

Implementation of the OECD Free Trade Zones Recommendation

Certification Scheme



1 Glossary

Audit

1. Process for obtaining information relevant to the Certification Scheme and evaluating it objectively to determine the extent to which specified requirements are fulfilled.

Auditor

2. Individual and/or group of individuals employed or appointed by the Certification Body to perform the Audit under the Certification Scheme.

Certificate of Conformity

3. A certificate issued by the Certification Body, stating conformity of the audited FTZ with the CoC and Certification Scheme.

Certification Body

4. Body that performs the Certification Scheme.

Certification Review

5. Review of the Certificate of Conformity and any additional relevant document submitted by the Auditor to the Certification Body following the Audit.

Certification Scheme

6. The set of rules and procedures outlined in this document including the specified requirements and the methodology for the conduct of the Audit to obtain the Certificate of Conformity.

Code of Conduct (CoC) Contact Point

7. A person, department or sub-contractor appointed by the FTZ Management with the necessary skills and resources for the implementation and management of the requirements of the CoC and for responding effectively to any request for information from the Competent Authorities, Certification Body and the Auditor

Competent Authorities

8. Public authorities including, but not limited to, police, customs, fiscal, and market surveillance officials with jurisdiction over the relevant persons, places, processes/procedures, or goods.

Free Trade Zone (FTZ)

9. An area designated by a country or jurisdiction in which goods entering such area are not subject to import or export duties, or are subject to lower import or export duties than those that would apply if such goods were declared for release for free circulation, at the moment when they enter the area. Facilities used for temporary storage or for customs warehousing procedures are not deemed to be Free Trade Zones.

Free Trade Zone (FTZ) Economic Operator

10. Operators working/operating within the FTZ, usually 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). Includes suppliers, producers, licensed companies, and businesses operating in FTZs.

Free Trade Zone (FTZ) Management

11. A person/several persons or an entity managing an FTZ on behalf of the owner of the FTZ through delegation, outsourcing, or a contract.

Free Trade Zone (FTZ) Operational License

12. A registration certificate / license / deed issued by the relevant authorities of the jurisdiction where the FTZ is located to the FTZ Management to carry out FTZ-related activities.

Major Non-Conformity (Major NC)

13. A failure of compliance with the CoC and the Certification Scheme.

Minor Non-Conformity (Minor NC)

14. A significant risk of non-compliance with the CoC and the Certification Scheme.

Non-conformity

15. Non-fulfilment of a specified requirement

Objective evidence

16. Data supporting the existence or verity of something. Objective evidence can be obtained through observation, measurement, test, or by other means. 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.

Stakeholder

17. Person or organisation that can affect, be affected by, or perceive itself to be affected by a decision or activity. Examples of stakeholders may include customers, owners, or other individuals.

Traceability

18. Ability to trace the history, application or location of an object. When considering a product or a service, traceability can relate to:

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

Verification

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

2 Introduction

Background: the OECD Recommendation on Transparency in FTZs

20. The OECD Recommendation on Countering Illicit Trade: Enhancing Transparency in Free Trade Zones [[OECD/LEGAL/0454](#)] (“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

21. 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.

22. 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

23. 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), under the aegis of the OECD Public Governance Committee (PGC), 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.

24. Building on several years of 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 Customs Organization (WCO), and the World Trade Organization (WTO) Secretariats.

25. 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 Member and non-Member countries and jurisdictions, 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. Following these discussions, a draft Recommendation was developed by the TF-CIT, HLRF, and

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>

eventually by the Public Governance Committee (PGC) and submitted to the OECD Council for adoption. The Recommendation was adopted by the OECD Council on 21 October 2019.

Scope of the Recommendation

26. 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 the Code of Conduct for Clean Free Trade Zones (the “Code of Conduct” or “CoC”) set out in the Annex to the Recommendation. The Recommendation also 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

27. Following the adoption of the Recommendation, the TF-CIT started working on the development of a mechanism to assess and monitor compliance of FTZs with the provisions of the Code of Conduct. This Certification Scheme is intended to serve as this mechanism and 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 in the TIC Council.

28. The Certification Scheme serves as a tool to assess and monitor compliance of Free Trade Zones with the provisions of the Code of Conduct. In addition, the Certification Scheme will also promote stakeholders’ compliance with the Code of Conduct. The Certification Scheme aims to support FTZ Management in defining and applying appropriate good governance practices to ensure transparency of the trades occurring in the FTZ.

Objectives of the Certification Scheme

29. The Certification Scheme aims to serve several purposes:

- To support the assessment and monitoring of the compliance of FTZs with 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 Auditor according to the sampling methodology described in the Certification Scheme.
- To articulate in factual terms the requirements to be implemented by the FTZ Management intending to align with the Code of Conduct.
- To support the evaluation and assessment of collected evidence against the specified requirements audited and consigned in the audit report. Certification Bodies will review the audit report and decide whether certification can be granted, or corrective action should be taken by the FTZ Management.
- The Certificate of Conformity would enable the FTZ Management and FTZ Economic Operators to communicate their compliance with the Certification Scheme to potential stakeholders and promote their activities locally and internationally.

3 The Certification Scheme

30. The Certification Scheme enables the assessment and monitoring of compliance of FTZs with the provisions of the Code of Conduct for Clean Free Trade Zones, set out in the annex to the OECD Recommendation on Countering Illicit Trade: Enhancing Transparency in Free Trade Zones [[OECD/LEGAL/0454](#)] (“the Recommendation”). This assessment is voluntary and only takes place at the request of the FTZ who wishes to be certified.

31. This section outlines the specific conditions for FTZs to be eligible to certification. These are structured along the provisions of the Code of Conduct, which, for ease of reference, are reproduced for each set of specified requirements below.

