Customs Trade Partnership Against Terrorism (CTPAT)

State of the Program

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Program Overview

CBP's Customs Trade Partnership Against Terrorism (CTPAT)

CTPAT is a voluntary public-private sector partnership program within U.S. Customs and Border Protection (CBP). Over the past 20 years, CTPAT has worked diligently with the trade community to strengthen international supply chains and to improve United States cargo security and trade compliance.

Program Mission:

CTPAT is a part of CBP's layered cargo enforcement strategy, which aims to provide the **highest level of cargo security** through close cooperation with the **principal stakeholders of the international supply chain.**

Strengthen Supply Chain Security

Collaborate with Global Partners

Engage Public and Private Stakeholders

Prioritize Social Compliance

Impactful CTPAT Moments:

2001
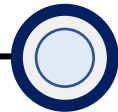**CTPAT Established** for importers only

2006
SAFE Port Act established legal framework for the program

2007
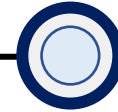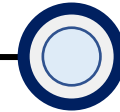**First Mutual Recognition Arrangement** (MRA) signed with New Zealand

2015
Trade Facilitation and Trade Enforcement Act enhanced legislative framework for CTPAT

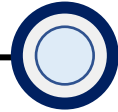**2018**
CTPAT Trade Compliance Program began to integrate into the program

2020
New Minimum Security Criteria implemented **& Virtual Validations** began

2021
Program Continues to Grow with currently 13 entity groups and 14 MRAs

CTPAT By The Numbers

With over 11,000 members in 13 entity groups, CTPAT is a leading player in global supply chain security by remaining proactive, agile, and collaborative in responding to emerging global threats.
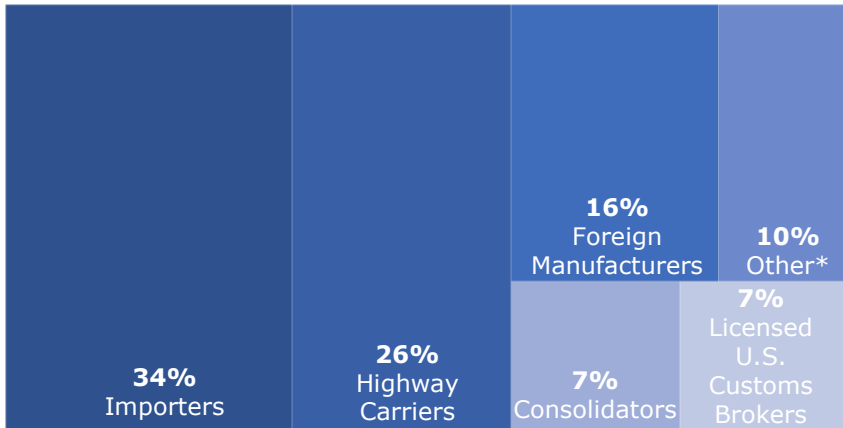
ABOUT

>11,000 — CTPAT Program Members

297 — CTPAT Trade Compliance Members

>150 — CTPAT Employees

6 — CTPAT Field Offices

Entity Group Break Down

- 34% Importers
- 26% Highway Carriers
- 7% Consolidators
- 16% Foreign Manufacturers
- 7% Licensed U.S. Customs Brokers
- 10% Other*

GLOBAL REACH

14 — Signed Mutual Recognition Agreements (MRAs)

3 — Joint Work Plans
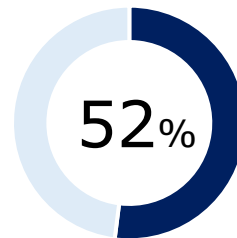
52% — Of U.S. Imports by Value are CTPAT Certified

60+ — Speaking Engagements in FY2021

ENFORCEMENT
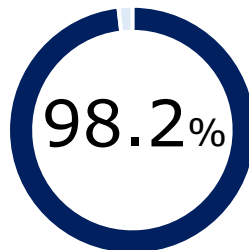
98.2% — Compliance rate for CTPAT members with established security guidelines

