answer session, to a large extent steered by the interviewer, aimed at obtaining quantitative as well as qualitative information. An interview can be used to elicit facts and/or the opinions of those persons involved in, or affected by, a particular programme or project regarding its context, implementation, results or impact. In addition, it can also serve to gather information on practices in different organisations/entities. An interview can either be face to face or remote, usually by visio-conference (teams, Zoom). Likewise, it can either be directed to an individual or a group.

There are three main purposes for an interview in an audit context: orientation, examination and confirmation. An interview can have one or two of these purposes, but normally not all three at the same time.

orientation part of the learning process

Orientation is normally part of the audit team's learning process during the planning phase. It aims at exploring and giving an overview of a specific area or function, e.g., by asking for presentations of activities, explanations of formal or informal networks or interpretation of documents (reports, instructions or budgets). The objective could be to identify possible audit subjects or to find out about other available sources of information, such as key persons or documentation

examination aims at finding audit evidence

Examination aims at more specific issues with a view to establishing new information, often to be used as audit evidence. In some cases, such information has not been previously recorded at all but is embodied in the interviewee through personal experiences, particular references, opinions, etc. In other cases, the knowledge can be retrieved for example by (joint) interpretation of internal documents, reports or records.

Evidence from interviews needs to be corroborated. It should be noted that evidence obtained from interviews often needs to be corroborated, i.e., supported by evidence from other data collection methods, to confirm that facts are correctly understood.

confirmation

Confirmation, finally, often goes together with either orientation or examination, but deserves to be mentioned as a separate purpose because of its fundamental importance. Confirmation, by definition, is typically based on information that has already been gathered. However, in this context the information can also be gathered and confirmed simultaneously. Not least in the planning phase, it is important to have basic conditions and facts explicitly confirmed by stakeholders. However, in the execution phase there might also be a need to confirm facts and findings. If data is incorrectly understood, the quality of the whole audit may suffer and a lot of

Interviews should be conducted at the initial stage of the audit as a preliminary process to present, define and understand global context/environment of the audit and detect possible barriers/constraints to the full implementation of the CoC. The objective is also to present the audit process and the general strategy

behind the implementation of CoC. This initial stage will be key to promote at higher level the initiative as well as to obtain the blessing and support of key stakeholder and institutional partners as well as recognition for the initiative.

Entities

The entities to be interviewed will be designated by the Competent Authorities and the individual(s) will be chosen among high level decision makers or rulers related to FTZ organization (legal, operational and institutional) to better describe the overall role of the FTZ and its economic integration into the local economy (global strategy at State level, benefits and advantages, interfaces with public/private institutions, organization, etc.).

Interview

Define the objective of the interview

Generally, the first step of the preparations is to define the objectives of the interview. What is the purpose of the interview, and what are the priority areas of information needed?

In the planning phase, initial preparations would normally focus on two things.

- **gather facts.** Firstly, gather all basic facts. These facts are normally of the type, which cannot be contested, e.g. which regulations are applicable, organigrams, changes that are foreseen. The interviewer needs to strive to develop a rather exhaustive list. These listed facts will need to be confirmed, or rejected, by the interviewee.
- **search for different opinions.** Secondly, gather all relevant information on opinions about the subject. This kind of information is normally subjective. Here it is not really possible to establish an exhaustive list. It is more important that the interviewer tries to find opinions from different sources and preferably with different views - e.g. pros and cons. This should form the basis for getting an orientation on the subject. The objective is often quite open and the interview used to inform the development of an audit scheme.

In the execution phase, the interview will normally be narrower and the information needed is often indicated by the detailed audit questions. It is therefore necessary to consult these in order to acquire a thorough understanding of what information will be needed.

Information requested

The main questions during the interview will clarify main aspect of the CoC / Certification Scheme requirements. The main questions will be asked in a simple manner to obtain a clear answer regarding full compliance of Code of Conduct:

- Do competent authorities have unconditional access, in accordance with their domestic law, to carry out unobstructed, ex officio enforcement checks of operators in support of investigations of violations of applicable laws and regulations?
- Are the competent authorities notified in advance of any industrial, commercial or service activity taking place in the FTZ?
- Do operators and persons, who do not provide the necessary assurance of compliance with the applicable customs provisions from carrying out an activity in the FTZ prohibited?
- Do you ensure that economic operators active in the FTZ maintain detailed digital records of all shipments of goods entering and leaving the zone, as well as all goods and services produced within it, sufficient to know what is inside the zone at any given time? The digital records should:

