

COMMISSION OF INQUIRY INTO MONEY LAUNDERING IN BRITISH COLUMBIA

The Honourable Mr. Austin F. Cullen, Commissioner

AFFIDAVIT

I, Joel Rank, with a business address of 355 North River Road, of the City of Ottawa, in the Province of Ontario, AFFIRM THAT:

1. I am a Manager working in the Project Management Office of the Canada Border Services Agency (“CBSA”) Assessment and Revenue Management (“CARM”) Project, which is situated in the CBSA’s Commercial and Trade Branch. I managed the team that created the CARM Statement of Work and am currently responsible for ensuring the project is delivered on time, on budget, and within scope.
2. As such, I have personal knowledge of the facts and matters herein deposed to, save and except where such facts and matters are stated to be made upon information and belief, and as to such facts and matters I do believe them to be true.
3. I affirm this affidavit to provide evidence to the Commission of Inquiry into Money Laundering in British Columbia and for no other purpose.

Mandate and Scope of the CARM Project

4. The CARM Project is a technology-enabled business solution, aimed at modernizing and streamlining the process of importing commercial goods into Canada.
5. In broad terms, the mandate of the CARM Project is to deliver a globally-leading customs experience that is customer-centric, facilitates legitimate trade, improves compliance and revenue collection, and contributes to securing the borders of Canada.
6. The CARM Project is a phased, multi-year initiative. In the 2010 Federal Budget, \$370M was earmarked in the fiscal framework over a ten-year period for CARM. The project was recently extended and is now expected to be fully operational by September 2022. Since 2010, the CBSA’s work on the project has included implementing a new accounts receivable ledger (ARL), conducting a collaborative procurement process to hire a third party contractor to assist with the deployment of the remainder of the project, and executing the planning, building and

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partial deployment of the three remaining project phases that are outlined in paragraphs 10-12 below.

7. Once fully implemented, CARM will simplify the overall importing process, provide a modern technology interface for importing into Canada, give importers self-service access to their information, reduce the cost of importing into Canada and improve consistency and compliance with trade rules.
8. The CBSA has engaged Deloitte LLP to assist with the design, implementation and management of the CARM Project.

Project Timeline

9. The remainder of the CARM Project is set to unfold in three phases.
10. The first phase, CARM Release 0, was implemented in January 2021. In this phase, the CBSA ARL system was updated to the latest SAP software, moved to a cloud computing environment, and is now managed by the CARM contractor, Deloitte LLP, on behalf of the CBSA. This release is intended to serve as a foundation for other releases.
11. The second phase, CARM Release 1, is expected to be implemented in May of 2021. In this phase, a self-service tool, the CARM Portal (the Portal), will be launched. The Portal will be accessible to CBSA clients, including importers, customs brokers, and trade consultants. Clients will be able to create individual accounts on the Portal that enable them to perform a number of functions, including viewing transactions and account balances, classifying goods and estimating duties and taxes, and making secure payments online.
12. The third and final phase, CARM Release 2, is currently expected to be implemented in the spring of 2022. In this phase, all remaining CARM functionality will be implemented, including a number of analytics functions related to trade data and revenue reporting, compliance monitoring and trade fraud and evasion detection. These analytic capabilities are identified and explained in the paragraphs that follow.
13. Attached as **Exhibit A** to this affidavit is an infographic that highlights some of the functions that will be available to clients through CARM Release 1 and 2.

Client Registration and Enrolment

14. Client Registration and Program Enrolment is a core CARM capability and provides opportunities to both modernize and transform CBSA commercial client registration and enrolment business processes.
15. This capability includes adoption of the Canada Revenue Agency's 9-digit business number (BN) as the client identifier (legal entity) in support of the movement to adopt the BN as a common client identifier across government (federal and provincial) nationwide. It provides trade chain partners (TCPs) with the capability to register and enrol in multiple CBSA commercial programs using a single streamlined process via online services (e.g. the Portal). For both TCPs and the CBSA, online program enrolment will expedite and alleviate the current administrative burden of having to enrol manually using paper-based processes.
16. The CARM Project will therefore reduce administrative burden by enabling TCPs to access and request service in real time, through an electronically-enabled service delivery channel, and by avoiding manual, paper-based, duplicative tasks.

Analytics and Risking Functionality

17. In addition, the CARM Project will enable various forms of data validation and analysis that were not previously possible.
18. The key analytical tool will be the CARM Risking Engine, an automated risk profiling system that will enable the CBSA to obtain a more comprehensive understanding of potential transaction risks or compliance issues.
19. The Risking Engine will use a set of Risk, Trust and Compliance (RTC) rules developed by the CBSA to conduct two different types of risk analyses:
 - i. Entity risking: point-in-time and periodic risking of importing entities and their compliance behavior over time; and,
 - ii. Transactional risking: real-time risking of specific import transactions.
20. The CBSA will develop processes to determine the specific RTC rules the CARM project will use over the coming year as the CARM operating model continues to solidify. The descriptions of the RTC analysis in paragraphs 26 to 33 below describe the anticipated RTC rules at a high level.