143 — Member Suspensions in FY21

79 — Member Removals in FY21

347 — Member Incidents in FY21

IMPACT

$58.1 M — Annual cost savings resulting from reduced examination benefit for CTPAT members

>35 — Different benefits provided to program members

$27 M — Annual cost savings resulting from AQUA Lane Access for CTPAT members

* "Other" entities include: Mexican Long Haul Highway Carriers, U.S. Exporters, Third Party Logistics Providers, Sea Carriers, Marine Port Authority and Terminal Operators, Air Carriers, Rail Carriers, Foreign Based Marine Port Terminal Operators

Minimum Security Criteria (MSC) Updates

CTPAT's MSC continues to address today's most prevalent and impactful supply chain security threats. The program is prioritizing member integration and understanding of the most recent MSC additions and is utilizing advanced analytics to monitor and measure member compliance.

January 2020 MSC Enhancements:

| New Agricultural Security Criteria Category | Enhanced Cybersecurity Requirements | Focus on Corporate Security Vision and Responsibility | "Should" Criterion on Social Compliance Standards |

MSC Performance Tracking Dashboard:

The program leverages an internal data collection and analytic tool, MSC Performance Tracking Dashboard, that enables CTPAT to analyze member validation performance, identify areas of improvement, and capture historical data and compliance trends to inform future MSC updates.

Key MSC Insights*

1,713 Validation visits (in person and virtual)

3,045 Deficiencies identified

1.78 Average number of deficiencies per validation

Data from October 2020 – September 2021

FY21 Insights from Dashboard Capabilities*

✓ **Highlight Top MSC Deficiencies**
MSC 3.1, under Business Partner Requirements, was one of the top MSC deficiencies with a total count of **157** in FY21.

✓ **Identify Deficiencies by Criteria Category**
Deficiencies in the Risk Assessment category made up **12.84%** of all deficiencies in FY21.

✓ **Understand Deficiency Reasons**
The leading reason for deficiency was **"Inadequate Evidence of Implementation."**

CTPAT Trade Compliance (TC)

CTPAT officially rolled out its TC program in 2021, enabling CBP to partner with the most trusted members of CTPAT to uphold top tier standards for importer compliance with U.S. trade laws and provide the U.S. with a complete and certified Authorized Economic Operator (AEO) program.

Trade Compliance Integration Timeline

2014

2018

2021

TRUSTED TRADER PILOT

✓ Conducted a four-year pilot with industry participants to develop CTPAT Trade Compliance

PROGRAM ROLLOUT

✓ Integrated 300+ members from the Office of Trade's legacy Importer Self Assessment (ISA) program to launch a fully-fledged (AEO) program

2021 ACCOMPLISHMENTS

✓ Continued collaboration to combat forced labor

✓ Laid the groundwork for seamless program integration

✓ Began closeout of the Trusted Trader Pilot

2022 PROGRAM PRIORITIES

❑ Begin accepting new Trade Compliance applicants

❑ Re-design and update member benefits

❑ Publish the updated handbook

❑ Strengthen member engagement

❑ Enhance global partnerships

❑ Publish the Federal Register Notice (FRN) to close the Trusted Trader Pilot

Program Benefits

CTPAT recognizes that its members make a significant commitment to securing their supply chains and ensuring their supply chain security controls and processes are compliant. To recognize partners' commitment, CTPAT provides its members with a of number benefits.

