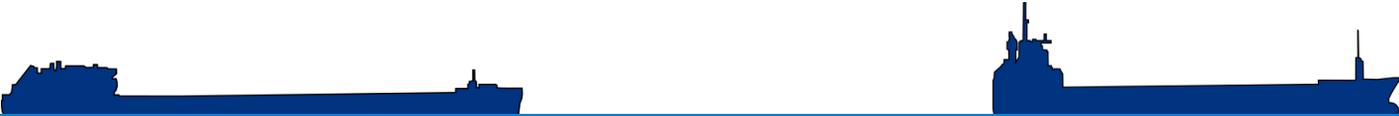


Customs Bond University



USCB 201

Bond Concepts Expanded

Customs Bonds 201

*An intermediate resource for global
trade professionals*

A Publication of

TRG Bond

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A Word from the Authors

Welcome to part two of our [Customs Bond University](#) eBook series. This volume was written for global trade professionals who already have a basic understanding of Customs bonds, and want to expand on that knowledge.

We'll be expanding on the foundation we built in the first installment of the series, so if you haven't already, please take a few minutes to read it:

Customs Bonds 101

Now, let's begin!

If you have specific questions about your Customs bond that aren't answered here, you can always contact one of our Customs bond experts!

ASK AN EXPERT

ASK AN EXPERT



CHAPTER ONE

Customs Bond Sizing

AN IMPORTANT DISTINCTION: Cargo Value Vs. Duties/Fees/Taxes

You may remember from *Customs Bonds 101* that a Customs bond is a guarantee that CBP will be paid the duties/fees/taxes owed by the bond's principal. **A continuous Customs bond's size requirements are based entirely on annual duties, fees, and taxes—not the value of the goods.**

Duty-free goods, goods subject to Anti-dumping duty, and goods subject to FDA regulations are perfect examples of incongruity between cargo's stated value and the duties, fees, and taxes associated with it.

Calculating Size Requirements:

Determining the necessary size for a Customs bond might seem complicated at first glance, but it actually breaks down to some basic arithmetic. Let's take just a second to break it down:

Estimated annual duties and/or fees owed to U.S. Customs and Border Protection...



Multiplied by
10%....

***** 10%

Determines
bond size

BOND SIZE

Unless otherwise stated by CBP, Activity Code 1 Customs bond size is calculated just like above.

An Important Point about Size:

A Continuous Activity Code 1 Customs bond's **minimum** size requirement is **\$50,000**

Whether a company's annual duties, fees, and taxes owed to Customs and Border Protection (CBP) are equal \$0, \$500,000, or anything in-between, **the minimum size for a continuous Activity Code 1 bond is \$50,000.**

This requirement is mandated by CBP, and is non-negotiable. Even importers who exclusively import duty-free goods must have at least a \$50,000 Customs bond on file, or their goods will not be allowed to leave the Port of Entry.

FOR EXAMPLE:

Huang's company pays about **\$600,000** in annual duties, fees, and taxes. His *minimum* bond size requirement would be **\$60,000**.


$$\$600,000 \times 10\% \geq \$60,000$$

Hector's company pays about **\$500,000** in annual duties, fees, and taxes. His *minimum* bond size requirement would be **\$50,000**.


$$\$500,000 \times 10\% \geq \$50,000$$

Olivia's company pays about **\$200,000** in annual duties, fees, and taxes. Her *minimum* bond size requirement would still be **\$50,000**.


$$\$200,000 \times 10\% = \$50,000$$

CHAPTER TWO

NECESSARY INFORMATION

INFORMATION REQUIRED

There are a few things you need to have together in order to get your U.S. Customs bond placed:

Company's Importer of Record Number, or Tax ID

You may or may not already have an Importer of Record Number assigned to you already. If you don't, one will be assigned to you when your bond is placed.

Company's Physical Address

Although a mailing address may appear in a Customs bond query, it is absolutely imperative to have the company's physical address listed on U.S. Customs form 301.

Annual Duties, Fees, and Taxes Paid to CBP

As we learned in the bond sizing requirement section, this is what determines the bond's size

INFORMATION REQUIRED

Co-Principals/DBA s/Trade names

It's important to list any DBAs or trade names you would like listed on the bond. You cannot import under any name that is not listed on the CBP form 301. If your company's legal name is "Random Overseas Import Company, Inc." but your outward-facing name is "Kidz Toyz Fun Time," Kids Toys Fun Time must be on the 301 form to import under that name. Co-principals are a bit more complicated, so we'll go over them in detail later.