Entity Risking - 360-Degree Risk Profiles

21. As a first step, the CARM system will automatically validate the data entered in commercial accounting declarations to ensure all of the mandatory data from TCPs has been provided and is in the correct format.
22. The CARM Risking Engine will then utilize the integrated client data available on the CARM system to create a 360-degree risk profile for importers. The various datasets will include the following information, drawn from data within the CARM system that clients have reported to the CBSA:
 - a. Data collected to support the client registration and program enrolment processes,
 - b. Transactional data,
 - c. Financial/payments data,
 - d. Case Management data, and
 - e. CBSA-managed parameters stored in CARM as custom data models.
23. The 360-degree risk profiles will include data about all aspects of an importer's prior interactions with the CBSA, including the importer's payment and transaction history, its compliance history, any penalties imposed on the importer, and any history of the CBSA seizing commodities the importer previously sought to import. Data that importers have provided to the CBSA regarding any subsidiaries will also be included, as well as information about the CBSA accounts associated with both the importer and its subsidiaries.
24. These 360-degree risk profiles will therefore enable the CBSA to look beyond individual transactions and obtain a more comprehensive understanding of an importer's risk.
25. The 360-degree risk profiles will not be available to the public and will be used by the CBSA in two ways. First, the CARM Risking Engine will automatically compare individual transaction data to an importer's 360-degree risk profile as part of its overall analysis of the risk that transaction presents. Second, if the CARM Risking Engine flags a transaction as high risk, CBSA auditors or compliance officers can refer to an importer's 360 degree risk profile during investigations. They will have the ability to generate reports and trend analyses focused on the different types of data (e.g. transaction history, compliance history) included within the 360 degree risk profile.

Transaction Risking – RTC Analysis

26. In addition to generating an importer's 360-degree risk profile, the CARM Risking Engine will conduct a multi-faceted assessment of each import transaction in real time, based on established RTC rules, to assess the specific transaction risk.
27. The CARM Risking Engine will flag transactions that violate pre-established business rules. For example, an adjustment to a transaction will be flagged if it requests a refund amount above a certain dollar threshold or if it was filed too close to a statutory time limit.
28. The CARM Risking Engine will also create a historical pricing model for commodities that aggregates data regarding each commodity's price in Canada and any changes over time. Transactions will be flagged if the valuation of a commodity is significantly different from historical norms, which may be an indicator of trade-based money laundering. The CARM Risking Engine will focus on the Canadian context and will not compare data with world average prices of commodities or commodity prices in other countries.
29. In addition, the CARM Risking Engine will conduct an analysis of the importer's previous transaction history. Transactions will be flagged if they differ in a significant way from the importer's previous transactions or established patterns of behaviour. For example, if an importer has a long history of importing one commodity, a transaction may be flagged if that same importer begins importing a different commodity.
30. Transactions may also be flagged if the importer or commodity appear on a watch list. The CBSA receives intelligence regarding importers from various regulatory and law enforcement agencies, as well as international intelligence partners. This intelligence is used to identify high-risk importers whose transactions may require further investigation.
31. The CBSA's Tariff Classification program also produces a list of Trade Compliance National Priorities that identifies specific commodities as higher risk based on previous or potential compliance issues. For example, if tariff classification data establishes that importers have been importing goods and falsely claiming that those goods are Commodity A, transactions purportedly involving Commodity A may be prioritized for future investigations. The CBSA periodically updates the list of Trade Compliance National Priorities and the list is publicly available at the following link: <https://www.cbsa-asfc.gc.ca/import/verification/menu-eng.html>. A copy of the most recent version of the list, current to January 2021, is attached to this affidavit as **Exhibit B**.

32. If, based on CBSA defined business rules under the RTC, the CARM Risking Rules Engine determines that a transaction is high-risk, this item will be placed on a work list for a CBSA compliance officer to review and/or investigate.
33. As decisions are made about transactions, compliance officers will continuously update the CARM Risking Engine with additional information gathered during investigations.

Expected Outcomes

34. In summary, there are five key anticipated outcomes of the CARM project:
35. First, the fully implemented CARM solution is expected to result in improved data accuracy as a result of the integration of several previously non-integrated systems, and through automated data validation, as described above in paragraph 21. By improving the accuracy of import data the CBSA receives, the CARM project will therefore reduce the frequency of the CBSA imposing inaccurate duties or taxes. This will improve the CBSA's ability to collect revenue it is owed from importers.
36. Second, the 360-degree risk profiles generated by the CARM system will enhance the CBSA's risk assessment capabilities. In particular, the profiles will enable the CBSA to obtain a comprehensive understanding of the risk presented by an import entity or a specific transaction without the need to consult and compare importer data from multiple, separate systems.
37. Third, the analytic capabilities of the CARM Risking Engine can assist the CBSA in identifying potential non-compliance with importing and trade requirements. The automated alerts generated by the Risking Engine will identify transactions with features that suggest a higher likelihood that potential fraud or evasion of duties may have occurred.
38. Fourth, the CARM project will enhance the CBSA's ability to identify high-risk transactions and prioritize investigations accordingly. The comprehensive and centralized import data that will be housed within the CARM system, as well as the CARM project's analytical tools, will enable CBSA compliance officers to efficiently assess transactions flagged by the CARM Risking Engine and prioritize further investigation of those transactions that present the highest risk.
39. Fifth, the CARM project will improve institutional efficiency by automating numerous processes that are currently or were previously completed manually. As described above, many of the current systems of data collection involve time-intensive paper reporting processes that require CBSA personnel to manually review and input client data into system databases. In



addition, CBSA compliance officers currently review import data manually in an effort to identify transactions that may include elements of fraud, duty evasion, or trade-based money laundering. The CARM Risking capabilities will allow for a more streamlined allocation and focussing of CBSA human resources.