Pre-requisite

32. The Certification Scheme can be implemented under the condition that the relevant domestic laws of the jurisdiction that hosts the FTZ allow compliance with the Recommendation. In case one or more specified requirements cannot be met due to relevant domestic laws, the FTZ Management should inform the OECD and the Certification Body. In that case the certification process is terminated.

Sampling of Specific Requirements

33. The certification process requires the selection of files or records throughout the various specified requirements detailed in this document, including: A5, B7, D1-6, E3-7, F3, F5-7, G1 and H3-5. The Auditor should, whenever applicable, select samples according to ISO 19011 “Guidelines for auditing management systems” with a minimum of 5 files or records for verification. The Auditor can select additional files or records if deemed necessary. In case the sampling is less than 5, the Auditor should report and provide an explanation. In case no file could be selected, this should be reported accordingly by the Auditor, and the reason explained by the FTZ Management.

Organisation of the Free Trade Zone

Registration of the FTZ Management

34. The Free Trade Zone Management is required to have a valid registration with the government or the relevant authorities of the country or jurisdiction where the FTZ is located. A copy of the valid FTZ Operational License needs to be presented by the FTZ Management as a proof of compliance. A Tax Identification Number should be provided and if not available, FTZ Management should justify. These requirements are to be fulfilled in line with the relevant domestic laws applicable to the Free Trade Zone.

Organisation

35. The FTZ Management is required to have a clear description of its organisation and the roles and responsibilities of its staff, teams and departments. The FTZ Management should provide supporting documentation comprising:

- Organisation chart / management structure of the FTZ with number of staff
- Job / role description for key positions
- Type of Free Trade Zone (Free Port, Free trade Zone, Export Processing Zone, Special Economic Zone), International / Domestic etc.
- Permissible activities in the FTZ for 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 that operate in the FTZ
- Details of the contact point appointed as per Paragraph 7 of the CoC.

Register of FTZ Economic Operators

36. The FTZ Management should maintain a register of all FTZ Economic Operators authorised (licensed) to operate in the FTZ.

37. Each record should show a copy of the legal documents establishing the company (registration at the Chamber of Commerce, Court, deed, etc.) according to the relevant domestic laws.

38. The Competent Authorities should be responsible for approving, renewing or revoking FTZ Economic Operator's licenses in accordance with the relevant domestic laws. In case the license is subject to special conditions such as time limit or others, the said conditions should be detailed in the register maintained by the FTZ Management. FTZ Economic Operators should be made responsible for complying with these conditions and updating the FTZ Management about its compliance or non-renewal of the license.

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

40. FTZ Management should require that each FTZ Economic Operator sign a commitment to act in compliance with the principles of the CoC and the Certification Scheme, including to participate in the Audit and present the requested documentation to this end, if selected under the below sampling of FTZ Economic Operators for FTZ certification purposes.

41. A copy of the contract (concession, rental, right of use) signed between the operator and the FTZ, with all annexes should be included in the register.

Specified requirements for certification

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 must be a registered entity according to the relevant domestic laws. The Certification Body must review documentary evidence that may include, according to the relevant domestic laws, registration certificate, Tax Identification Number, FTZ Operational License and any other relevant document.
A.2	FTZ Management must present organisational documentation including the organisation chart, the articles of association, the FTZ layout and any document providing information about the FTZ organisation and its activities.
A.3	FTZ Management must maintain a register of the active FTZ Economic Operators, keeping record of their legal registration and FTZ Operational Licenses which may include specific conditions and type of activities, according to the relevant domestic laws.
A.4	FTZ Management must keep the register updated, including such elements as renewals of FTZ Operational License, collecting of supporting documentation, etc.
A.5	FTZ Management must keep record of the actual activities of FTZ Economic Operators and verify that they are aligned with the activities granted in the FTZ Operational License. In case the activities change, the FTZ Economic Operator must be assigned responsibility for informing the FTZ Management accordingly and, according to relevant domestic laws, update its FTZ Operational License and any other applicable document. The Auditor must select samples for verification, as outlined in the section "Sampling of specific requirements".
A.6	In case the Competent Authorities decide to suspend, withdraw, or cancel a FTZ Operational License, the FTZ Management must update the register accordingly and take any action required by the relevant domestic laws.
A.7	FTZ Management must 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.

Key personnel and training

CoC Contact Point

42. FTZ Management should 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 the Certification Body. This person should have an appropriate educational and professional background including training about the CoC and the Certification Scheme. The CoC Contact Point can delegate or sub-contract these tasks.

43. Compliance with these requirements should 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 CoC Contact Point have been communicated to the relevant Competent Authorities.
- Training records and certificates showing knowledge, skills and capability of the CoC Contact Point in reference to the FTZ Economic Operations and CoC / Certification Scheme.
- Evidence (e.g. organisation structure) showing that the CoC Contact Point has access to the management and adequate resources required for his/her role and responsibilities.
- In case of delegation or sub-contracting of tasks by the CoC Contact Point, evidence of existing oversight over the sub-contracted entities performing these tasks.

Training

44. FTZ Management should 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 should 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 for certification

Paragraph 7 of CoC: 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 Management must 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.
B.2	FTZ Management must provide description of the role and responsibilities of the dedicated CoC Contact Point.
B.3	FTZ Management must 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 Authorities, the Auditor must confirm appointment of the CoC Contact Point by the FTZ.
B.5	FTZ Management must 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 must give access to the training material used to deliver training on the CoC / Certification Scheme.
B.7	FTZ Management must provide the list of personnel (segmented by level and type of activity) together with evidence of training attendance on the CoC and operation. The Auditor must select samples for verification, according to the methodology presented in the section "Sampling of specific requirements".
B.8	The Auditor must gather signed letters by the FTZ Management confirming their understanding of the CoC and their commitment to implement it in operations of the FTZ. The list of signatories must match the organisation chart collected as per A.2.