- Document sales and purchase operations of all goods and services entering and exiting the FTZ and be provided to the competent authorities upon request.
- Do you maintain a complete and accurate record in accordance with domestic law of all commercial transactions to enable full accountability of materials used in production and assembling processes that may be reconciled with the volume and value of their commercial transactions? These records should be for example:
 - Maintained for a period of at least five years (or the duration defined in the domestic law if longer than five years).
 - Made available in a timely manner to the competent authorities upon request.
 - Maintained in a format as required by the competent authorities, such that it can be used for risk profiling by the competent authority.
- Are records and information transmitted in a timely manner to the competent authorities, requested in accordance with domestic law and required to be maintained by recordkeeping requirements?
- Do you ensure that economic operators active in the FTZ are required to grant access to their detailed digital records upon request of the competent authorities in the jurisdiction where the zone is established?
- Is there any dedicated point of contact with the necessary skills and resources to respond effectively to such requests for information from the competent authorities?
- Do you Incentivise electronic payment for any commercial or financial transaction of the economic operators active in the FTZ occurring inside or originating from the FTZ, and ensure the traceability of cash transactions?
- Do you participate in peer learning and dialogues with Adherents to resolve compliance challenges?

The interviewee

Selection of interviewees

Normally, it should be decided who to interview by the Competent Authorities. During the selection, it might be evident, for example Commission officials responsible for specific programmes. In other cases, it might be relevant to talk to several people, and a selection will be done. The selection should be made on the basis of the knowledge acquired of the area, and involve some criteria to make sure relevant areas/programmes, hierarchical levels are sufficiently covered. The number of interviews can vary according to the resources available.

Prioritize open questions

The objective of the open questions is to let the interviewee speak freely to develop their point of view. These questions allow the interviewees to express themselves in their own words, and are suitable for obtaining qualitative information. Key words/phrases are: why? how? what do you think of...? For example: "how does the system of internal control function? Open questions are suitable for exploring topics and collecting information in unstructured interviews, but require more work when it comes to coding and analysing the responses.

Organizing the interviews

It is important to organise the interview properly both in terms of resources and ensure availability of interviewees (practical arrangements).

It is also necessary to discuss the interaction between the interviewers and the division of tasks. As a rule, it can be useful that one of the team gives attention to the interviewee, asking the questions, while another person focus on taking notes, keeping an eye on the interview strategy to make sure all major topics are covered, and where necessary contribute with follow-up questions.

For the interview to be successful, it is important to make an effort to establish and maintain a good climate for communication. Cooperation and a positive attitude from the auditee significantly increase the prospect of getting the required information in the interview.

Opening the interview session

Always open the interview session by thanking the interviewee for the reception and introduce each team member and their responsibilities. Due to high level position of interviewees, it is important to respect certain formalism and protocols required at this level of interaction. The early stage of the interview is key to obtain interviewee trust and commitment to assist in this process.

Set the background

Make sure that the interviewee has a clear understanding of what is Code of Conduct is and the role it plays within the OECD. Take the time to present the audit, including the objectives, scope and tasks. Also explain the purpose of the interview and how it is planned to be conducted. This is also important since it will clarify the course of the meeting, who is leading the meeting and what information is expected from the interview. Having an understanding of the purpose of the interview and its context might help the interviewee to give better and more relevant answers. Also guarantee confidential treatment of the answers where necessary or possible, or else explain how the data will be used.

Minutes

The minutes are the tangible evidence obtained from the interview. It is important that sufficient notes are taken. Take time to carefully note down key words and important facts, and avoid being stressed. Make sure the interviewee understands the importance of this. Do not try to record everything being said in the interview, but make a synthesis of opinions and conclusions. It is also wise to note down, on a separate list, documents or other evidence that the interviewee, during the session, agrees to supply at a later stage. Notes should be typed out soon after the interview.

Audio or video

Using audio or video recording of the interviews is an option, but this should be approached with great caution and only done with permission from the interviewee. This might make interviewees feel uncomfortable, and will in any case involve a lot of work after the interviews, as notes and a summary of the interviews will still have to be made for data analysis purposes.

Confirm minutes

To avoid controversies at a later stage, it is advisable to have the interviewee confirm the minutes from the meeting. Having the possibility to correct and approve the minutes afterwards may also make the interviewee feel less restrained during the interview.