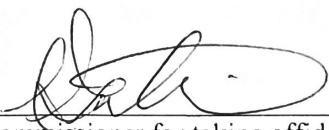
- 40. Overall, the CBSA anticipates that the CARM project will improve its ability to efficiently and systematically identify and investigate transactions that present the highest risk of potential non-compliance with importing and trade requirements. Of particular note, it is anticipated that the automated CARM Risking Engine's ability to generate historical pricing models for commodities will be a valuable tool for identifying potential cases of trade-based money laundering.

Remote Commissioning

- 41. I am not physically present before the commissioner taking my affidavit. I am linked with the commissioner by video technology and am adhering to the following process for commissioning the affidavit:

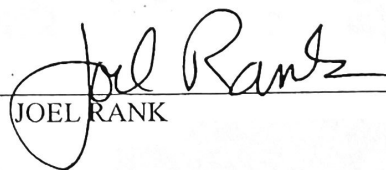
- a. I have shown the commissioner the front and back of my government-issued photo identification;
- b. The commissioner has compared the video image of myself and the information on my government-issued photo identification and has confirmed to me that they are reasonably satisfied that it is the same person and that my identification is valid and current;
- c. The commissioner has confirmed to me that a screenshot of the front and back of my government-issued photo identification was taken and that they will retain a copy of those screenshots.

AFFIRMED BEFORE ME via videoconference)
 with the affiant in Ottawa, Ontario and the)
 Commissioner in Burnaby, British Columbia on)
 this 14th day of April, 2021)
)
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 A commissioner for taking affidavits for
 British Columbia)

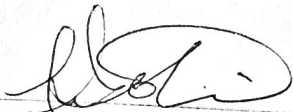
Ashley Gardner
 Barrister and Solicitor
 Department of Justice
 900- 840 Howe Street
 Vancouver, BC V6Z 2S9



 JOEL RANK)

92.

THIS IS EXHIBIT "A" TO THE
AFFIDAVIT OF JOEL RANK
AFFIRMED BEFORE ME VIA
VIDEOCONFERENCE WITH THE AFFIANT
IN OTTAWA, ONTARIO AND THE COMMISSIONER
IN BURNABY, BC
THIS 14TH DAY OF APRIL, 2021.



A commissioner for taking affidavits
for the Province of British Columbia





CARM

CBSA Assessment and Revenue Management

CARM Client Portal

A Modern Business Tool for Canada's Importing Community

ONLINE SELF-SERVICE.
SIMPLIFIED IMPORTING PROCESS.

CARM Release 1 - CBSA clients will be able to:



- ✓ **CREATE AND MANAGE THEIR ACCOUNTS** on the CARM Client Portal.
- ✓ **CLASSIFY GOODS** and estimate duties and taxes.
- ✓ **MAKE SECURE PAYMENTS** online via the portal.
- ✓ **DELEGATE ACCESS** to their service providers.
- ✓ **SUBMIT RULINGS REQUESTS** and track their progress.

CARM Release 2 – Additional features:

- ✓ **REGISTER FOR A BUSINESS NUMBER** and enroll in CBSA programs.
- ✓ **OBTAIN STATEMENTS OF ACCOUNT** in real time.
- ✓ **SUBMIT A COMMERCIAL ACCOUNTING DECLARATION**, which will replace today's custom coding (B3) and adjustment request (B2) forms.
- ✓ **SUBMIT APPEALS** and track their progress.



What you can do to be ready:

Check the CBSA Website for the latest updates.

Contact us if you have questions.

STAY CONNECTED!

Join us on:

LinkedIn **GCcollab**

Click here to learn more about

CARM



or go to www.cbsa-asfc.gc.ca/prog/carm-gora/



THIS IS EXHIBIT "B" TO THE
AFFIDAVIT OF JOEL RANK
AFFIRMED BEFORE ME VIA
VIDEOCONFERENCE WITH THE AFFIANT
IN OTTAWA, ONTARIO AND THE COMMISSIONER
IN BURNABY, BC
THIS 14TH DAY OF APRIL, 2021.



A commissioner for taking affidavits
for the Province of British Columbia



Trade Compliance Verifications – January 2021

The CBSA manages trade compliance with the Tariff Classification, Valuation, and Origin programs using the following two post-release verification processes:

1. Random verifications
2. Verification priorities

Random verifications

Random verifications are designed to measure compliance rates and revenue loss and the results may be used for many purposes, including:

- risk assessment
- revenue assessment
- promoting voluntary compliance

Verification priorities

Targeted verification priorities are determined through a risk-based, evergreen process, meaning that new targets are added throughout the year. Verification priorities may also be carried over from previous years. The current verification priorities are:

Tariff Classification:

Spent Fowl (Round 2)

- The risk identified is that imported goods could be incorrectly classified as spent fowl within Headings 02.07, 16.01 and 16.02, instead of being properly classified under tariff items subject to tariff rate quotas (TRQs) within the same chapters, and potentially be subject to very high duty rates
- This verification priority was released in July 2017 and is now complete