Key Program Benefits	All CTPAT Members	CTPAT Trade Compliance Members
Expedited Processes		
Reduced number of CBP examinations	✓	✓
Front of the line inspections	✓	✓
Access to the Free and Secure Trade (FAST) Lanes at the land borders	✓	✓
Advanced Qualified Unlading Approval (AQUA Lane)	✓	✓
Direct Access to CBP Resources		
CTPAT Trade Compliance portal		✓
Access to the CTPAT web-based portal system and a library of training materials	✓	✓
Assignment of a Supply Chain Security Specialist (SCSS) to the company	✓	✓
National Account Manager (NAM)		✓
Additional Key Benefits		
Expedited National Commodities Division Rulings		✓
Possibility of enjoying additional benefits by being recognized as a trusted trade partner by foreign customs administrations that have signed Mutual Recognition with the U.S.	✓	✓
Penalty Mitigation	✓	✓

Plus many additional benefits

Additional benefits in development

Global Partnerships

CTPAT continues its commitment to and prioritization of international cooperation and coordination to consistently strengthen and secure global supply chains and to further global standardization of supply chain security best practices.

Mutual Recognition Arrangement (MRA)
Mutual Recognition links the various international industry partnership programs together to collaborate and create a unified and sustainable security posture that assists in securing and facilitating global cargo trade.
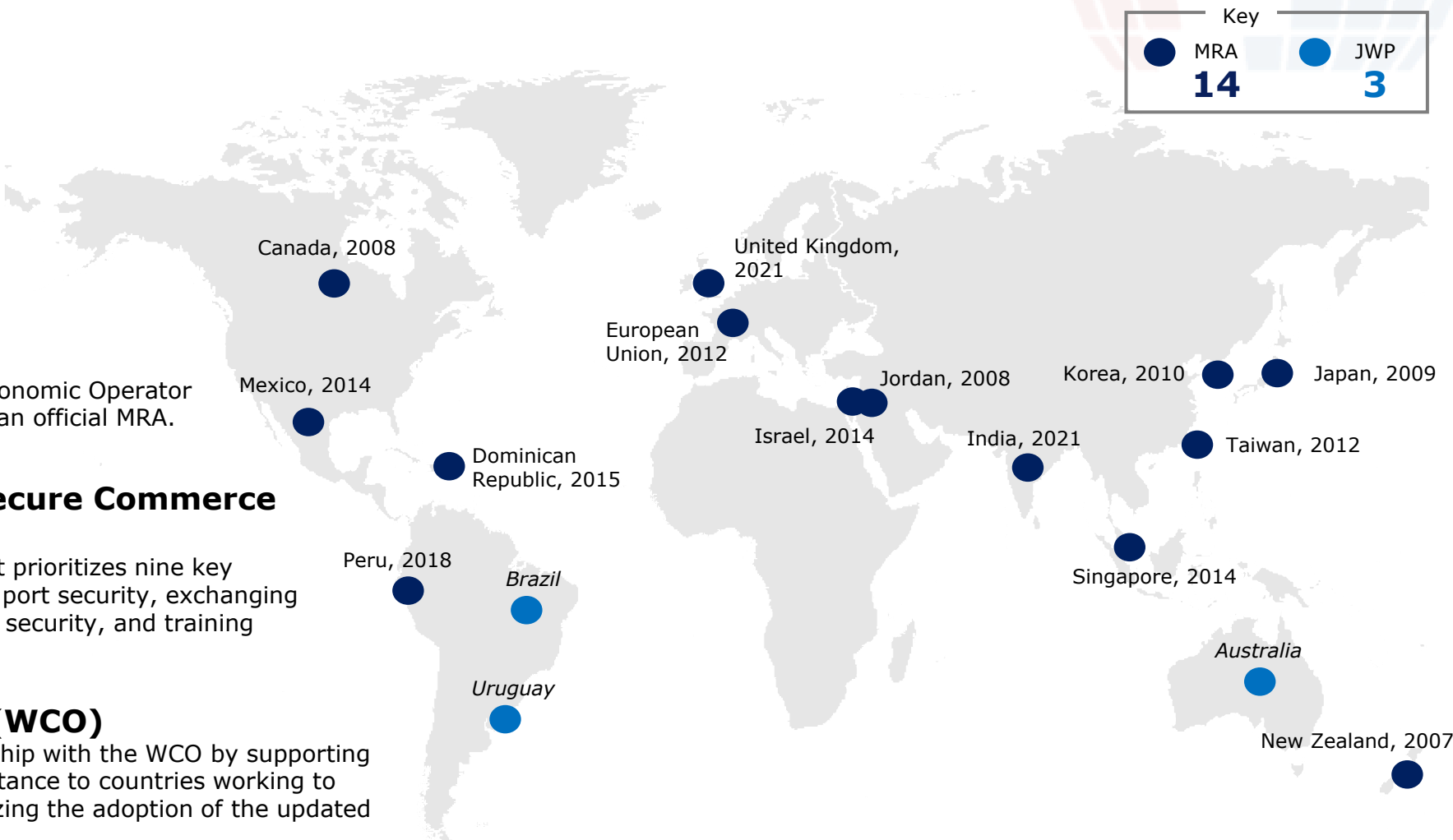
Joint Work Plan (JWP)
JWPs allow CTPAT to evaluate Authorized Economic Operator programs in another country before signing an official MRA.

