

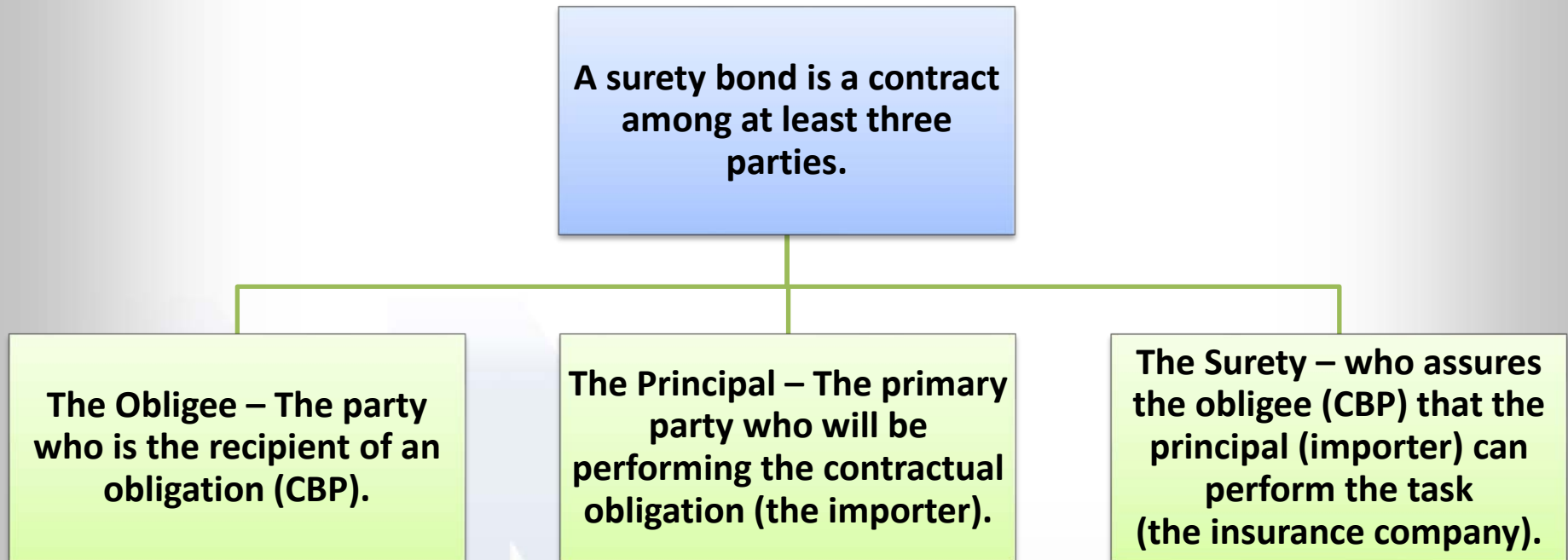
Import *SURETY BONDS*

confidence delivered
on time. with care. everywhere.



Surety Bonds

All imported merchandise must have collateral (examples are cash or bonds) to ensure compliance with CBPs rules and regulations. Bonds required under Customs' laws or regulation are generally referred to as Customs bonds.

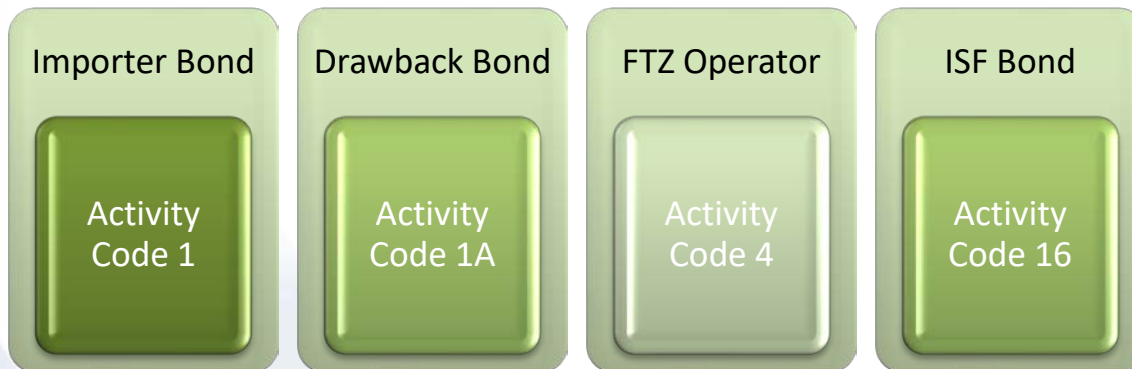


Customs Bonds

Customs bonds are required for imported goods valued over \$2500 or for a commodity subject to Partner Government Agency (PGA) regulations, even if the goods are “duty free.”