Results of first round of verifications for spent fowl

Targeted companies (Round 1)	Cases closed	Cases in error	Percentage non-compliance	Detailed adjustment statement Issued (dollars)	Self-adjustments by importers (dollars)	Penalties (dollars)	Total (dollars)
68	68	30	44%	\$5,920,743	\$172,636,995	\$127,650	\$178,685,388

- A second round of verifications was released in May 2020. Results are not yet available.
- The results of the first round show that most of the goods that were found to be misclassified in the first round were properly re-classified as broiler chicken under Chapter 2 of the *Customs Tariff*

LED Lamps

- The risk identified is that imported goods could be incorrectly classified as light-emitting diode (LED) lamps under Heading 85.39, instead of being properly classified under Heading 94.05, and be subject to a duty rate of 7%
- This verification priority was released in May 2020. Results are not yet available.

Furniture for Non-Domestic Purposes (Round 3)

- Headings 94.01 (Seats) and 94.03 (Other furniture and parts thereof) classify furniture for domestic purposes or other furniture for non-domestic purposes. The risk identified is that goods may be misclassified as furniture for non-domestic purposes, which is duty-free, instead of furniture for domestic purposes, which attracts a duty rate up to 9.5%.
- This verification priority was released in January 2013 and is now complete

Results of first round of verifications for furniture for non-domestic purposes

Targeted companies (Round 1)	Cases closed	Cases in error	Percentage non-compliance	Detailed adjustment statement Issued (dollars)	Self-adjustments by importers (dollars)	Penalties (dollars)	Total (dollars)
25	25	15	60%	\$337,663	\$594,090	\$1,050	\$932,803

- A second round of verifications was released in February 2017 and a third round in March 2019. The results to date are included in the following table.

Results of second and third round of verifications for furniture for non-domestic purposes

Targeted companies (Rounds 2-3)	Cases closed	Cases in error	Percentage non-compliance	Detailed adjustment statement Issued (dollars)	Self-adjustments by importers (dollars)	Penalties (dollars)	Total (dollars)
109	38	33	87%	\$178,081	\$1,453,190	\$70,300	\$1,701,571

- The results of the first 3 rounds show that most of the goods that were found to be misclassified were properly re-classified as furniture for domestic purposes

Batteries (Round 4)

- The risk identified is that batteries may be misclassified under duty-free tariff items within Heading 85.06, whereas they should be properly classified under other tariff items within the same heading, and be subject to a duty rate of 7%
- This verification priority was released in November 2013 and is now complete
- A second round of verifications was released in August 2016 and is also complete
- A third round of verifications was released in June 2018 and is also complete

Results of first, second and third round of verifications for batteries

Targeted companies (Rounds 1-2-3)	Cases closed	Cases in error	Percentage non-compliance	Detailed adjustment statement Issued (dollars)	Self-adjustments by importers (dollars)	Penalties (dollars)	Total (dollars)
36	36	35	97%	\$56,000	\$222,908	\$66,550	\$345,458

- A fourth round of verifications was released in May 2020. Results are not yet available.
- The results of the first 3 rounds show that most of the goods that were found to be misclassified were properly re-classified under tariff item 8506.10.90 of the *Customs Tariff*

Footwear (\$30 or more per pair) (Round 4)

- The risk identified is that footwear subject to a duty rate of 18% could be misclassified under other related tariff items, such as women's footwear valued at \$30 or more per pair, which attracts a duty rate of 11%
- This verification priority was released in March 2014 and is now complete
- A second round of verifications was released in May 2016 and is also complete
- A third round of verifications was released in July 2017 and is also complete

Results of first, second and third round of verifications for footwear (\$30 or more per pair)

Targeted companies (Rounds 1-2-3)	Cases closed	Cases in error	Percentage non-compliance	Detailed adjustment statement Issued (dollars)	Self-adjustments by importers (dollars)	Penalties (dollars)	Total (dollars)
175	175	134	77%	\$420,239	\$2,266,039	\$148,450	\$2,834,728

- A fourth round of verifications was released in May 2019. Results are not yet available.
- The results of the first 3 rounds show that the goods that were found to be misclassified were properly re-classified under various tariff items of Heading 64.03 of the *Customs Tariff*

Articles of Apparel and Clothing Accessories (Round 3)

- The risk identified is that goods could be incorrectly classified within Heading 39.26, which attracts lower duty rates, instead of being properly classified under tariff item 6210.40.90 (other men's or boys' garments) or 6210.50.90 (other women's or girls' garments), which are subject to the significantly higher duty rate of 18%
- The issue is that clothing containing a layer of plastic, combined with textile fabric that is not considered as reinforcement to the plastic, should not be classified under Chapter 39
- This verification priority was released in December 2014 and is now complete
- A second round of verifications was released in May 2016 and is also complete

Results of first and second round of verifications for articles of apparel and clothing accessories

Targeted companies (Rounds 1-2)	Cases closed	Cases in error	Percentage non-compliance	Detailed adjustment statement Issued (dollars)	Self-adjustments by importers (dollars)	Penalties (dollars)	Total (dollars)
185	185	136	74%	\$1,133,688	\$2,696,878	\$54,050	\$3,884,616

- A third round of verifications was released in October 2017 and the results to date are included in the following table

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Results of third round of verifications for articles of apparel and clothing accessories