World Business Alliance for Secure Commerce (BASC)
CTPAT leads the CBP/ BASC relationship that prioritizes nine key initiatives including enhancing maritime and port security, exchanging intel and information related to supply chain security, and training and educating the trade at large.

World Customs Organization (WCO)
CTPAT will continue to enhance the relationship with the WCO by supporting its working groups, providing technical assistance to countries working to develop an AEO program, and internationalizing the adoption of the updated CTPAT MSC.

Key
MRA   JWP
14   3

Canada, 2008
United Kingdom, 2021
European Union, 2012
Mexico, 2014
Jordan, 2008
Korea, 2010
Japan, 2009
Israel, 2014
India, 2021
Taiwan, 2012
Dominican Republic, 2015
Peru, 2018
Singapore, 2014
Brazil
Australia
Uruguay
New Zealand, 2007

Member Identification Numbers

Member Identification Numbers are an essential element of all manufactured exports to the United States and must exist on a shipment for it to receive the benefits provided through the CTPAT program and Mutual Recognition Arrangements.
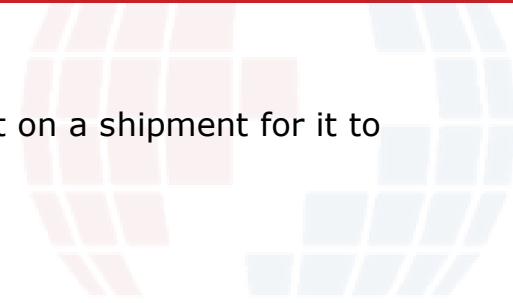
Manufacturer Identification Number

DEFINITION

A **unique identifying reference number** assigned to each manufacturer that exports goods to the United States.

CBP **requires that foreign manufacturers exporting product to the United States be identified by a MID number** on shipment transactions.

IMPACT

The mechanism used by CBP to **provide CTPAT and MRA benefits to foreign manufacturers.**

Shipments to the US from AEO certified foreign manufactures that are identified with the correct Member Identification Number are **granted CTPAT benefits that expedite shipment clearance processing.**

CONSTRUCTION

Data accuracy is critical. **If the Member Identification Number is incorrect, benefits cannot be applied.** Content of Member Identification Number:

- Two Letter Country Code
- First Three letters of the first and second name of the company location
- First four numerical digits of the address
- First three letters of the city name

EXAMPLE

XYZ Company
400 Orchard Road
Tijuana, Mexico 238865

Constructed as:

- **MX:** Two Letter Country Code
- **XYZCOM:** First Three letters of the first and second name of the company location
- **400:** First four numerical digits of the address
- **TIJ:** First three letters of the city name
- **MXXYZCOM400TIJ:** MID Number

Program Priorities

Fiscal Year 21 Highlights

CTPAT has continued to adapt its operations to execute its mission and to ensure that its partnership with members remains strong and sets a high standard for global supply chain security and trade compliance. These are just a few of the successes CTPAT experienced in the last year.