Officer's Approval/Signature

A Customs bond cannot be secured without the authorization of a company officer, and requires their dated signature.

Many Customs bond providers require more information than is listed here for their internal underwriting purposes.

CHAPTER THREE

CUSTOMS BOND CONSOLIDATION

CONSOLIDATION

Did you know that more than one company can import under the same Customs bond?

A Customs bond can be shared amongst several companies; however there are some important requirements. All companies listed must:

- *Fall under 100% same corporate ownership*
- *Operate under the same corporate structure*
- *Not be required to pay total duties, fees, and/or taxes in excess of the U.S. Customs bond's limit.*

A key consideration for bond consolidation:

The bond's co-principals share liability equally. The consequences for one bond co-principal's actions are shared by every co-principal listed on the bond.

A brief overview of some less common bond types:

You may remember this form section from *Customs Bonds 101*

SECTION II – This bond includes the following agreements. Check one box only. (Except 3a may be checked independently or with 3.)

| Activity Code | Activity Name and CBP Regulations in which conditions codified | Limit of Liability | Activity Code | Activity Name and CBP Regulations in which conditions codified | Limit of Liability |
|-----------------------------|---|--------------------|-----------------------------|---|--------------------|
| <input type="checkbox"/> 1 | Importer or broker\$113.62 | | <input type="checkbox"/> 8 | Detention of Copyrighted Material \$113.70 -Single Transaction Only- | |
| <input type="checkbox"/> 1a | Drawback Payments Refunds\$113.65 | | <input type="checkbox"/> 9 | Neutrality\$113.71 -Single Transaction Only- | |
| <input type="checkbox"/> 2 | Custodian of Bonded Merchandise \$113.63 (Includes bonded carriers, freight forwarders, cartmen and lightermen, all classes of warehouse, container station operators) -Continuous Bond Only- | | <input type="checkbox"/> 10 | Court Costs for Condemned Goods\$113.72 -Single Transaction Only- | |
| <input type="checkbox"/> 3 | International Carrier..... \$113.64 | | <input type="checkbox"/> 11 | Airport Security Bond..... Part 113 App A | |
| <input type="checkbox"/> 3a | Instruments of International Traffic... \$113.66 -Continuous Bond Only- | | <input type="checkbox"/> 12 | International Trade Commission (ITC) Exclusion Bond.....Part 113 App B | |
| <input type="checkbox"/> 4 | Foreign Trade Zone.....\$113.73 -Continuous Bond Only- | | <input type="checkbox"/> 14 | In-Bond Export Consolidation Bond | |
| <input type="checkbox"/> 5 | Public Gauger..... \$113.67 | | <input type="checkbox"/> 15 | Intellectual Property Rights (IPR) | |
| <input type="checkbox"/> 6 | Wool & Fur Products.....\$113.68 Labeling Acts Importation -Single Transaction Only- | | <input type="checkbox"/> 16 | Importer Security Filing (ISF)Part 113 App D | |
| <input type="checkbox"/> 7 | Bill of Lading.....\$113.69 -Single Transaction Only- | | <input type="checkbox"/> 17 | Marine Terminal Operator -Continuous Bond Only- | |

Unless stated otherwise specifically in CBP form 301, Customs bonds are available in both Single-Transaction and Continuous bond variants.

If you remember from Customs Bonds 101, a continuous bond stays on file indefinitely until it is terminated, and a single-transaction bond is good for one specific entry.

Activity Code 4: Foreign Trade Zone (FTZ)

FTZs are located near Customs' Ports of Entry and are considered outside of Customs' territory. Within the boundaries of a Foreign Trade Zone, imported goods can be stored without being subjected to Customs duties. There is no time limit as to how long goods can be held in an FTZ; however, as soon as the goods leave the Foreign Trade Zone destined for U.S. commerce, they become subject to full Customs duties and taxes.

Despite the items' temporary exemption from Customs duty, the United States still holds full jurisdiction over items in a U.S. Foreign Trade Zone.

Because goods can be held in an FTZ indefinitely, a **continuous Customs bond** is always required to operate a Foreign Trade Zone. To learn more about FTZs, you can consult CBP's overview and many other documents on their website.