Sampling of the FTZ Economic Operators for FTZ certification purposes

45. Only a sample of FTZ Economic Operators should be subject to verification, in accordance with the methodology below. The FTZ Economic Operators themselves are not the subject of the Certification Scheme, but their sampling serves the purpose of assessing the FTZ against the specified requirements vis-à-vis their contractual partners.

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

Size of Sample

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

Selection of sample

48. The Auditor should report the approach used for the selection to the FTZ Management.

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

50. The selection should consider, among other things, the following risk criteria (list non-exhaustive):

- Start of the operation (the FTZ Economic Operators who entered the FTZ since the last certification should be prioritised)
- Time since last verification
- Past reports on misconduct / complaints
- Type of activity carried out in the FTZ by the FTZ Economic Operator
- Reports from open databases on key personnel of the FTZ Economic Operator and shareholders
- Results of internal site audits and management reviews or previous certification audits
- Significant variations in the size or activities of the FTZ Economic Operator
- Number of companies sharing the same physical address
- High turnover of short-lived FTZ Economic Operators (opened and closed), also in between certifications cycles
- Common board ownership of companies
- Intensive use of cash payments
- High risk sectors as identified by the FTZ on the basis of stakeholder reports and interviews

FTZ Economic Operator Organisation

51. Each FTZ Economic Operator, selected as per above methodology, should provide supporting documentation describing their organisation. These documents should include the following:

- Organisation chart
- List of the industrial, commercial, or service activities performed by the FTZ Economic 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

Specified requirements for certification

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
C.1	The audited FTZ Economic Operators must provide a copy of the signed commitment to comply with the CoC / Certification Scheme.
C.2	The audited FTZ Economic operators must provide the documentation describing their organisation and their activities.

Data Management System

52. Verify that FTZ Economic Operators maintain digital records of all transactions.

Compliance of Data Format

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

Compliance of Data Implementation

54. The FTZ Economic Operator should provide extracts of data from the data management system to verify that information is properly recorded, in accordance with the requirements set by the Competent Authorities and corresponding with all information reported in the software documentation.

55. Example of data sets to be present in the data management system include:

- Sales documents (item, product code, value, currency, client, payment transaction, date of order, date of delivery, record of departure at FTZ Economic Operator gate, bill of lading, invoice, packing list)
- Purchase documents (item, value, currency, supplier, payment transaction, date of purchase, date of reception, record of arrival at FTZ Economic Operator gate, bill of lading, invoice, packing list, certificate of origin)
- Licences from the owner of intellectual property rights where required
- Warehouse management (item, pick up, delivery, stock, current inventory)
- Production Line (depending on the production, different datasets may be available)
- Presence of personnel (identity, identification number, entrance/exit time from site)
- Record of requests from the Competent Authorities
- Record of reports provided on request to the Competent Authorities

56. The FTZ Economic Operator should provide evidence on how data recorded in the data management system is 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

57. The FTZ Economic Operator should provide evidence that access to the systems is governed by means of user identification and secure credentials, that access to the system is properly traced and all data activities are recorded.

58. The system should ensure a data retention of at least five years (or the duration defined in the relevant domestic laws 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 should be made available to the Auditor prior to the verification of retention.

Verification of Data Retention

59. The FTZ Economic Operator should provide evidence that data is retained for the period of five years (or the duration defined in the relevant domestic laws if longer than five years).

60. To prove retention, the FTZ Economic Operator should provide an extract of data relevant to the orders, sales, warehouse inventory, and production on a set of 5 dates chosen randomly by the Auditor within the applicable retention period. Data are to be made available promptly, unless stored in back-ups, according to retention and back-up policies.

Specified requirements for certification

Paragraph 4 of CoC: 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: (I) Document sales and purchase operations of all goods and services entering and exiting the FTZ, and be provided to the competent authorities upon request. (II) 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: (i) Maintained for a period of at least five years. (ii) Made available in a timely manner to the competent authorities upon request. (iii) Maintained in a format as required by the competent authorities, such that it can be used for risk profiling by the competent authority.

Clause	Specified requirements
D.1	The FTZ Management and the selected FTZ Economic Operators must provide the Auditor with evidence of how compliance with this paragraph is ensured.
D.2	The Auditor must 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. rights owner or certification authorities. Warehouse management (item, pick up, delivery, stock, current inventory) Production Line (depending on the production, different datasets may be available) Presence of personnel (identity, identification number, entrance/exit time from the operator site)
D.3	The data management system documentation must demonstrate the compliance of data records with the format required by the Competent Authorities.
D.4	The FTZ Economic Operator must provide evidence that data is retained for the period of five years (or the duration defined in the relevant domestic laws if longer than five years). The FTZ Economic Operator must provide an extract 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 "Sampling of specific requirements". 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 must show physically the goods if requested to do so.
D.5	Records must provide evidence that FTZ Economic Operator's response to requests from the Competent Authorities occurred in due time. The Auditor must select samples for verification, according to the methodology presented in the section "Sampling of specific requirements".
D.6	The Auditor must gather evidence that access to the data management system is governed by means of user identification and secure credentials, that access to the system is properly traced and activities on data are logged. The system must ensure data retention of at least five years (or the duration defined in the relevant domestic laws 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 must be made available to the Auditor, prior to the verification of retention.