KEY PRIORITIES

Strengthen Global Supply Chain

Advocate for global adoption of CTPAT's standards for end-to-end security to address emerging threats across the global supply chain.

Rollout the Virtual Validation Process

Leverage a risk-based approach that prioritizes members eligible for the virtual validation process to drive progress on the validation backlog as a result of COVID-19.

Scale CTPAT Trade Compliance

Finalize the Trade Compliance rollout that enables CTPAT to be a fully-fledged AEO program to ensure importer compliance with the U.S. trade laws.

ACCOMPLISHMENTS

✓ **Virtual Validations**
Continued to enhanced the virtual validation process, having virtually validated 1,660 program members and 4,500 participants in a "Preparing for Your Virtual Validation" webinar.

✓ **University of Houston Response**
Formed working groups to enhance the program by addressing the findings from the University of Houston Study.

✓ **Signed MRAs with United Kingdom & India**
Enhanced global trade relations by increasing the number of Mutual Recognition Arrangements.

✓ **CTPAT Mobile Application Development**
Began the development and procurement of a CTPAT mobile app.

✓ **E-Commerce Expansion**
Worked collaboratively to progress through phase one of the program's E-Commerce Integration Strategy.

✓ **WCO Working Group Participation**
Supported the WCO by providing recommendations for the updated *WCO AEO Implementation and Validation Guidance.*

✓ **Joint Statement with BASC Organization**
Led the CBP wide effort to further strengthen the working relationship between the BASC and CBP.

✓ **Trade Compliance Forced Labor Strategy**
Took proactive approach to collaborate with other groups and to develop a strategy to address forced labor in supply chains.

Fiscal Year 22 Priorities

Since its inception in 2001, CTPAT's commitment to partnerships in service of security and trade compliance has remained steadfast. In FY22, the program will continue its focus on collaboration, digital advancement, and program expansion.

1 INCREASE COLLABORATION

❑ **Share Trends and Information with Members:** Enhance information sharing processes with members & trade.

❑ **Work Across Internal Groups:** Continue internal efforts and PGA relationships.

❑ **Expand Global Reach:** Expand global reach through fully implemented BASC/WCO relationships.

❑ **Engage with Other AEO Programs:** Continue engaging with other eligible countries toward Mutual Recognition.

2 ADVANCE DIGITAL CAPABILTIES

❑ **Data Analytics:** Continue to enhance analytics capabilities to increase security of supply chains.

❑ **Virtual Validations:** Enhance the Virtual Validation process, capabilities, and frequency.

❑ **CTPAT Application:** Deploy, share, and enhance the new CTPAT mobile application.

❑ **CTPAT Portal:** Continue development and deployment of the updated CTPAT portal.

3 EXPAND THE PROGRAM

❑ **Trade Compliance:** Officially incorporate the Trade Compliance program and forced labor requirements.

❑ **Entity Expansion:** Explore potential program incorporation of essential players in the international supply chain.

❑ **University of Houston (UH) Response:** Integrate responses and program enhancements from the UH Study.

❑ **Enhance Benefits:** Prioritize communicating and implementing program benefits for CTPAT members.

Digital Enhancements

Data Analytics

CTPAT utilizes data analytics to enhance the program's operational effectiveness through two dashboards, the Member Incident Dashboard (MID) and the MSC Performance Tracker (MPT) to identity trends in member incidents and MSC deficiencies.
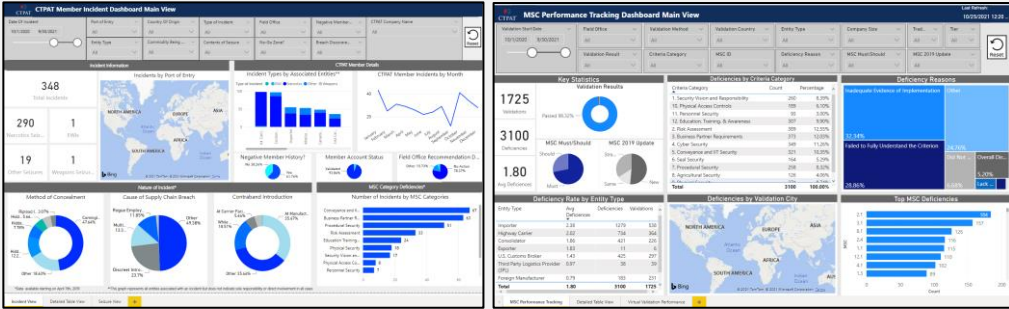
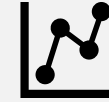## DASHBOARD CAPABILITIES

