

# **Customs Bonds 101**



**Speaker**

**John Michel  
President**

**(TRG)**

**Trade Risk Guaranty  
Brokerage Services LLC**

# A customs bond is a “three party” contract

- Principal, Surety, Customs
- Form of Insurance (Surety)
- Assures performance of any monetary obligation to Customs that results from the regulated import activities of the Principal



# Bond Types

- 18 Activity Codes
- Vast majority are Activity Code 1
- Most of the balance are Activity Code 1a, 2, & 3

DEPARTMENT OF HOMELAND SECURITY  
U.S. CUSTOMS AND BORDER PROTECTION

OMB No. 1651-0050 Exp. 03/31/2014

**CUSTOMS BOND**  
19 CFR Part 113

|                          |                                |
|--------------------------|--------------------------------|
| <b>CBP USE ONLY</b>      | BOND NUMBER (Assigned by CBP)  |
| Broker Filer Code: _____ | Surety Reference Number: _____ |

In order to secure payment of any duty, tax or charge and compliance with law or regulation as a result of activity covered by any condition referenced below, we, the below name principal(s) and surety(ies), bind ourselves to the United States in the amount or amounts, as set forth below.

**SECTION I – Select Single Transaction OR Continuous Bond (not both) and fill in the applicable blank spaces.**

|                          |  |   |           |
|--------------------------|--|---|-----------|
| <input type="checkbox"/> | SINGLE TRANSACTION BOND<br>Identification of transaction secured by this bond (e.g., entry number, seizure number, etc.) | Transaction Date  | Port Code |
| <input type="checkbox"/> | CONTINUOUS BOND<br>Effective Date  | This bond remains in force for one year beginning with the effective date and for each succeeding annual period, or until terminated. This bond constitutes a separate bond for each period in the amounts listed below for liabilities that accrue in each period. The intention to terminate this bond must be conveyed within the period and manner prescribed in the CBP Regulations. |           |

| 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<br>-Single Transaction Only- |                    |
| <input type="checkbox"/> 1a | Drawback Payments Refunds .....\$113.65   |                    | <input type="checkbox"/> 9  | Neutrality .....\$113.71<br>-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)<br>-Continuous Bond Only- |                    | <input type="checkbox"/> 10 | Court Costs for Condemned Goods .....\$113.72<br>-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<br>-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<br>-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<br>Labeling Acts Importation<br>-Single Transaction Only-   |                    | <input type="checkbox"/> 16 | Importer Security Filing (ISF) .....Part 113 App D                           |                    |
| <input type="checkbox"/> 7  | Bill of Lading.....\$113.69<br>-Single Transaction Only-  |                    | <input type="checkbox"/> 17 | Marine Terminal Operator<br>-Continuous Bond Only-                           |                    |

**PRINCIPAL:** By checking the box you agree that you have a **VALID SEAL OF CHIEF OF BUREAU**

|  |                            |
|--|----------------------------|
| Name and Physical Address (including legal description and state of incorporation) | CBP Identification Number: |
| Signature  |                            |

**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<br>-Single Transaction Only- |                    |
| <input type="checkbox"/> 1a | Drawback Payments Refunds .....\$113.65   |                    | <input type="checkbox"/> 9  | Neutrality .....\$113.71<br>-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)<br>-Continuous Bond Only- |                    | <input type="checkbox"/> 10 | Court Costs for Condemned Goods .....\$113.72<br>-Single Transaction Only-   |                    |
| <input type="checkbox"/> 3  | International Carrier.....\$113.64  |                    | <input type="checkbox"/> 11 | Airport Security Bond..... Part 113 App A                                    |                    |
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| <input type="checkbox"/> 4  | Foreign Trade Zone.....\$113.73<br>-Continuous Bond Only-   |                    | <input type="checkbox"/> 14 | In-Bond Export Consolidation Bond  |                    |
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# Importer Bond Activity Code 1

- **95% of all bonds filed with Customs have been centralized since 2005**
- **Assures Customs that the Importer will follow the rules and pay all duties, taxes, fines and penalties**
- **Bond amount = 10% Estimated Annual Duties & Other import taxes**





# Drawback Payment Refunds

## Activity Code 1A

- Drawback is a procedure under which the Principal can obtain refunds on duties previously paid on imported goods which now have been exported.
- Assures Customs that if the claim for drawback was incorrect, any money owed back to Customs will be collectable.
- Bond amount = Estimated total of your annual drawback claims

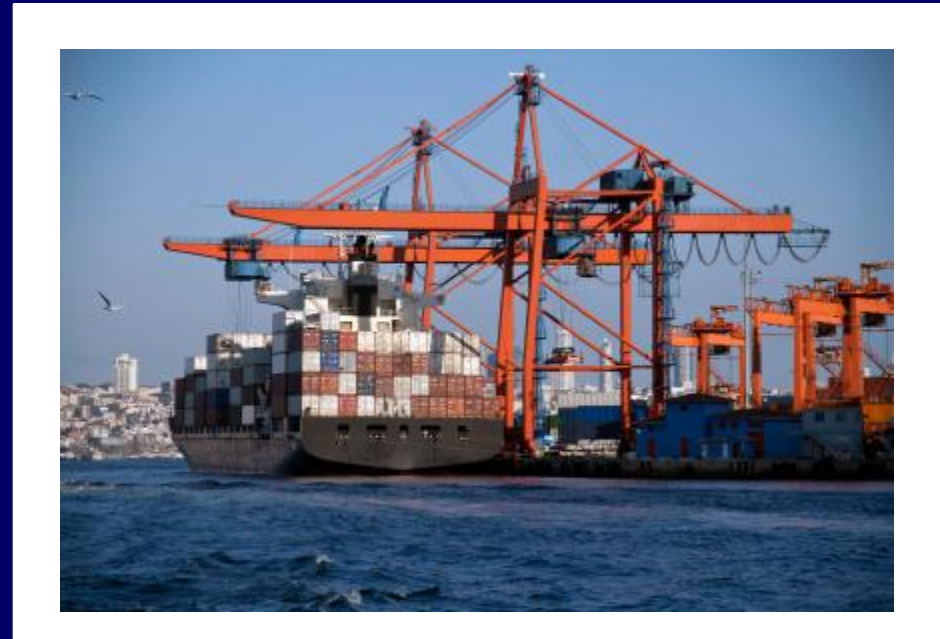


# Custodian of Bonded Merchandise Activity Code 2

- Assures Customs that carriers transporting “in bond” merchandise will not be compromised prior to being “cleared” at destination port
- Bond amount = Determined by Customs based on application revealing size and type of operation

# International Carrier Activity Code 3

- Assures Customs that operators of vessels conveying merchandise (ships, aircraft, etc.) properly manifest cargo and comply with all regulations related to operating the vessel
- Bond amount =  
Determined by Customs based on application, minimum \$25,000



# Obtaining a Customs Bond

## Contact a Licensed Surety Agent or Customs Broker

- Existing trade relationships
- Referral from within the trade community
- Internet search

## Inquire about value added services

- Claims notifications, entry monitoring
- Renewal process
- Timing concerns (bond placement, bond changes, etc.)

## Application process and pricing

- Ask what will be needed for underwriting and why
- Ask if pricing is inclusive of all fees



# Underwriting

- Depends on the bond type and amount
- Application
- Financial Statements
- Importing Record
- Collateral – ILOCs and additional Indemnities

# Principal's Responsibilities

- **Timely respond to Claims**
- **Protest, Petition, or Payment**
- **Track your import liquidation**
- **Informed Compliance**



# The Bottom Line



**Knowledge**

**Networking**

**Relationship Building**