Data transmission to the Competent Authorities

61. The FTZ Management should ensure that a data management system enabling timely reporting with the Competent Authorities, the FTZ Economic Operators and the FTZ Management is operational.

62. The FTZ Management should ensure that the data management plan describes the various communication flows in line with the following principles:

1. The FTZ Economic Operators should send an advance notification for each inbound and outbound shipment to the Competent Authorities in accordance with the domestic legal provisions. The provisions should describe the type of document(s) and the time limits.
2. The FTZ Economic Operators should keep a detailed inventory for each storage premise. The Competent Authority should define the data structure and the frequency of transmission by the FTZ Economic Operators to the Competent Authorities.
3. The FTZ Management should keep a detailed record history of all movement of goods entering and leaving the FTZ 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 should 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 should address a request to the contact point at the FTZ Economic Operator's level to submit these documents within the indicated time limit.

Specified requirements for certification

Paragraph 5 of CoC: Transmit in a timely manner to the competent authorities the records and information requested in accordance with relevant domestic laws and required to be maintained by record keeping requirements.

Paragraph 6 of CoC: 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.

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

Examination of merchandises by the Competent Authorities

63. All the FTZ Economic Operators should have a minimum of one internal visit by the CoC Contact Point every three years.

Monitoring of the FTZ by Competent Authorities

64. The FTZ Management is responsible for the security of the FTZ and should ensure the monitoring of people, vehicles and merchandise entering and leaving the FTZ. A register of these movements should be held by the FTZ's security provider and made available to the Competent Authority upon request. FTZ Management and the Competent Authority may agree to share the register's data on a regular basis.

Examination of goods entering the FTZ by the Competent Authorities

65. The Competent Authority should have access to all vehicles, containers and merchandise crossing or stored in the FTZ for enforcement checks. The Competent Authority may decide to adopt the *modus operandi* of their choice for their examination that in general can be classified in three different categories: (1) recurring ad hoc examination by a non-permanent team, (2) examination at random by a permanent team and (3) systematic examination by a permanent team.

66. The examination may be executed by visual verification or by any other means 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 may be done in full or by sampling.

67. The Competent Authority should inform the FTZ Management about the chosen examination modality.

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

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

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

70. Each FTZ Economic Operator should have a dedicated contact point responsible to coordinate the examination of the merchandise according to the selection made by the Competent Authority.

71. The FTZ Economic Operator should make available the merchandise in an appropriate space where the Competent Authority can proceed with the checks.

Specified requirements for certification

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

Clause	Specified requirements
F.1	FTZ Management must provide a written description of performed enforcement checks. The set of documents to be presented to the Auditor.
F.2	A set of documents describing the provisions related to the enforcement checks by the Competent Authorities must be presented by the FTZ Management to the Auditor.
F.3	FTZ Management must keep a record of acknowledgement of receipt by each FTZ Economic Operator of each document described under point F.1 and F.2 above. The Auditor must select samples for verification, according to the methodology presented in the section "Sampling of specific requirements".
F.4	Movement of goods at the gate (inbound and outbound): FTZ Management must keep records of all movements of goods across the gate and provide a statistical report to the Auditor.
F.5	Enforcement checks at the gate: if applicable, FTZ Management must keep records of the number of shipments selected by the Competent Authorities for enforcement checks at the gate area. FTZ Management must provide this information in the form of a statistical report to the Auditor and the Auditor must select samples for verification, according to the methodology presented in the section "Sampling of specific requirements". If not applicable, the FTZ Management must describe where the enforcement checks take place.
F.6	Audited FTZ Economic Operators must provide a list of their inbound and outbound consignments selected for enforcement checks by the Competent Authorities, and the acknowledgements of execution. The Auditor must select samples for verification, according to the methodology presented in the section "Sampling of specific requirements".
F.7	Audited FTZ Economic Operators must provide a list of inventory checks conducted by the Competent Authorities. The Auditor must select samples for verification, according to the methodology presented in the section "Sampling of specific requirements".
F.8	Audited FTZ Economic Operators must present the enforcement check processes and demonstrate compliance with these processes.
F.9	FTZ Economic Operators must report cases of penalties incurred due to non-presentation of the goods to the Competent Authorities acting in conformity with the applicable procedures and the request for enforcement check by the Competent Authority.

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

Inventory check by the Auditor

72. In addition to the physical checks conducted by the Competent Authorities as described in the section “Examination of merchandise by the Competent Authorities” above, the Auditor should check the inventory physically by sampling. The methodology applicable is described in the following:

Specified requirements for certification

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

Clause	Specified requirements
G.1	The selected FTZ Economic Operators must provide an up-to-date inventory report to the Auditor, each inventory item must be linked to the applicable documentation stored in the data management system and made available to the Auditor upon request. The Auditor must select records for verification by sampling, according to the methodology presented in the section “Sampling of specific requirements”.
G.2	For each selected inventory item, the Auditor must make a data consistency check among the documents. The FTZ Economic Operator must provide all the necessary documentation: 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 rights owner as applicable.
G.3	The Auditor must then proceed with the visual inspection of the merchandise corresponding to the samples of the selected inventory items. The merchandise as described in the documentation and the quantity must be compared visually with the merchandise shown by the FTZ Economic Operator.
G.4	The Auditor must proceed then with a reverse verification which consists of selecting at random merchandise available in the inventory, which must be other than merchandise already inspected previously. The Auditor must verify that the selected merchandise is reported in the inventory supplied and must check the conformity and consistency with the documents available in the data management system.

Commercial payments

73. FTZ Economic Operators are required 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 payment is not accessible.

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

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

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

Specified requirements for certification

Paragraph 8 of CoC: 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.

