

COMPLIANCE ANNOUNCEMENT

On Customs Bond Sufficiency



To import merchandise into the United States, you need to provide security to Customs to guarantee that you will comply with rules and regulations. This includes the guarantee of paying the total taxes, duties, and fees related to your entries. A Continuous Bond can conveniently be used for multiple entries across the country. Customs will perform periodic reviews on bonds to make sure that the bond amount is sufficient to protect the revenue of the United States. Once Customs deems a Continuous Bond to be insufficient, it can no longer be used for entries. This means your shipment cannot be cleared and will be held at port until a new sufficient bond is filed. **Furthermore, a bond with egregious deficiencies will be rendered by Customs as insufficient immediately.**

Even though a bond is deemed insufficient the bond still needs to be terminated and the termination process takes at least 15 days. The dilemma lies in the fact that you cannot have two Continuous Bonds on file at the same time with the same importer number. Consequently, if a bond is needed in the meantime, a Single Transaction Bond (STB) must be filed. If you have multiple entries, you will need multiple STBs. This will cause more time and money, as well as increased exposure for the surety.

A bond can become insufficient for a variety of reasons, including massive outstanding debts or claims, a large or risky entry, or a bad address. Be proactive in keeping your bond in good standing. Below are a few tips to prevent bond insufficiency:

Customs regulations provide that the bond amount be equal to 10% of the estimated duties to be paid to Customs during the coming year (commencing from the date of bond origination). The minimum bond amount is \$50,000 for general merchandise and \$150,000 for merchandise that is subject to other government agency processing requirements.

Importers should increase their bond amounts as needed to ensure sufficiency. Bond amounts can be changed throughout the year, not just at renewal. If you anticipate a client needing a higher bond amount you should proactively contact your client and the CTCG.

ENSURE CLAIMS ARE HANDLED

Claims can increase the amount of “outstanding debt” that importers have with Customs, so make sure claims are protested, petitioned, or paid in a timely manner. Make sure Customs has the correct address. If Customs receives returned mail marked as “Undeliverable” due to bad address for an importer with a continuous bond, the bond will become insufficient immediately. This can be corrected by the importer or authorized Customs broker sending Customs a Form 5106 with updated information, and notifying the Broker of Record and surety.

MONITOR ACTIVITY

Customs and sureties have valuable reports that can be used to determine if your client’s current bond amount is still suitable. Reports can show detailed information for entries and claims.

What if CBP deems your bond insufficient?

If the importer’s bond becomes insufficient, work with the CTCG and your surety to find an immediate resolution. Customs may allow for a bond termination sooner than 15 days so that an appropriate bond can be filed. Sureties can serve as an additional resource to help alleviate the issue. They can increase the bond amount so that it will be sufficient or guide you through Customs’ form 5106 to update a bad address.

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For questions related to Customs bonds, please contact the [KWE Corporate Trade & Compliance Group](#).*