Targeted companies (Round 3)	Cases closed	Cases in error	Percentage non-compliance	Detailed adjustment statement Issued (dollars)	Self-adjustments by importers (dollars)	Penalties (dollars)	Total (dollars)
20	18	14	78%	\$67,086	\$38,598	\$4,650	\$110,334

- The results of the first 3 rounds show that most of the goods that were found to be misclassified were properly re-classified under various tariff items within Chapters 42, 61, 62 and 65 of the *Customs Tariff*

Parts of Lamps (Round 4)

- The risk identified is that imported goods could be incorrectly classified as parts of lamps, within Heading 94.05, instead of being properly classified elsewhere within the same Heading, or under other chapters, and potentially be subject to various duty rates
- This verification priority was released in September 2015 and is now complete
- A second round of verifications was released in February 2017 and is also complete

Results of first and second round of verifications for parts of lamps

Targeted companies (Rounds 1-2)	Cases closed	Cases in error	Percentage non-compliance	Detailed adjustment statement Issued (dollars)	Self-adjustments by importers (dollars)	Penalties (dollars)	Total (dollars)
141	141	106	75%	\$329,491	\$1,629,198	\$61,600	\$2,020,325

- A third round of verifications was released in December 2018. The results to date are included in the following table.

Results of third round of verifications for parts of lamps

Targeted companies (Round 3)	Cases closed	Cases in error	Percentage non-compliance	Detailed adjustment statement Issued (dollars)	Self-adjustments by importers (dollars)	Penalties (dollars)	Total (dollars)
66	50	30	60%	\$89,369	\$318,938	\$52,000	\$460,307

- A fourth round of verifications was released in May 2020. Results are not yet available.
- The results of the first 3 rounds show that most of the goods that were found to be misclassified were properly re-classified within Heading 94.05 or under Chapters 73, 76, 84 and 85 of the *Customs Tariff*

Pasta (Round 3)

- The risk identified is that pasta could be incorrectly classified within Heading 19.02, which is subject to various duty rates, instead of being properly classified elsewhere within the same Heading, and potentially be subject to higher duty rates
- This verification priority was released in November 2015 and is now complete
- A second round of verifications was released in April 2017 and is also complete

Results of first and second round of verifications for pasta

Targeted Companies (Rounds 1-2)	Cases closed	Cases in error	Percentage non-compliance	Detailed adjustment statement Issued (dollars)	Self-adjustments by importers (dollars)	Penalties (dollars)	Total (dollars)
136	136	96	71%	\$149,530	\$1,226,372	\$117,475	\$1,493,377

- A third round of verifications was released in October 2019. Results are not yet available.
- The results of the first 2 rounds show that most of the goods that were found to be misclassified were properly re-classified elsewhere within Heading 19.02 of the *Customs Tariff*

OR

Cell Phone Cases (Round 2)

- The risk identified is that cell phone cases could be incorrectly classified under various tariff items within Headings 39.26, 42.02 and 85.17, whereas the goods could potentially be properly classified under tariff item 4202.32.90 (articles of a kind normally carried in the pocket or in the handbag; with outer surface of sheeting of plastics or of textile materials; other), and be subject to a duty rate of 8%
- This verification priority was released in January 2016 and is now complete

Results of first round of verifications for cell phone cases

Targeted companies (Round 1)	Cases closed	Cases in error	Percentage non-compliance	Detailed adjustment statement Issued (dollars)	Self-adjustments by importers (dollars)	Penalties (dollars)	Total (dollars)
23	23	23	100%	\$38,939	\$1,821,478	\$41,250	\$1,902,047

- A second round of verifications was released in June 2018 and the results to date are included in the following table

Results of second round of verifications for cell phone cases

Targeted companies (Round 2)	Cases closed	Cases in error	Percentage non-compliance	Detailed adjustment statement Issued (dollars)	Self-adjustments by importers (dollars)	Penalties (dollars)	Total (dollars)
16	15	12	80%	\$66,705	\$1,008,151	\$5,000	\$1,079,856

- The results of the first 2 round show that most of the goods that were found to be misclassified were properly re-classified under tariff item 4202.32.90 of the *Customs Tariff*

Pickled Vegetables (Round 4)

- The risk identified is that dill pickles or baby dill pickles may be misclassified within Heading 20.01
- Misclassification results in an avoidance of the 8% duty payable for subheading 2001.10, which would be the appropriate classification for pickles
- This verification priority was released in June 2012 and is now complete
- A second round of verifications was released in August 2013 and a third one in January 2017, and they are also complete

Results of first, second and third round of verifications for pickled vegetables

Targeted companies (Rounds 1-2-3)	Cases closed	Cases in error	Percentage non-compliance	Detailed adjustment statement Issued (dollars)	Self-adjustments by importers (dollars)	Penalties (dollars)	Total (dollars)
58	58	35	60%	\$113,975	\$412,668	\$21,150	\$547,793

- A fourth round of verifications was released in December 2017 and the results to date are included in the following table

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Results of fourth round of verifications for pickled vegetables

Targeted companies (Round 4)	Cases closed	Cases in error	Percentage non-compliance	Detailed adjustment statement Issued (dollars)	Self-adjustments by importers (dollars)	Penalties (dollars)	Total (dollars)
93	92	56	61%	\$104,449	\$515,870	\$74,800	\$695,119