Clause	Specified requirements
H.1	The FTZ Economic Operator must provide a document describing the financial management, with clear indication of appointed staff and relevant responsibilities.
H.2	Cryptocurrencies must not be used for executing financial transactions.
H.3	Financial transactions must be executed only in traceable electronic format (credit card, online banking, etc...). The Auditor must select samples for verification, according to the methodology presented in the section "Sampling of specific requirements".
H.4	Use of cash must be limited for transactions below 20 000 USD (or equivalent in local currency) and subject to approval of the cash manager of the FTZ Economic Operator.
H.5	All cash transactions must be recorded in the data management system of the FTZ Economic Operator, containing the date, number and scanned copy of invoice/receipt/payment note, beneficiary, payer, amount and correspondence to a specific purchase or sale operation. The Auditor must select samples for verification, according to the methodology presented in the section "Sampling of specific requirements".
H.6	Availability of cash on the FTZ Economic Operators' premises must be limited to 20 000 USD. If available cash is above 20 000 USD at the end of a day, the surplus must be deposited into the bank account on the next working day.
H.7	FTZ Economic Operators must report and maintain up-to-date in the data management system the availability of cash following daily reconciliation of cash transactions.
H.8	Should the local environment prevent the use of electronic means of payment, this must be properly documented by the FTZ Economic Operator.

Intellectual Property (I.P.) Rights verification

77. The FTZ Management should take appropriate measures to facilitate the work of Competent Authorities against the trafficking of counterfeited products in their Free Trade Zone or by the FTZ Economic Operators.

Shipment and product information

78. FTZ Economic Operators should provide the details of their inbound and outbound shipments when requested by CoC Contact Point on a case by case basis.

79. The documents that may be requested are the invoice, the packing list, the transport title and the I.P. license, if applicable.

Shipment data analysis and physical checks for I.P. rights protection

80. FTZ Economic Operators should submit shipment data for review when requested by the CoC Contact Point, to identify product transactions involving potential I.P. rights infringements. For those cases of potential risk, the CoC Contact Point should investigate further and ask the FTZ Economic Operator to provide complementary information and to give access to the products for visual verification.

81. In case of doubt about the authenticity of documents provided by the FTZ Economic Operator, the CoC Contact Point may directly contact the issuing entity for verification.

82. In any case, for every request of shipment data, the CoC Contact Point should issue an analysis report that should be made available to the Auditor.

83. Whenever a risk is identified, the FTZ Management should transmit the analysis report to the Competent Authorities for their verification according to the relevant domestic laws.

Inventory checks

84. The CoC Contact Point may conduct randomised physical checks of the inventories located at the premises of the FTZ Economic Operators. These verifications should be independent to those conducted under section “Shipment data analysis and physical checks for I.P. rights protection” above.

85. In principle, the CoC Contact Point should proceed as follows:

- The FTZ Economic Operator should be informed 48 hours in advance of a randomised inventory check concerning I.P. rights at their premises;
- Selection of products should be done visually at random by the CoC Contact Point.
- Each sample or product should be photographed and, for each sample, the FTZ Economic Operator should provide the set of documentation (invoice, transport title, packing list, I.P. license)
- The CoC Contact Point should analyse each file and issue an analysis report.
- In case the analysis report’s conclusion raises doubt about the product’s authenticity, the report should be transmitted to the Competent Authorities for investigation according to the relevant domestic laws.

Training and Education

OECD list of training and educational programs

86. OECD should facilitate contacts between brand owners, trade bodies and FTZ Management.

87. OECD should maintain a list of training and educational programmes available to CoC Contact Points.

Brand owners, trade bodies and consultants: capacity building

88. Brand owners usually propose educational programs to increase awareness on their products and verification techniques.

89. Moreover, consulting firms offer programs commercially related to counterfeiting. It addresses the skills for identification of counterfeits and for risk management.

90. Lastly, trade bodies and brand owners have developed anti-counterfeiting programmes, and I.P. protection frameworks that facilitate co-operation between enforcement authorities and brand owners.

91. The OECD should facilitate access of the FTZ Economic Operators and the CoC Contact Points of the FTZs to relevant programmes and I.P. protection frameworks.

Certification industry: capacity building to identify counterfeits

92. The certification industry can support the CoC Contact Point by providing training and educational materials to help identify the various signs to look for when reviewing documentation and products. It includes the possible verification of test reports or certificates.

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

Specified requirements for certification

Paragraph 4 of CoC: 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: (I) Document sales and purchase operations of all goods and services entering and exiting the FTZ, and be provided to the competent authorities upon request. (II) 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: (i) Maintained for a period of at least five years. (ii) Made available in a timely manner to the competent authorities upon request. (iii) Maintained in a format as required by the competent authorities, such that it can be used for risk profiling by the competent authority

Paragraph 5 of CoC: Transmit in a timely manner to the competent authorities the records and information requested in accordance with relevant domestic laws and required to be maintained by record keeping requirements.

Clause	Specified requirements
I.1	The CoC Contact Point must provide a list of all shipment data received from the FTZ Economic Operators and the corresponding analysis report.
I.2	The Auditor must select samples in the list of shipments according to the methodology described under section "Sampling of specific requirements" and check the records for accuracy and completeness.
I.3	The CoC Contact Point must provide the list of analysis reports, which identified doubts about the product's authenticity. The Auditor must select sample analysis reports according to the methodology described under section "Sampling of specific requirements" and check the reports for completeness.
I.4	The CoC Contact Point must provide a list of inventory checks.
I.5	From the list of inventory checks, the Auditor must review the list of analysis reports that identified doubts about the product's authenticity and that were transmitted to the Competent Authorities. The Auditor must select sample analysis reports according to the methodology described under section "Sampling of specific requirements" and check the reports for completeness.

