

3.5 EXECUTION PHASE

EXHIBIT O – Origin (Exporter)

Document Name	Origin (Exporter)
Document Number	3.5 O
When/How Used	The following should be used to determine which programs of the NAFTA Audit (Verification) Manual should be used by the CVO regarding exporter origin verification.
Created on	March 26, 2003
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Document Owner	
Division	Compliance Management HQ
Contact	Contact your local compliance verification office at: http://cbsa.gc.ca/contact/listing/indexpages/index-e.html
Other Stakeholders	

Verification Program – Origin Exporters (NAFTA)

COMPANY

FILE NO.

PERIOD

TO

Objective

Determine which programs of the NAFTA Audit (Verification) Manual that should be used by the compliance verification officers (CVO) regarding exporter origin verification.

Note: The NAFTA Audit (Verification) Manual provides the necessary programs to complete exporter origin verifications. Since the manual was originally designed to be used both by the regions in conducting origin verifications (non-Regional Value Content (RVC)) and by Headquarters in conducting origin audits (RVC), there are some programs that specifically apply to origin audits. A manual specifically designed for conducting origin verifications is being developed; in the meantime the following programs should be used by CVOs when conducting origin verifications. If you require further guidance, please contact the manager of the Origin Planning and Coordination Unit, at 613-954-5643.

- The following programs should be used when conducting exporter origin verifications, **regardless** of the **rule of origin**:

Program A – Non-Qualifying operations;

Program E – Transshipment;

Program F – Tariff Treatment;

Program T – Planning and risk analysis;

Program Y - Representativeness (Program Y is done only if applicable).

- The following programs are used **depending** on the **rule of origin** of the goods under review. The CVO should choose the appropriate program for the goods under review:

Program B – Tariff Classification

Program U – Good wholly obtained

Program V – Good produced exclusively from originating materials

- Finally, Program X – Desk review, should be used if there is **no on-site visit** required. *This program has been revised, and included for your reference.*

**Program X
DESK REVIEW
PLANNING - REVENUE RISK ANALYSIS
IMPORTER NOTIFICATION PROCEDURES**

OBJECTIVE

To calculate the revenue risk should the goods exported into Canada be determined to be non-originating under the NAFTA and to identify all Canadian importers to be notified with respect to the Exporter/Producer Origin Verification.

ORIGIN (EXPORTER) VERIFICATION PROCEDURES	DONE BY	REF.
1. Read the background information for the verification (Certificate of Origin, Regional referral package, Questionnaires, TRS decisions, etc.) to determine: <ul style="list-style-type: none"> i) the name of the exporter/producer; ii) the places of export; iii) the verification period; iv) the goods to be verified and their classification numbers; and v) the tariff treatment codes and the rates of duty claimed. 	<div style="text-align: center;"> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> </div>	<div style="text-align: center;"> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> </div>
2. Using CCS, determine the vendor codes used by the CBSA for the exporter being verified.		
3. Using the information gathered in verification steps 1 and 2, generate FIRM reports and prepare an analysis of the revenue risk if the goods under review are determined not to be eligible for Preferential Tariff Treatment (codes 10, 11, 12).		
4. Using the FIRM reports generated in verification step 3, obtain the importer numbers for all importers claiming Preferential Tariff Treatment under the NAFTA. Using CCS, obtain the importer name and address corresponding to each importer number and prepare the importer notification letters.		

**DESK REVIEW
PLANNING - REVENUE RISK ANALYSIS
IMPORTER NOTIFICATION PROCEDURES**

ORIGIN (EXPORTER) VERIFICATION PROCEDURES	DONE BY	REF.
5. Using the information gathered in 1 and 2, generate FIRM reports and prepare an analysis of imports under the MFN (code 02) or GPT (code 09 - for Mexico).		
6. Determine if there are or have been appeals associated with the good/exporter by generating FIRM reports. Note if there were tariff treatment adjustments claimed by importers for importations from the exporter.		
7. Document the verification concerns.		