- The results of the first 4 rounds show that most of the goods that were found to be misclassified were properly re-classified under tariff items 2001.10.00 (cucumbers and gherkins) and 2005.99.90 (other vegetables) of the *Customs Tariff*

Gloves (Round 2)

- The risk identified is that imported goods could be incorrectly classified as gloves within Headings 39.26 and 42.03, instead of being properly classified within Chapter 61 or 62, and potentially be subject to higher duty rates up to 18%
- This verification priority was released in July 2017 and the results to date are included in the following table

Results of first round of verifications for gloves

Targeted companies (Round 1)	Cases closed	Cases in error	Percentage non-compliance	Detailed adjustment statement Issued (dollars)	Self-adjustments by importers (dollars)	Penalties (dollars)	Total (dollars)
37	35	26	74%	\$197,985	\$1,833,488	\$38,800	\$2,070,273

- A second round of verifications was released in October 2019. Results are not yet available.
- The results of the first round show that the goods that were found to be misclassified were properly re-classified under Chapters 39, 40, 42, 62 and 65 of the *Customs Tariff*

Safety Headgear (Round 4)

- The risk identified is that safety headgear could be incorrectly classified under duty-free tariff items, whereas the goods could potentially be properly classified as other safety headgear under tariff item 6506.10.90, which attracts a duty rate of 8.5%
- This verification priority was released in December 2011 and is now complete
- A second round of verifications was released in May 2013 and a third round in July 2017, and they are also complete

Results of first, second and third round of verifications for safety headgear

Targeted companies (Rounds 1-2-3)	Cases closed	Cases in error	Percentage non-compliance	Detailed adjustment statement Issued (dollars)	Self-adjustments by importers (dollars)	Penalties (dollars)	Total (dollars)
53	53	42	79%	\$247,862	\$682,424	\$104,000	\$1,034,336

- A fourth round of verifications was released in March 2019 and the results to date are included in the following table

Results of fourth round of verifications for safety headgear

Targeted companies (Round 4)	Cases closed	Cases in error	Percentage non-compliance	Detailed adjustment statement Issued (dollars)	Self-adjustments by importers (dollars)	Penalties (dollars)	Total (dollars)
6	5	4	80%	\$85,935	\$115,355	\$27,250	\$228,540

- The results of the first 4 rounds show that the vast majority of the goods that were found to be misclassified were properly re-classified under tariff item 6506.10.90 of the *Customs Tariff*

Bags (Round 2)

- The risk identified is that imported goods could be incorrectly classified as bags within Heading 42.02, instead of being properly classified elsewhere within the same heading, and potentially be subject to duty rates up to 11%
- This verification priority was released in October 2017 and is now complete

Results of first round of verifications for bags

Targeted companies (Round 1)	Cases closed	Cases in error	Percentage non-compliance	Detailed adjustment statement Issued (dollars)	Self-adjustments by importers (dollars)	Penalties (dollars)	Total (dollars)
20	20	16	80%	\$93,370	\$1,333,062	\$4,050	\$1,430,482

- A second round of verifications was released in July 2019 and the results to date are included in the following table

Results of second round of verifications for bags

Targeted companies (Round 2)	Cases closed	Cases in error	Percentage non-compliance	Detailed adjustment statement Issued (dollars)	Self-adjustments by importers (dollars)	Penalties (dollars)	Total (dollars)
42	11	5	45%	\$7,191	\$140,402	\$2,000	\$149,593

- The results of the first 2 rounds show that most of the goods that were found to be misclassified were properly re-classified elsewhere within Heading 42.02 of the *Customs Tariff*

Import Permit Numbers (Round 2)

- The risk identified is that imported goods could be classified **under “within access commitment” tariff items** within various chapters, such as Chapter 2 (meat of bovine animals and poultry) and Chapter 4 (dairy products), without the required import permit number on the declaration
- Those chapters include goods that are subject to tariff rate **quotas (TRQs) under Canada’s supply management system**
- TRQ goods imported without the required import permit number **are properly classified under “over access commitment” tariff items** and are subject to very high duty rates
- This verification priority was released in October 2017 and is now complete

Results of first round of verifications for import permit numbers

Targeted companies (Round 1)	Cases closed	Cases in error	Percentage non-compliance	Detailed adjustment statement Issued (dollars)	Self-adjustments by importers (dollars)	Penalties (dollars)	Total (dollars)
174	174	60	34%	\$631,843	\$4,103	\$56,050	\$691,996

- A second round of verifications was released in May 2019 and the results to date are included in the following table

Results of second round of verifications for import permit numbers

Targeted companies (Round 2)	Cases closed	Cases in error	Percentage non-compliance	Detailed adjustment statement Issued (dollars)	Self-adjustments by importers (dollars)	Penalties (dollars)	Total (dollars)
224	207	138	67%	\$2,074,105	\$280,819	\$670,850	\$3,025,774

- The results of the first 2 rounds show that in most cases, the importers had incorrectly declared their import permit numbers, or they were not in possession of valid ones, in which case the goods were re-classified under an **“over access commitment”** tariff item of the *Customs Tariff*

Other Mountings and Fittings, Suitable for Furniture (Round 2)