Risk profiling and trade facilitation measures

94. The Competent Authorities perform 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 them to establish the risk profile** of the consignments. The criteria are not public.

95. The provision of detailed quality data enables the Competent Authorities to screen and classify each transaction within a risk profile with the aim to apply the appropriate level of scrutiny.

96. It is recognised that risk profiling techniques contribute to the optimisation of resource mobilisation and facilitate trade without compromising the efficiency of controls of shipments that may represent a risk of illicit trade practices.

97. Risk profiling is of strategic importance to the Competent Authorities and it is part of their exclusive core expertise. In this respect, the Competent Authorities should define all the processes and requirements. To improve efficiency, the Competent Authorities should also define the information and data to be supplied by the FTZ Economic Operators and all other sources of information such as shipping lines or others.

98. It is in the interest of the FTZ Management and FTZ Economic Operators to implement processes or tools that will contribute to an efficient risk profiling process. They may refer to responsible business conduct instruments such as the OECD Due Diligence Guidance for Responsible Business Conduct and the Sectoral Guidances, where appropriate, to identify, assess and mitigate adverse impacts they might be associated with. FTZ Management and FTZ Economic Operators should document and be guided by these processes.

Specified requirement for certification

Paragraph 9 of CoC: Participate in peer learning and dialogues with Adherents to resolve compliance challenges.

Preamble of the Recommendation: FTZs, can stimulate legitimate economic growth and play a central role in business for many economies and leading manufacturers;

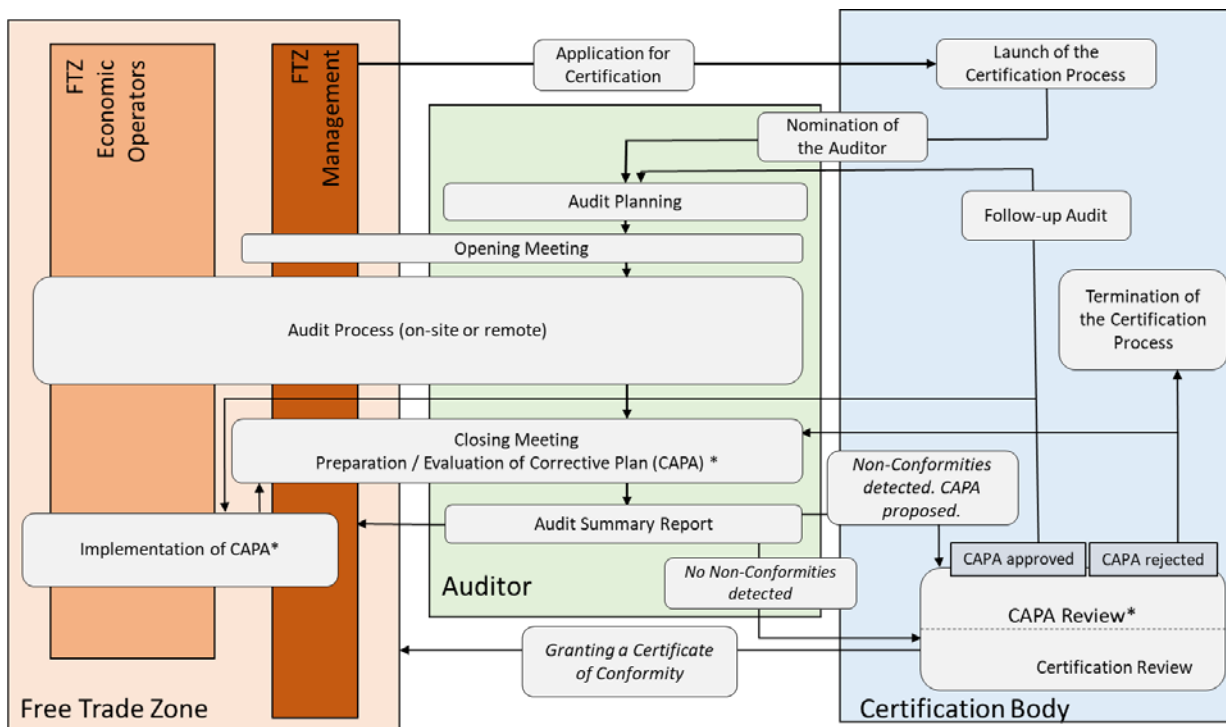
Clause	Specified requirements
J.1	The FTZ Management and the selected FTZ Economic Operators must describe any provision or process that was implemented and contributes to facilitate trade. The nature of these provisions is not defined, it can cover any measure such as the introduction of a new technology (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.

4 Audit and certification process

99. In order to issue a Certificate of Conformity confirming compliance of an FTZ with the CoC and the specified requirements described above, a specific audit and certification process must be followed. This section describes the process and steps for the audit and certification.

100. To reiterate, the Free Trade Zone is being certified. The Certification Process starts by a request made by the FTZ Management to a Certification Body. The Certification Body launches the process and nominates an Auditor, who carries out the audit. The audit involves FTZ Management and a sample of FTZ Economic Operators. The audit is concluded with a Summary Report that is then sent by the Auditor to the FTZ Management and Certification Body. In case of non-conformities detected by the Auditor, the Summary Report also proposes a Corrective Plan (CAPA). The Certification Body reviews the Summary Report. In case a CAPA was proposed the Certification Body approves or rejects it. Otherwise the Certification Body decides whether to grant a Certificate of Conformity to the FTZ. Figure 1 provides an overview of the actors involved and the sequencing of the audit and certification process.

Figure 1. Audit and Certification Process



* If applicable.