Automated Data Collection

Data Analysis

Data Visualization

Identification of Member Trends

KEY DATA INSIGHTS

37% of illicit drugs seized in FY21 were concealed in shipments being **commingled with legitimate cargo**.

35.7% of FY21 contraband incidents occur at the **manufacturing facility**.

58 of the 314 total FY21 incidents fell under the **Business Partner Requirements** MSC.

32% of MSC deficiencies in FY21 resulted from **"Inadequate Evidence of Implementation."**

IMPACT of DATA INSIGHTS

Inform ports and members on seizure trends to build awareness & additional enforcement measures.

Pinpoint supply chain weakness trends by entity that require additional validation scrutiny and share with SCSSs.

Share findings related to member and entity trends with CTPAT leadership to inform advisory warnings and potential MSC updates to help ensure extra supply chain security.

Understand the primary reasons for MSC deficiencies and coordinate training efforts to deliver more detailed guidelines and trainings to SCSSs and CTPAT members to prevent future supply chain deficiencies.

Virtual Validations

In response to the travel restrictions presented by COVID-19, CTPAT leveraged technology and analytics to continue the rigid validation process virtually. CTPAT will continue to refine the virtual validation process to ensure the continuation of secure, efficient, and effective validations.

FY22 Goals
- Adjust to a new normal which consists of a combination of in-person and virtual validations
- Refine the process to benefit members and SCSS's

FY22 Priorities
- Incorporate new technologies into validations
- Stay nimble with conditions in the trade community and adjust our operations/expectations accordingly

OVERVIEW	CURRENT STATE	FUTURE STATE
Virtual validations are the same process as an in-person validation with various added benefits that were not available for in-person validations.	Given COVID-19 travel restrictions, the virtual validation process has been stress tested and has produced positive results.	CTPAT is continually looking for new ways to improve the virtual validation process to benefit members and SCSS's alike.

OBSERVATIONS

❖ Preparation by the member for technology and documentation is key	✓ Added comfortability between both parties in the validation process	❑ Integrate new technologies into the virtual validation process
❖ Members must communicate with SCSS's prior to the validation dates	✓ Greater leeway with scheduling and adjusting validation dates	❑ Exploring the idea of virtual revalidations
❖ Roughly half of all members surveyed agree that virtual validations work	✓ Saved time and resources and more streamlined meetings	❑ Optimize the duration of a validation

Program Advancements

Potential Entity Expansion

CTPAT seeks to leverage their partnership model with industry and government to address threats intensified by the growing volume of e-commerce shipments as well as the increased pressure to incorporate non-asset based Third Party Logistic (3PL) companies.

CTPAT's Approach to Incorporate New Entities

CTPAT will define and develop eight key components before incorporating new elements of the supply chain into the program.

SCOPE	DATA	TECHNOLOGY	ELIGIBILITY REUIREMENTS	SECURITY CRITERIA	BENEFITS	VALIDATIONS	VETTING

Entity Expansion Efforts

E-COMMERCE

CTPAT has developed a strategy to incorporate e-commerce into the program by leveraging partnerships to enhance CBP's identification and processing of low-risk shipments.

Next Steps:

Continue to collaborate with the Office of Trade's e-commerce task force members

Conduct Proof of Concept testing at select U.S. ports

NON-ASSET BASED 3PLs

Non-asset-based 3PLs are **logistics providers that do not own the assets necessary to manage and to implement a supply chain,** therefore, they outsource elements of their customers' supply chains.