- The risk identified is that imported goods could be incorrectly classified as mountings and fittings, suitable for furniture, within Heading 83.02, instead of being properly classified elsewhere within various chapters, and be subject to duty rates up to 6.5%
- This verification priority was released in June 2018 and the results to date are included in the following table

Results of first round of verifications for other mountings and fittings, suitable for furniture

Targeted companies (Round 1)	Cases closed	Cases in error	Percentage non-compliance	Detailed adjustment statement Issued (dollars)	Self-adjustments by importers (dollars)	Penalties (dollars)	Total (dollars)
16	13	13	100%	\$27,390	\$281,616	\$7,500	\$316,506

- A second round of verifications was released in February 2020. Results are not yet available.
- The results of the first round show that most of the goods that were found to be misclassified were properly re-classified elsewhere within Heading 83.02 of the *Customs Tariff*

Air Heaters and Hot Air Distributors (Round 2)

- The risk identified is that imported goods could be incorrectly classified as air heaters and hot air distributors within Heading 73.22, instead of being properly classified elsewhere within the same chapter, and be subject to duty rates up to 7.5%
- This verification priority was released in June 2018 and the results to date are included in the following table

Results of first round of verifications for air heaters and hot air distributors

Targeted companies (Round 1)	Cases closed	Cases in error	Percentage non-compliance	Detailed adjustment statement Issued (dollars)	Self-adjustments by importers (dollars)	Penalties (dollars)	Total (dollars)
18	14	13	93%	\$69,101	\$259,927	\$6,050	\$335,078

- A second round of verifications was released in July 2019. Results are not yet available.
- The results of the first round show that most of the goods that were found to be misclassified were properly re-classified within Heading 73.21 of the *Customs Tariff*

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Flashlights and Miners' Safety Lamps (Round 2)

- The risk identified is that imported goods could be incorrectly classified as flashlights and miners' safety lamps within Heading 85.13, instead of being properly classified elsewhere within the same heading, and be subject to a duty rate of 7%
- This verification priority was released in June 2018 and the results to date are included in the following table

Results of first round of verifications for flashlights and miners' safety lamps

Targeted companies (Round 1)	Cases closed	Cases in error	Percentage non-compliance	Detailed adjustment statement Issued (dollars)	Self-adjustments by importers (dollars)	Penalties (dollars)	Total (dollars)
10	9	6	67%	\$47,572	\$596,847	\$50,150	\$694,569

- A second round of verifications was released in October 2019. Results are not yet available.
- The results of the first round show that most of the goods that were found to be misclassified were properly re-classified elsewhere within Heading 85.13 or within Heading 94.05 of the *Customs Tariff*

OR

Stone Table and Counter Tops (Round 2)

- The risk identified is that stone table and counter tops could be incorrectly classified under tariff item 9403.90.00, which is duty-free, instead of being properly classified under various tariff items within Heading 68.02, which attract duty rates up to 6.5%
- This verification priority was released in March 2016 and is now complete

Results of first round of verifications for stone table and counter tops

Targeted companies (Round 1)	Cases closed	Cases in error	Percentage non-compliance	Detailed adjustment statement Issued (dollars)	Self-adjustments by importers (dollars)	Penalties (dollars)	Total (dollars)
13	13	13	100%	\$57,394	\$572,086	\$3,900	\$633,380

- A second round of verifications was released in October 2018 and the results to date are included in the following table

Results of second round of verifications for stone table and counter tops

Targeted companies (Round 2)	Cases closed	Cases in error	Percentage non-compliance	Detailed adjustment statement Issued (dollars)	Self-adjustments by importers (dollars)	Penalties (dollars)	Total (dollars)
8	4	2	50%	\$1,741	\$42,420	\$25,500	\$69,661

- The results of the first 2 rounds show that the goods that were found to be misclassified were properly re-classified under Heading 68.02 or elsewhere within Heading 94.03 of the *Customs Tariff*

Disposable and Protective Gloves (Round 4)

- The risk identified is that disposable and protective gloves, which are duty-free if the gloves qualify for specific end-uses, may be properly classified under tariff items 3926.20.91 or 4015.19.90, which attract a duty rate of 6.5% and 15.5% respectively
- This verification priority was released in October 2012 and is now complete
- A second round of verifications was released in July 2013 and a third one in January 2016, and they are also complete

Results of first, second and third round of verifications for disposable and protective gloves

Targeted companies (Rounds 1-2-3)	Cases closed	Cases in error	Percentage non-compliance	Detailed adjustment statement Issued (dollars)	Self-adjustments by importers (dollars)	Penalties (dollars)	Total (dollars)
52	52	47	90%	\$253,959	\$1,082,175	\$30,000	\$1,366,134

- A fourth round of verifications was released in October 2018 and the results to date are included in the following table

Results of fourth round of verifications for disposable and protective gloves

Targeted companies (Round 4)	Cases closed	Cases in error	Percentage non-compliance	Detailed adjustment statement Issued (dollars)	Self-adjustments by importers (dollars)	Penalties (dollars)	Total (dollars)
10	5	1	20%	\$0	\$0	\$500	\$500

- The results of the first 4 rounds show that the goods that were found to be misclassified were properly re-classified under tariff items 3926.20.91 and 4015.19.90, and under Headings 48.18, 62.10 and 63.07 of the *Customs Tariff*

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Parts of Machines and Mechanical Appliances