General provisions

101. A Certificate of Conformity is valid for five years, starting from the date of its issuance.
102. The certification process is initiated at the request of an FTZ Management wishing to obtain a Certificate of Conformity for its FTZ confirming compliance with the CoC and the Certification Scheme. The FTZ Management may file this request with an agreed Certification Body under the process and criteria set by the OECD and that is included on the OECD list of agreed Certification Bodies maintained by the OECD Secretariat. The Certification Body should appoint the Auditor performing the Audit under the Certification Scheme. The Auditor should report to the Certification Body.
103. The OECD is not responsible for the payment of the Certification Body for the certification process.
104. The Certification Body should inform the OECD Secretariat about the initiation of any certification process as well as of the results of the certification and Audit processes once completed.
105. The OECD Secretariat should maintain a list of the certified FTZs of which it has been informed.

Audit Process

Audit Planning

106. Before the launch of the Audit, the Auditor should prepare an Audit plan that should include the following information:
- The Audit objectives
 - The specified requirements
 - The Audit scope, including identification of the locations, departments and/or 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
 - Expectations, who from the FTZ Management and FTZ Economic Operator needs to be present during the on-site Audit activities.
 - The duration of the on-site Audit activities
 - The roles and responsibilities of the Auditor and his/her team members and accompanying persons, such as experts and translators (where appropriate)
 - The Auditor should take into account possible risks associated with the certification process in order to ensure that the Audit services provided are competent, consistent and impartial.
 - Possible risks may affect or include:
 - real and perceived impartiality
 - legal, regulatory and liability issues
 - impact of the Audit on the FTZ and its activities
 - health and safety of the Auditor and his/her team
 - perceptions of interested parties

The Opening Meeting

107. The Audit starts with the opening meeting between the Auditor and the FTZ Management. The opening meeting should be coordinated by the Auditor (leader of the auditing team). The purpose of the opening meeting should be to provide a description of the certification process.

108. During the opening meeting:

- The introduction of the participants should take place, including an outline of their roles.
- The scope of certification, the objectives and the criteria of the Audit as well as the Audit plan should be confirmed.
- The Audit / certification procedure should be explained, including the principles of sampling.
- The communication process between the FTZ Management and the Auditor, the way the FTZ Management will be kept informed during the Audit as well as the Audit language, the resources and facilities available, the availability, roles and identity of personnel who will assist the Auditor, the relevant work safety, emergency and security procedures should be confirmed.
- The confidentiality of information disclosed to the Auditor should be declared.
- The method of reporting including the categorisation of any findings should be made clear.
- The reasons for termination of the Audit should be explained and information about the options to file inquiries, complaints, disputes, and appeals concerning the certification process and results should be communicated.

Audit Process

109. During the Audit at the FTZ, the Auditor should review and assess the implementation and effectiveness of the specified requirements outlined under the Certification Scheme. The task of the Auditor is to compare the practical application of the specified requirements with the existing processes and to assess them in relation to fulfilment of the specified requirements of the Certification Scheme. The Auditor should collect objective evidence, including by means of questioning of the employees, examining the relevant documents, records, orders and guidelines and by visiting FTZ Economic Operators. A sample of a minimum 5 transactions per FTZ Economic Operator (as selected based on the section “Sampling of Specific Requirements”) should be selected. The Auditor should report the approach used for the selection to the FTZ Management.

110. The Auditor should create and keep an Audit Trail, an electronic record that provides chronological documentary evidence of the sequence of audit activities relevant to the specified requirements

111. Where conformity of the FTZ with a specified requirement can be demonstrated and verified by the Auditor, the relevant record should be scored with a “yes”. Where conformity to the specified requirement cannot be demonstrated, the relevant record should be scored with a “no”. Where an element is marked with “no”, the Auditor is required to determine whether this amounts to a Minor or Major Non-Conformity (see below on Non-Conformities).

112. In case some specified requirements are not met and the FTZ states that domestic laws do not allow or require compliance, the Auditor should describe the issue in the Audit report. The Audit should be terminated and the Certification Body should inform the OECD Secretariat accordingly.

Remote Audit

113. A remote Audit consists of using electronic means to conduct the Audit.

114. As a general rule, the Audit should be conducted on-site. However, in exceptional circumstances, the Auditor may decide to conduct a remote Audit under the conditions that:

- it is a follow-up Audit, following a decision of the Certification Body to address Non-Conformities identified during the main Audit (for follow-up Audit, see below), and
- that it can be performed with the same degree of confidence and professionalism.

115. Depending on the auditing conditions, the Auditor may decide to conduct a complete or partial remote Audit which means that some parts are audited remotely, and some parts are audited on-site.

The Closing Meeting

116. A closing meeting between the Auditor and the FTZ Management should be held on the final day of the assessment for the purpose of:

- Presenting a summary of the Auditor's activities to the FTZ Management;
- Presenting the findings of the Audit regarding Non-Conformities, if applicable (see below for more information on Non-Conformities);
- Ensuring that the FTZ Management understands the classification of Non-Conformities (Major and Minor, as described below) and that all parties are clear regarding how the Audit results should be reported and recorded;
- Listening to and acknowledging the FTZ Management's understanding of any Non-Conformities which may be presented (if applicable);
- Communicating that any Non-Conformity and Corrective Action Preventive Action Plan (CAPA) document should be signed by the FTZ Management and the Auditor for each Non-Conformity noted;
- Presenting the Auditor's recommendation to the Certification Body concerning the issuance of a Certificate of Conformity.
- Answering any questions concerning the Auditor's findings and recommendation to the Certification Body;
- Requesting that the FTZ Management provide any written comments or observations for improving the certification process;
- Explaining that the ultimate decision with respect to certification lies with the Certification Body.

