

**Commercial Customs Operations Advisory
Committee (COAC)
Intelligent Enforcement Subcommittee**

COAC Bond Working Group
Recommendations
June 4, 2021

COAC

COMMERCIAL CUSTOMS OPERATIONS
ADVISORY COMMITTEE

COAC Bond Working Group

The COAC Bond Working Group has been active since 2008 and consists of a wide variety of trade stakeholders including sureties, customs brokers, importers, customs attorneys, and ABI vendors which represent different surety and trade association interests. Government participation from U.S. Customs & Border Protection (CBP) includes the Office of Trade (OT), Office of Finance (OF), and Office of Field Operations (OFO) as well as members from the Department of Commerce.

Over the years, the COAC Bond Working Group has provided advice and recommendations to CBP on various surety and bond related matters. Customs Bonds are the backbone to the importation process guaranteeing the payment of duties, taxes, and fees to CBP as well as compliance with import laws and regulations from the time advance ISF or ACAS data is transmitted to CBP until the cargo arrives in the U.S. Customs Bonds allow cargo to be immediately released without payment of duty while moved or stored in-bond under various custodial bonds until an entry summary is filed or goods are later exported.

Customs Bonds also cover all post-entry processes through the entire liquidation process, as well as Drawback for refund of duties. The liquidation process can take up to five (5) years or more in the case of AD/CVD shipments or complicated Drawback cases. Because Customs Bonds guarantee all this activity, goods can be released at the time of entry into the U.S., move in-bond throughout the U.S. under custodial obligations, and allow payment of duties, taxes, and fees to CBP within 10 business days or extended up to 45 business days under Periodic Monthly Statement (PMS).

In 2015, CBP introduced the eBond Pilot in ACE allowing Customs Bonds to be processed electronically in seconds saving anywhere from 5 to 30 days to file paper bonds in the past. The U.S. Customs Bond model is the gold standard for allowing imported cargo to move seamlessly from origin to destination and in-bond throughout the United States. Today, there are over 250,000 active continuous bonds on file with CBP guaranteeing over \$29 billion in exposure and close to 500,000 Single Transaction Bonds (STBs) filed annually guaranteeing billions in additional exposure as well.

Unfortunately, there are thousands of Customs Bonds that are not fully operational as eBonds in ACE or do not have matching logic that ensures an adequate bond is on file for each required transaction jeopardizing the revenue to CBP if a bond is not on file to secure a transaction. This includes Activity Code 16 Importer Security Filing (ISF) Single Transaction Bonds, the Department of Transportation (DOT) Bond, Activity Code 12 International Trade Commission (ITC) Bond, and IPR Bonds. An eBond ensures there are no defects in the preparation and execution of the bond. Matching the bond to the proper transaction is an essential step to protect the revenue due to CBP, provide national visibility to CBP, and support compliance with laws and regulations through the assessment of liquidated damages and/or penalties for lost revenue.

To complete the excellent results of the eBond module in ACE, the COAC Bond Working Group puts forth the following recommendations in order of priority by bond type. The Working Group has also provided a Background Paper that provides detailed information on how these bonds can be incorporated into the ACE eBond Module, which warrants further discussion with the trade once CBP secures funding and resources to do so.

- 1) **ISF Bonds:** COAC recommends that Activity Code 16 ISF eSTBs operate the same way as Activity Code 1 eSTBs allowing customs brokers to create their own unique “entry number” that contains their assigned filer code through their ABI system. The ISF Filer would create the unique ISF Transaction Number in the same fashion with their Filer Code or SCAC Code for identification. This would eliminate the cumbersome multi-step process today that does not have any logic to match the bond to the ISF transaction. This would also guarantee a bond is on file to cover the ISF transaction since today’s process allows the ISF transaction to be filed before the eSTB is filed. Lastly, this would also allow sureties to receive their ISF data real time like their entry data via ASI. Currently, there are over 100,000 ISF STBs issued annually without any matching functionality to protect the revenue of CBP equating to millions in exposure.
- 2) **DOT Bonds:** During the COAC meeting on October 29, 2015, the 1USG Subcommittee put forth recommendation 14033 that “CBP should implement an eBond process for DOT Bonds.” The COAC Bond Working Group supports this recommendation because doing so helps complete the data required for PGA message sets and ACE functionality. This recommendation was never implemented and should be revisited. Currently, the DOT Bond is only uploaded to the Document Imaging System (DIS) with no verification of the bond or matching to the PGA message set. Currently over 100,000 DOT Bonds are processed annually without any oversight, matching logic, or visibility to CBP.
- 3) **ITC Bonds:** COAC recommends including ITC bonds in the eBond process. While ITC bonds are infrequent when compared to other bond types, people within CBP along with members of the trade (importers, customs brokers, and sureties) are unfamiliar with the processing and acceptance of these bonds and that can lead to errors in bond execution. This is further compounded by the fact that when these bonds are required, they may impact thousands of entries because a single transaction bond is required to be filed with each entry for goods that are covered by an exclusion order.
- 4) **IPR Bonds:** COAC recommends including IPR Bonds in the eBond process. Although IPR Bonds are infrequent when compared to other bond types, they are labor intensive for the CBP Bond Team to manage under the current process. It would be a more efficient use of CBP’s resources to simply have sureties input the IPR Bonds via eBond in both continuous and single transaction instances so CBP’s Bond Team can focus their attention on analytical review of the various aspects of importer bond compliance.

- 5) **Regulatory Rewrite:** COAC recommends that CBP prioritize issuance of a Notice of Proposed Rulemaking to finalize the regulatory rewrite for 19CFR113 that incorporates language to support the above referenced bonds in the ACE eBond module, completes the eBond Test, provides national visibility to CBP of all remaining bond types, and ensures sureties receive all data attached to each bond type electronically through real time ASI.