Next Steps:

Analyze non-asset based 3PLs business models

Assess the value non-asset-based 3PLs would bring to the program

University of Houston Study

The University of Houston study, conducted in 2020, analyzed opportunities for program enhancements. In response, CTPAT put together working groups to develop action plans for integrating the study's findings into the program.

Study Objectives

Conduct an assessment to gauge the **perception of the CTPAT program**

Evaluate the CTPAT program to identify **challenging areas and suggestions for improvement**

Identify **cost-benefit enhancements** to the program for members

Establish new **performance metrics** and build upon existing metrics

By the Numbers

33%
of program members participated in the survey

24%
of CTPAT Field Office personnel were interviewed

>50%
of CTPAT members say that benefits outweigh the costs.

Outcomes and Response

UH Study **Outcomes**

- **Tangible** and **Intangible benefits** drive CTPAT participation
- Different priorities exist between member **entity types**
- There are significant **marketing benefits** with being a member
- Members are open to more technology within the CTPAT **validation process**

University of Houston Study

CTPAT's **Response** to the Study

- Formed three **working groups** led by CTPAT Field Directors to continue to address results of the study
- A focus has been placed on the **benefits**, **communications**, and **technology**
- **Highlights:** CTPAT Mobile Application, Industry Training, Enhancement of Benefits

CTPAT will continue to enhance the program by prioritizing all recommendations and means of implementation identified through the study.
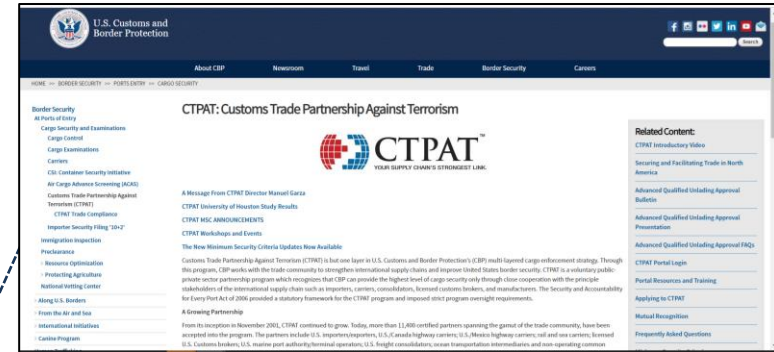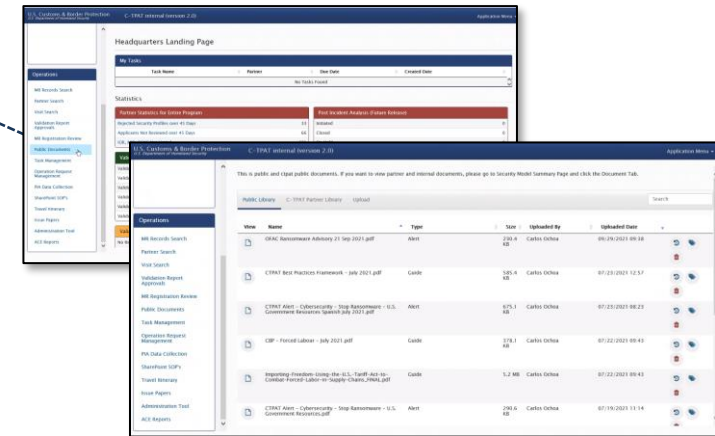
Program Resources

CTPAT Resources

The CTPAT program provides its members, the trade, and the public with resources to educate, communicate, and update key stakeholders about important program information.

- ✓ **CTPAT Mobile App**
- ✓ **CBP/ CTPAT Website**
- ✓ **CBP/ CTPAT YouTube Channel**
- ✓ **CTPAT Portal and Resource Library**
- ✓ **Director's Letters**
- ✓ **Bulletins**
- ✓ **Supply Chain Security Specialists**

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CTPAT Q&A