**DESK REVIEW
CERTIFICATE OF ORIGIN
VERIFICATION PROGRAM**

OBJECTIVE

To ensure that the Certificate of Origin (CO) is filled out in accordance with the NAFTA regulations and procedures.

ORIGIN (EXPORTER) VERIFICATION PROCEDURES	DONE BY	REF.
1. Analyze the COs received from the importer and ensure they are correctly filled out as per the instructions on the reverse side of the CO. (Note in particular the fields # 7, 9 and 10).		
2. If modified COs are received during the course of the verification, ensure that verification work is being performed on the correct COs and analyze the reasons why the certificate has been modified to determine if this a risk factor to be considered during the verification.		
3. Document the verification concerns.		

**DESK REVIEW
ANALYSIS OF QUESTIONNAIRE RESPONSES
VERIFICATION PROGRAM**

OBJECTIVE

To ensure that the questionnaire responses are properly analyzed in order to determine the areas of risk in the verification.

ORIGIN (EXPORTER) VERIFICATION PROCEDURES	DONE BY	REF.
1. A good or intermediate material that includes materials or another intermediate that does not fulfill the tariff change requirement may still satisfy the first level rule (Tariff Change only) by claiming De Minimis.		
2. Proceed to Tariff Classification Verification Program, then return.		
3. Does the value of high-risk materials identified in procedure 2 of the Tariff Classification Verification Program added to De Minimis already claimed, exceed the maximum De Minimis allowed for the good/intermediate?		
4. Determine if any of the materials identified in 4, as not satisfying the tariff change requirement, are likely to be sourced from outside the NAFTA territories due to the nature of the material (i.e.: made to measure in small quantity likely to be sourced locally versus screws/bolts likely foreign).		
5. Evaluate if De Minims would be exceeded if all materials identified in procedure 5 were determined to be non-territorial.		
6. Based on the previous procedure, consider researching the suppliers, to identify distributors, Maquiladora and international manufacturers that may sell materials that are sourced outside of the NAFTA territories and to identify Mexican (for United States producers) or United States (for Mexican producers) materials.		

**DESK REVIEW
ANALYSIS OF QUESTIONNAIRE RESPONSES
VERIFICATION PROGRAM**

ORIGIN (EXPORTER) VERIFICATION PROCEDURES	DONE BY	REF.
7. Consider requesting copies of supplier certifications for high-risk parts. Have the suppliers identified the correct rule of origin? Is the material description adequate to classify the material? If not, the supplier certification may not be acceptable.		
8. If the supplier certification is inadequate or non-existent, consider sending a confirmation questionnaire to the supplier. The producer/exporter should be advised before we send any documentation request to their supplier. (Note: that if the supplier does not respond to the questionnaire, the material should be considered to be non-originating.)		
9. If accumulation was used, was the good eligible for accumulation (i.e. are the requirements of S. 14 satisfied)? Is the accumulation statement received from the supplier adequate? Was the material transshipped?		
10. If representative models were chosen, set up a working paper detailing what product models are represented by which representative model and the company representations as to why they were chosen to be representative. Ensure that all models being represented are on the CO and vice-versa. Document any differences.		
11. After having analyzed the questionnaire responses, detail what models are risky in terms of not qualifying as originating under the NAFTA rules of origin.		
12. Does the questionnaire contain any information that contradicts other company representations (verbal or within the questionnaire, etc.)? Did a person with sufficient knowledge of NAFTA and the product/good complete the questionnaire?		
13. Summarize the results of your work.		

**DESK REVIEW
TARIFF CLASSIFICATION & TARIFF CHANGE REQUIREMENT
VERIFICATION PROGRAM**

OBJECTIVE

To ensure that the tariff classification of the good and of the materials is correct.

To ensure that the tariff classification change requirement as set out in the *Specific Rule of Origin in Schedule I of the NAFTA Rules of Origin Regulations* have been met.