Audit Summary Report

117. The Audit Summary Report should be prepared by the Auditor. The Summary Report should include:

- A summary of the Auditor's activities, including a detailed assessment of all specified requirements.
- The findings of the Audit regarding Non-Conformities (if applicable);
- For each Non-Conformity, a Corrective Action Preventive Action Plan (CAPA) signed by the FTZ Management and the Auditor.
- The Auditor's recommendation to the Certification Body concerning the issuance of a Certificate of Conformity.

118. The Audit Summary Report should be handed over to the FTZ Management at the conclusion of the assessment, and sent to the Certification Body as well as the OECD Secretariat for information.

Non-Conformities (NC)

119. The following NC classifications should be used during the Audit and documented in the Audit Summary Report:

Major Non-Conformity (Major NC)

120. A Major NC shows a failure of compliance with the CoC and the Certification Scheme.
121. A Major NC precludes certification until the Major NC is corrected and such correction verified.
122. A Major NC requires a written Corrective Action Preventive Action Plan (CAPA) in response agreed between the Auditor and the FTZ Management, and approved by the Certification Body.
123. A follow-up Audit should be conducted to ensure conformity to the specified requirements and for verification of effective corrective action in line with the CAPA.
124. Once the Major NC is successfully addressed and the concerned specified requirement deemed fulfilled, a Certificate of Conformity may be issued.
125. Failure to demonstrate effective corrective action for a Major NC may result in suspension of the existing Certificate of Conformity (in case this is a re-certification, when the audited FTZ already had a Certificate of Compliance prior to the Audit) until effective corrective action has been demonstrated or otherwise may lead to withdrawal of the certification.

Minor Non-Conformity (Minor NC)

126. A Minor NC shows a significant risk of non-compliance with the CoC and the Certification Scheme.
127. A Minor NC requires a written Corrective Action Preventive Action Plan (CAPA) in response agreed between the Auditor and the FTZ Management, and approved by the Certification Body.
128. A Minor NC does not preclude certification, if the Certification Body approves the Minor NC and the CAPA. The Certification Body may however request documentary evidence of the corrective action prior to awarding the Certificate of Conformity. The Certification Body may require a follow-up audit prior to awarding the Certificate of Conformity. A Minor NC and the CAPA should be accepted by the Certification Body. The Certification Body may request documentary evidence of the corrective action prior to awarding the Certificate of Conformity.

Follow-up Audit

129. A follow-up Audit takes place as a consequence of a Non-Conformity detected by the Auditor and CAPA approved by the Certification Body. The purpose and scope of a Follow-up Audit is to verify whether effective corrective action has been taken in line with the CAPA, and to provide an update on the implementation of the specified requirements, if any.
130. CAPAs should be reviewed by the Certification Body and may be rejected, even if previously accepted by the Auditor. Such CAPA should be returned to the FTZ Management and resubmitted once revised. Failure to respond may result in a decision to deny certification.
131. The follow-up Audit follows the same procedures as a regular Audit, with the exception that it may be carried out remotely, as long as it can be performed with the same degree of confidence and professionalism as an on-site Audit.
132. If during the Follow-up Audit, the corrective action is found to not have been implemented effectively, a new CAPA should be issued and a Minor NC may be elevated to a Major NC as deemed necessary by the Auditor.

The Certification Review

133. The Certification Body should review the Audit Summary Report, Audit Trail, NCs and recommendation by the Auditor concerning the issuance of the Certificate of Conformity. It is the responsibility of the Certification Body to issue, renew, suspend or withdraw the Certificate of Conformity.

134. If the Certificate of Conformity is granted, the Certification Body should:

- Notify the OECD Secretariat that certification has been granted for a period of five years.
- Provide the FTZ Management with the Certificate of Conformity.
- Authorise the FTZ Management to reference the certification by a listed Certification Body pursuant to the OECD Certification Scheme.
- A Certificate of Conformity should include the following elements:
 - Identification of the FTZ certified, including its ownership and physical location.
 - Reference to the OECD Recommendation on Countering Illicit Trade: Enhancing Transparency in Free Trade Zones [[OECD/LEGAL/0454](#)], the Code of Conduct for Clean Free Trade Zones, and the OECD Certification Scheme.
 - Identification of the Certification Body and the Auditor.
 - Date of issuance and the period of validity (5 years as of the date of issuance).

135. If the Certification Body denies the granting of a Certificate of Conformity, the FTZ Management should be notified in writing with the reasons for not awarding certification.

Modifications or Revisions to Certificates of Conformity

136. Certificates of Conformity are only valid at the location(s) that appear(s) on the certificate.

137. Changes in ownership, physical location, key personnel, and/or changes in facilities should be provided in writing to the Certification Body who should determine whether the changes impact the existing certification. When there is a change in geographical location, the Certification Body should determine if another Audit is required.

Terminating, Withdrawing & Suspending a Certification

138. An FTZ may at any time terminate its participation in the Certification Scheme. If a FTZ wishes to terminate its involvement, the FTZ should cease to make reference to involvement in the programme.

139. The Certification Body may, at its discretion, withdraw or suspend the certification of an FTZ for cause such as violating the terms of certification listed in this document or failure to notify any significant changes that may affect the compliance with the CoC / Certification Scheme. In such case the Certification Body should immediately report its decision and motives to the OECD Secretariat.

Appeals

140. Certification Bodies should maintain an impartial and non-discriminatory Appeals Committee to evaluate inquiries, complaints, disputes and appeals against any and all decisions. The Committee should review all inquiries, complaints, disputes and appeals from a certification candidate, certified FTZ or other individual.