CHAPTER THREE

Common Complicators (FDA, ADD/CVD)

FDA Regulation

The Basics:

Importers of consumable products intended for introduction into U.S. commerce are responsible for ensuring that the products are safe, sanitary, and labeled according to U.S. requirements. These products are subject to FDA inspection when offered for import at U.S. ports of entry. **The FDA may detain shipments or refuse admittance of products offered for import if the shipments are found not to be in compliance with U.S. requirements.**

So How Does This Affect Customs Bonds?

Failure to comply with a demand to redeliver the merchandise results in liquidated damages equal to three times the value of the merchandise or the size of the bond. In determining resolution of FDA-related claims, Customs and Border Protection must adhere to the advice of the FDA, a process which translates to the acceptance of a petition being much more time consuming and difficult.

THIS IS IMPORTANT:

The FDA can refuse admittance of goods and issue liquidated damages whether or not the merchandise is subject to any duties or taxes.

If and when the FDA refuses admittance, Customs and Border Protection will demand redelivery of the product to their custody. When an importer encounters a Redelivery Notice (Customs Form 4647) from Customs, it is important to redeliver the merchandise to the custody of Customs, export the merchandise, or destroy the merchandise within the prescribed time. Failure to do so will result in liquidated damages.

If you have further questions regarding FDA regulations or Customs bonds, Both the Food and Drug Administration and Customs and Border Protection offer extensive resources on their respective websites.

ADD/CVD

Anti-Dumping and Countervailing Duty

What is Anti-Dumping Duty (ADD)?

“Dumping” is the term used when goods are exported to the United States at prices below fair market value. Customs and Border Protection levies “Anti-Dumping” duties on such products in order to level the playing field of international commerce.

What is Countervailing Duty (CVD)?

When a foreign government offers assistance and/or subsidies to an industry that exports its goods to the United States, those goods may have countervailing duties levied on them by CBP in order to bring them back to fair market value.

ADD/CVD

Important ADD/CVD Details

How are ADD/CVD Cases Determined?

The U.S. Department of Commerce and The International Trade Commission jointly investigate claims made against a particular good, and make determinations based on their investigations. The Department of Commerce determines if goods are being sold below fair market value, while the International Trade Commission considers whether a particular U.S. industry is being harmed by the actions the Department of Commerce unveils.

How can ADD/CVD Affect A Customs Bond?

Because the AD/CV duties levied against goods can be exponentially higher than the initial duties associated with them, there is a much higher risk accompanying imported goods that are subject to ADD/CVD. For many Customs bond providers, this increased risk necessitates placement of an Irrevocable Letter of Credit (ILOC) by default.

Bond Sources

Questions for Your Potential or Current Provider:

[What happens when a claim arises?](#) Saving money is always good, but sometimes that extra cash comes at a higher cost. For a quick service level barometer, ask your potential U.S. Customs bond provider what would happen in the event of a claim on your bond. Their response should give you a good indication of the service level they provide .

[Payment Flexibility:](#) Some U.S. Customs bond providers offer price discounts and time savings through multi-year billing cycles. The savings are often significant, so remember to ask!

Although every Customs bond issued by a treasury-listed surety functions identically, service levels and financial stability can vary significantly between different U.S. Customs bond providers.

AFTERWORD

We hope you found this manual useful in your search for Customs bond knowledge. We hope it has inspired you to continue your educational journey, and that it has empowered you to go out into the Customs bond market and get the best value possible.

It would be our pleasure to be your direct Customs bond provider. If you are in need of a new bond, or would like to explore your Customs bond options, please read on to learn more about TRG Bond.

Thank you,

The TRG Bond Team

THE ORIGINAL DIRECT PROVIDER

TRG Bond

In 1991, TRG Bond altered the import industry forever by providing U.S. Customs bonds directly to the global trade community. By maintaining a philosophy of education, innovative cost saving products, and strong relationship building, TRG has grown to serve over 11,000 clients.

As a surety agency, TRG shares an interest in our clients' success and import compliance rating. For this reason, TRG Bond provides clients with the most recent information on their bond, and assistance with claims handling. We actively monitor the status and standing of the bonds we issue to help ensure that our clients are always meeting or exceeding their compliance goals.

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Request a quote from TRG's Customs bond experts, and experience the difference working with a specialist can make.

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