



## CBP Bond Sufficiency Guidance for Tariff Increases

August 22, 2018

As you know, there have been a series of increased tariffs assessed under Section 201, Section 232, and Section 301 ranging from 10% to 25%. Just a reminder that the second list of Section 301 tariffs against China go into effect tomorrow, August 23rd, and will continue to impact a wider range of products as published in the [Federal Register](#) notice on August 16<sup>th</sup>.

**If your customers import any products classifiable under any of these different tariff increases, chances are their bond limit needs to be increased.** Importers are ultimately responsible for making sure their bonds are sufficient and meet Customs Border Protection's (CBP) requirements, otherwise risk additional costs and delays of their shipments. We continue to see requests from CBP to increase Activity Code 1 Continuous Bonds from the \$50,000 minimum to as high as \$27 million with very little time to get the bonds underwritten and a new bond in place.

CBP had a call with sureties just last week and indicated there were 269 new bond sufficiency reviews in August up from 183 in July. Once CBP deems a bond insufficient, it can no longer be used for entries. Importer shipments will be held at ports until a bond is filed. **Furthermore, a bond with egregious deficiencies will be rendered by Customs as insufficient immediately.**

### Insufficient Bonds Procedures

There are a variety of reasons a bond becomes insufficient. For most importers, increasing import and duty activity requires a need for increased bonds under the basic reviewer's formula. Even though a bond is deemed insufficient, it still must go through a termination process. Terminating an insufficient bond can take up to 15 days (see [CBP's policy on termination](#)). In order to replace an insufficient bond with a new sufficient bond without the 15-day waiting period, a Fast Termination may be requested in accordance with [§ 19 C.F.R. 113.27\(b\)](#) and in accordance with CBP's General Notice published in the [Federal Register](#) on January 7, 2015. However, this is subject to CBP approval and also requires a more manual process vs. the automated eBond process. If CBP determines the Fast Termination is not necessary, the termination will be processed under the 15-day timeframe.

If there is an Activity Code 1 Continuous Bond on file with CBP, the dilemma is you cannot have two Continuous Bonds on file at the same time with the same activity code and importer number. Consequently, if a bond is needed by CBP to protect the revenue, a Single Transaction Bond (STB) must be filed. If there are multiple entries, multiple STBs will be needed. This translates to more time and money and increases the importer's and surety's exposure due to stacking of different bond limits that remain open until all entries are liquidated.

### Increased Bond Limits

It's important to understand how the additional tariff increases will significantly increase the bond limit required. With the recent additional tariffs, importers have received bond insufficiency letters from CBP requiring their bonds be increased. In many cases, the letters are already outdated for an active importer

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and don't contemplate future shipments. **CBP's Revenue Division in Indianapolis where all bond sufficiency reviews are managed is encouraging all importers to take into account future forecasts.**

Otherwise, an importer could risk a bond sufficiency review each month if they do not forecast a bond large enough for the next one-year bond period, which also results in more bond stacking. If collateral is involved, even more collateral may be needed to cover the stacking bond periods with open exposure until all entries liquidate.

**It is important to note that regular duties and antidumping/countervailing duties are taken into account when calculating the bond limit.** Be proactive and know the correct bond amount needed. Please refer to [CBP's formula on calculating bond amounts](#) and reach out to Avalon to assist you with the calculation. Being proactive and allowing ample time will help avoid the chances of entries being denied due to an insufficient bond. From our previous [Quests](#), Avalon has posted some helpful tips to make sure your bond is sufficient.

Avalon is here to assist you in helping your clients manage their bond needs. Please stay tuned for a webinar on Sept. 13 or 14<sup>th</sup> that we will be conducting shortly to help review these procedures. If you have any concerns about bond sufficiency or the effects of these ongoing tariffs, please contact your Avalon representative to determine bonding needs or our underwriting department at [bondunderwriting@avalonrisk.com](mailto:bondunderwriting@avalonrisk.com).