Imported goods valued under \$2500 may also require a bond should the port director deem one necessary.

There are 12 different types of Customs bonds distinguished by different activity codes.



Mallory primarily works with importer and ISF bonds, activity codes 1 & 16.

Customs Importer Bonds

Activity code 1, the importer or broker bond, is used to import multiple categories of goods.

- TEMPORARY IMPORTATION BOND
- WAREHOUSE
- AUTO
- ANTI-DUMPING/COUNTERVAILING DUTY
- FDA
- CHAPTER 98 / HTSUS 9802.00.80
- GSP/CBI
- GENERAL MERCHANDISE

Mallory works mainly handles general merchandise.

Customs Importer Bonds, AD/CVD

Importer bonds covering AD/CVD commodities, ensure future AD/CVD rates, determined at the end of a set period review, will be paid by the importer or will be collected against the bond.



Due to the nature of ADD/CVD investigations, brokers and surety companies have a higher risk of liability. Continuous bonds covering AD/CVD imported goods have strict underwriting rules and require collateral.



A complete bond application/indemnity form, AD/CVD questionnaire, and financial statements are required for the surety to determine the amount of required collateral. The bond will not be issued without Avalon's approval and collateral.



CBP will determine whether a single-entry bond is required for an entry in addition to an importer's existing continuous bond.



Customs Importer Bonds

Guarantees that CBP will collect all import duties, taxes, fines or penalties. If the importer does not pay, the surety who issued the bond is responsible.

Allows the surety to take legal action against the importer to recover monies that were paid on the importer's behalf.

Frees up the principal's cash flow.



Customs Importer Bond, Cont.

The importer bond can be written to cover a single entry or multiple entries within a one-year period.

An importer bond covering multiple entries within one year is referred to as a continuous bond.

An importer bond covering a single entry is referred to as a single transaction bond (STB) or a single-entry bond (SEB).

Customs Importer Bond, Cont.

Whether continuous, single entry or ISF only, the importer agrees to the following conditions when purchasing a customs bond:

- *Pay duties, taxes and charges*
 - *Make or complete entry*
- *Produce documents and evidence*
 - *Redeliver merchandise*
- *Rectify any non-compliance with provisions of admission*
 - *Allow for the examination of merchandise*
 - *Reimburse and exonerate the United States*
- *Comply with Customs regulations on duty-free entries and withdrawals*
- *Comply with Customs regulations applicable to Customs security areas at airports*
 - *Comply with importer security filing requirements*



Underwriting Guidelines

Avalon's underwriters must approve certain parameter for bonds filed online via Web Merlin.

General merchandise -
STBs for more than
\$250,000 or
continuous bonds up
to \$100,000

ADD/CVD entries
(Contact Compliance)

Auto for non-
conforming vehicles

FDA restricted
commodities

Chapter 98/9802.00.80
– Avalon must be
contacted if there is no
US manufacturer's
affidavit.

Collateral

Avalon underwriters might accept a letter of credit (LOC) if it is determined that collateral is required to secure a bond. The wording must be identical to the sample letter found in Avalon's bond manual. A recap of Avalon's collateral policy is found below:

For Customs bonds, LOCs are held 180 days after liquidation of the last entry filed against the bond.



Avalon may extend this security timeframe in the event of liquidated damage penalties, increased duty bills, or unpaid premiums by the importer.



For ISF bonds, the LOC is held for the 6-year statute of limitations as ISFs do not liquidate.



This policy protects Avalon for any unknown claims after the bond has been terminated.