- The risk identified is that imported goods could be incorrectly classified as parts of machines and mechanical appliances within Heading 84.79, instead of being properly classified elsewhere within various Chapters, such as 39 and 73, and be subject to duty rates up to 6.5%
- This verification priority was released in December 2018 and the results to date are included in the following table

Results of first round of verifications for parts of machines and mechanical appliances

Targeted companies (Round 1)	Cases closed	Cases in error	Percentage non-compliance	Detailed adjustment statement Issued (dollars)	Self-adjustments by importers (dollars)	Penalties (dollars)	Total (dollars)
15	10	8	80%	\$40,742	\$787	\$10,500	\$52,029

- The results of the first round show that most of the goods that were found to be misclassified were properly re-classified under Chapters 39, 73, 84, 85 and 90 of the *Customs Tariff*

Other Chemical Products

- The risk identified is that imported goods could be incorrectly classified as other chemical products within Heading 38.24, instead of being properly classified elsewhere within various Chapters, such as 15 and 38, and be subject to duty rates up to 11%
- This verification priority was released in December 2018 and the results to date are included in the following table

Results of first round of verifications for other chemical products

Targeted companies (Round 1)	Cases closed	Cases in error	Percentage non-compliance	Detailed adjustment statement Issued (dollars)	Self-adjustments by importers (dollars)	Penalties (dollars)	Total (dollars)
18	5	2	40%	\$0	\$6,095	\$1,000	\$7,095

- The results of the first round show that most of the goods that were found to be misclassified were properly re-classified elsewhere within Chapter 38 of the *Customs Tariff*

Valuation:

Apparel (Round 3)

- The risk identified is that, given the high rates of duty associated with the apparel industry (Chapters 61 and 62), importers of apparel may not be in compliance with the valuation provisions of the *Customs Act*. The duty rates vary from 10% to 18%.
- This verification priority was released in February 2012 and is now complete
- A second round of verifications was released in September 2015 and is also complete

Results of first and second round of verifications for apparel

Targeted companies (Rounds 1-2)	Cases closed	Cases in error	Percentage non-compliance	Detailed adjustment statement Issued (dollars)	Self-adjustments by importers (dollars)	Penalties (dollars)	Total (dollars)
143	143	86	60%	\$6,213,743	\$59,756,490	\$216,300	\$66,186,533

- A third round of verifications was released in April 2017 and the results to date are included in the following table

Results of third round of verifications for apparel

Targeted companies (Round 3)	Cases closed	Cases in error	Percentage non-compliance	Detailed adjustment statement Issued (dollars)	Self-adjustments by importers (dollars)	Penalties (dollars)	Total (dollars)
85	77	40	52%	\$1,321	\$17,892,322	\$97,900	\$17,991,543

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- The results of the first 3 rounds show that many goods were found to be valued incorrectly (e.g., assists were not added to the price paid or payable)

Footwear (Round 2)

- Given the high rates of duty associated with footwear (Chapter 64), there is a risk that importers of footwear may not be in compliance with the valuation provisions of the *Customs Act*. The duty rates vary from 10% to 20%.
- This verification priority was released in February 2012 and is now complete

Results of first round of verifications for footwear

Targeted companies (Round 1)	Cases closed	Cases in error	Percentage non-compliance	Detailed adjustment statement Issued (dollars)	Self-adjustments by importers (dollars)	Penalties (dollars)	Total (dollars)
16	16	7	44%	\$380,334	\$2,351,737	\$1,950	\$2,734,021

- A second round of verifications was released in October 2018 and the results to date are included in the following table

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Results of second round of verifications for footwear

Targeted companies (Round 2)	Cases closed	Cases in error	Percentage non-compliance	Detailed adjustment statement issued (dollars)	Self-adjustments by importers (dollars)	Penalties (dollars)	Total (dollars)
63	33	16	48%	\$5,317	\$557,461	\$10,400	\$573,178

- The results of the first 2 rounds show that many goods were found to be valued incorrectly (e.g., freight charges and service fees were not added to the price paid or payable)

Origin:

Bedding and Drapery (Round 2)

- The risk identified is that manufacturers in the United States of America were using fabrics not produced in the North American Free Trade Agreement (NAFTA) territories as an input for bedding and drapery (under Headings 63.01, 63.02 and 63.03), but were declaring the goods as **"Made in USA"** in order to qualify for NAFTA
- This verification priority was released in February 2012, and is now complete

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Results of first round of verifications for bedding and drapery

Targeted companies (Round 1)	Cases closed	Cases in error	Percentage non-compliance	Detailed adjustment statement Issued (dollars)	Self-adjustments by importers (dollars)	Penalties (dollars)	Total (dollars)
15	15	8	53%	\$57,385	\$558,930	\$525	\$616,840

- A second round of verifications was released in December 2017 and the results to date are included in the following table

Results of second round of verifications for bedding and drapery

Targeted companies (Round 2)	Cases closed	Cases in error	Percentage non-compliance	Detailed adjustment statement Issued (dollars)	Self-adjustments by importers (dollars)	Penalties (dollars)	Total (dollars)
22	20	8	40%	\$0	\$270,889	\$43,950	\$314,839

- The results of the first 2 rounds confirmed that some of the products that were verified did not qualify under NAFTA because of the inputs used in their production

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