ORIGIN (EXPORTER) VERIFICATION PROCEDURES	DONE BY	REF.
1. Ensure that the good, intermediate materials, non-originating and materials of unknown origin appear to be correctly classified.		
2. Detail what specific rule of origin has to be met with respect to the representative models. From the rule of origin, identify the types of materials that would not meet the tariff change requirement if sourced from outside the NAFTA territories.		
3. Ensure that packing materials, accessories, spare parts and tools have been treated correctly for tariff change.		
4. Ensure that any materials changed to non-originating based on the questionnaire analysis are correctly classified.		
5. If there is a question as to the proper classification of any good, intermediate material or material.		
6. Document the potential for fungible materials based on response on General Information page of the questionnaire, nature of the materials, discussions with company representatives, etc.		
7. Conclude as to whether the change in tariff classification has been met for the representative models and intermediate materials.		

**DESK REVIEW
REPRESENTATIVENESS
VERIFICATION PROGRAM**

OBJECTIVE

To ensure that the representative models are in fact representative of other models included in the CO.

ORIGIN (EXPORTER) VERIFICATION PROCEDURES	DONE BY	REF.
1. Compare the materials, production process, intermediate materials, the sourcing of materials (if available for the other goods) and the function of the representative good to the other goods the company claims as being represented by it. Product literature, price listings and discussions with company representatives on the telephone or fax should provide sufficient information.		
2. Considering the rule of origin, identify the goods, which are risky in terms of not qualifying while the representative model would.		

DESK REVIEW SUMMARY

ORIGIN (EXPORTER) VERIFICATION PROCEDURES	DONE BY	REF.
1. Summarize your concerns with respect to the questionnaire response, communications with company representatives, other information obtained during the verification. (Also considering possible non-qualifying operations and transshipment.)		
2. Provide a recommendation with respect to an on-site verification. a) if the review is as a result of the selection process and an on-site visit is not required, prepare a memorandum to the file explaining why an on-site visit is not required. b) if the review was as a result of a referral, and an on-site visit is not required, close the referral with a memorandum to the referring region/office.		
3. When the verification is completed, update TRS with the verification decision and prepare the appropriate notifications.		

**DESK REVIEW
TARIFF TREATMENT
VERIFICATION PROGRAM**

OBJECTIVE

To ensure that the originating and non-originating goods have been exported to Canada using the correct tariff treatment as set out in Annex 302.2 of the NAFTA.

ORIGIN (EXPORTER) VERIFICATION PROCEDURES	DONE BY	REF.
<p>1. Once the good has been determined to originate in the NAFTA territories:</p> <p>For United States (MEXICAN) goods</p> <p>a) ensure that all parts and operations of Mexican (United States) origin have been identified; b) treat the Mexican (United States) materials and operations as being non-originating; c) ensure the good continues to qualify.</p> <p>If the good does not qualify, then it will be subject to MUST and go to 4.</p> <p>If the good still qualifies then it will be subject to UST (MT).</p>		

ORIGIN (EXPORTER) VERIFICATION PROCEDURES	DONE BY	REF.
<p>2. For those goods produced in the United States (Mexico) and subsequently processed in Mexico (United States):</p> <p>a) determine if the good originated when it left the United States (Mexico);</p> <p>b) determine the value of the good when it left the United States (Mexico);</p> <p>c) determine the value of the good when it left Mexico (United States);</p> <p>d) ensure that the good leaving Mexico (United States) has the same classification as the good had when it entered the country for further processing;</p> <p>e) ensure that the value of the good when it returned to the United States (Mexico) has not increased its value by greater than 7% (6.5% of VFD).</p> <p>If d) and e) are not satisfied, the good becomes a good of the country where the subsequent processing occurred and 1. above should be recalculated accordingly (note the good will likely be subject to MUST).</p>		
<p>3. For non-originating goods exported from the United States, the MFN tariff treatment is appropriate and no further verification work is required as this is the highest rate of duty that can be paid on the goods.</p> <p>For non-originating goods exported from Mexico, the GP or MFN tariff treatments may be available. We should therefore ask the company to recalculate the questionnaire based on GPT rules of origin (if appropriate). If the company does not qualify for GPT, then MFN is appropriate and no further verification work is required.</p>		
<p>4. Make verification adjustments as identified and summarize the results.</p>		