Bond Amount Cheat Sheet

ACTIVITY CODE	BOND TYPE	CURRENT CONDITIONS
1		<i>Single:</i> Minimum of \$100. <i>Continuous:</i> Minimum of \$50,000.
	Entry Type 1: TIB	<i>Single or Continuous:</i> Two times or 110 percent of the duty amount based on the commodity or use.
	Entry Type 2: WHS	<i>Single or Continuous:</i> Equal to any taxes and fees due on shipment plus two times the duty.
	Entry Type 3: Auto	<i>Single:</i> Three times the value of the vehicle. <i>Continuous:</i> Same as general merchandise.
	Entry Type 4: AD/CVD	<i>Single:</i> If the AD/CVD margin is more than 5 percent, single entry bonds may be posted only if the AD/CVD order has not yet been issued by the International Trade Commission (ITC). The bonding option is only available for new shippers after an order has been issued. <i>Continuous:</i> If the margin is less than 5 percent and the order has not been issued by the ITC, a C1 general merchandise bond may be used in lieu of posting cash or a single entry bond.
	Entry Type 5: FDA	<i>Single:</i> Three times the value of merchandise. <i>Continuous:</i> Same as general merchandise.
	Entry Type 6: Chap 98/9802	<i>Single or Continuous:</i> Same as general merchandise.
	Entry Type 7: GSP/CBI	<i>Single or Continuous:</i> Same as general merchandise.
	Entry Type 8: General Merchandise	<i>Single:</i> The total entered value of the merchandise, plus all applicable duties, taxes and fees. A bond for three times the value must be posted for merchandise subject to misc. agency or quota/visa requirements. For unconditionally duty free merchandise, bond amount may be reduced to 10 percent of total entered value. <i>Continuous:</i> 10 percent of all duties, taxes and fees paid by the importer during the last 12 months and 10 percent of all unpaid additional duty bills, rounded up by increments of \$10,000 up to \$100,000. To this figure, add delinquent additional duty bills not protested and more than 120 days old; and unpaid debit vouchers; and additional duty bills paid by the surety. Round up by increments of \$10,000 up to \$100,000 and then by increments of \$100,000 (see directive at the end of this section). For textiles, CBP may require a bond amount equal to 2 percent of the value at their discretion.

See pages 11-14 of the bond manual found on Web Merlin for a complete bond amount guide.

Continuous Importer Bond

Continuous importer bonds:

Are affordable.

Cover an importer's entries and ISFs for a year.

Allow for electronic entry processing.

Are required for ACH, PMS, and reconciliation of duty payments.

Continuous bonds guarantee the payment of duties/taxes.

Importers filing duty drawback receive refunds faster when the importer has a drawback bond on file.

Continuous Importer Bond, Cont.

Continuous Importer Bond Amounts

Continuous bonds amounts are based on 10% of duties, taxes, and fees paid in a 12-month period.

The minimum continuous bond amount is \$50,000. If an Importer expects to pay between \$0 and \$500,000, per year in duties, taxes, & fees, the minimum continuous bond amount is sufficient.

Considering the cost of single transaction bonds required for each shipment, continuous bonds can be the most cost-effective option for customers importing **as few as 3 ocean shipments a year.**

Importers are recommended to obtain a continuous bond if they plan to import around 5 airfreight shipments per year.

*Web Merlin contains calculators for determining continuous bond amounts, if needed.

Single Entry Importer Bonds

A single entry importer bond covers one shipment in one port while a single ISF bond covers one ISF transaction.

Single entry bonds are referred to as single transaction bonds (STBs) or single entry bonds (SEBs).

A single entry bond covering an ACE cargo release entry is referred to as an eSTB.

A single ISF bond is referred to as a single ISF-D bond.

Determining Single Entry Bond Amounts

There are three basic rules to remember when calculating bond amounts for single entry bonds:

The bond amount for consumption entries is equal to the total entered value of the merchandise, plus all applicable duties, taxes and fees.

For merchandise subject to PGAs or quota/visa requirements, the bond amount is three times the total entered value.

The bond amount is 10% of total entered value for unconditionally duty-free merchandise.

Remember to round the bond amount up to the nearest thousand dollars. It is important to confirm that the bond amount is accurately input in CargoWise according to the above rules.

Determining Single Entry Bond Amounts, cont.

Additional Single Entry Bond Facts

Commercial shipments with a total entered value of less than \$2500 and not subject to any PGAs, may or may not require a single entry bond at all. The local Port Director will determine whether a single transaction bond is required for the informal entry.

The goods cannot be subject to PGA requirements where the failure to redeliver may pose a threat to public health or safety or is subject to quota and/or visa requirements.

Unconditionally free merchandise is generally defined as merchandise in which the corresponding column one rate of duty in the HTSUS is Free and this duty-free status is not predicated upon the fulfillment of any other conditions, requirements or criteria. Examples of unconditionally duty-free goods are classified in the HTS under tariff headings 8801 through 8803 or 9701 through 9706.

Conditionally free merchandise is described in 19 CFR Part 10 of the Customs regulations. Duty-free status of these goods is dependent upon the fulfillment of a condition or a requirement. If the condition is not met, the good reverts to its original duty provision as defined in chapters 1 through 97 of the HTS. US goods returned and goods subject to a free trade agreement such as USMCA are examples of conditionally free goods.

Importer Security Filing (ISF) Bond

A single ISF bond guarantees compliance with importer security filing regulations. An importer's existing continuous bond can also guarantee compliance with these regulations.

- Its purpose is to guarantee that ISFs are timely, accurate and complete as detailed in 19 CFR 149.

Single ISF D bond amounts equal \$10,000. This is the max penalty amount that can be issued against a single ISF transaction.

Updating Importer Name & Address

Effective 2015, the paperless process of applying for continuous bonds eliminated the old 10-business day turn around time for CBP to process continuous bonds manually. The process of updating the name and address on file with a continuous bond is now an electronic process as well.

- Submit a 5106 update to change the spelling of a company name and/or amend an importer's address. Be sure to confirm whether the importer's EIN number changed. To submit a 5106 update, follow the below steps:

1. Ensure an updated and valid POA is saved in the importer's ORG.

2. Email ENT a copy the 5106 signed by the importer. Remember to include the importer's ORG code within the body of the email.

3. ENT will submit the request. It is up to you to follow-up to confirm that the request is accepted by CBP by either:

a. Checking the ABI results on the Customs messaging tab inside the importer's ORG.

b. Confirming the emailed results of an importer bond query.

****A new ORG with a new credit app and a new POA is required, if the importer changes their EIN number. Once the new POA is obtained, submit a term and replace request in Web Merlin to replace the existing continuous bond.***

Reading an Importer Bond Query

Review the data returned in each section an importer bond query.

The EIN# queried. `Query Importer Bond Response for 59-333239200`

Confirm the importer's name, address(es), and bond status on file with CBP. CBP requires that importers have a valid physical address on file, not a PO box.

```
Importer Name: PALMETTO TRANSPORT INC
Importer Number: 59-333239200
Query Result Code: Name and address information is on file with a continuous bond
Address Line 1: PO BOX 126310
City: HIALEAH
State: FL
Zip: 330121605
Periodic Monthly Statement Status: N

Physical Address Details:
Address Line 1: 8140 NW 93RD ST
City: MEDLEY
State: FL
Zip: 331662030
```

Reading an Importer Bond Query

The results row provides bond type, amount of bond, and activity status.

Result	Surety Code	Type	Amount	Port	Effective	Termination	Number	Bond is Sufficient?	Bond User Status	Bond User Termination Date
Continuous	001	Custodian of Bonded Merchandise	50000	9900	06-Jul-09		9909AR683	Y	Active	

The results indicate the type of bond on file with Customs.

The surety code is specific to the surety company that issued the bond. For example, Avalon's surety code is 054.

Type provides the specific type of bond on file with Customs.

The minimum bond amount for a continuous bonds is \$50,000.

The port code 9900 is used to represent all available RLF entry ports.

The effective date is the initial date for which the bond is active.

A termination date is only listed if the bond is scheduled for cancellation.

The bond number is listed.

A "Y" indicator for bond sufficiency indicates that the current bond amount is adequate.

The bond user status indicates whether the bond is currently active.

The bond user termination date is the date that the importer will no longer remain active on the bond.

Bond Underwriter/Mallory Contacts

Mallory Alexander uses the following insurance company for surety bonds:

- Avalon Risk Management, Inc.
- 150 Northwest Point Boulevard, 4th Fl.
- Elk Grove Village, IL.

Avalon Risk Management provides web-based tutorials and a bond manual that will answer most questions.

- <https://webmerlin.avalonrisk.com/>
- Email: teamshield@avalonrisk.com

Reach out to Mallory Compliance via email (Compliance@mallorygroup.com) if you have questions regarding surety bonds.