

Don't Forget About Your Bonds



What is Bond Saturation?

Generally speaking, continuous Customs bonds are financial guarantees to the U.S. Government and indicate a commitment to comply with U.S. import laws. Importers typically purchase these bonds from specialized insurance companies through their Customs broker. Bonds are required to import to the United States, and are based on the importer's estimated annual duty, taxes and fees due the U.S. Government. U.S. Customs monitors the size of your bond against your import trends, and will cancel your bond if the limit is exceeded – it becomes 'saturated' relative to import trends/activity. If the bond is canceled, imports will not continue – until such time as a new bond is in place.

Deringer anticipates that many importers' bonds will saturate quickly if the new proposed tariffs are imposed. If an importer's bond becomes saturated, there is the risk of that CBP may terminate the bond. Without a valid bond in place, imports may not proceed until such time as a new bond is in place. In addition, importers may experience underwriting delays from sureties, due to the high volume of bonds that will saturate. We strongly recommend that importers proactively review their bond limits now.

Securing a sufficient Customs bond is a critical consideration. Proactively increasing bonds when necessary ensures you are prepared for duty increases and avoid delays at the border.

Determine Your Bond Needs

U.S. Customs and Border Protection (CBP) reviews the sufficiency of continuous bonds on a monthly basis. The bond amount is calculated as 10% of the total duties, fees and taxes paid in the last 12 months. With the anticipated increases in tariffs, it is critical to calculate your bond amount based on the projected amount of duties and fees rather than on prior duty amounts. Failing to make accurate projections and securing an adequate bond amount can have serious consequences including the inability to import into the United States.

Start by anticipating Customs duties and fees you expect to pay in the next 12 months. This includes all duties and fees such as AD/CVD and tariffs under Sections 201, 232, and 301.

- Once you determine the amount of coverage required by your bond (remember 10% of taxes duties and fees for the next 12 months) you should understand the Rounding Process:
 - For duties and fees ranging from \$0 to \$1,000,000, your bond amount is rounded up to the nearest \$10,000 (note that the minimum Customs bond starts at \$50,000).
 - For duties and fees exceeding \$1,000,000, the bond amount is rounded up to the nearest \$100,000.

For example: assuming that an importer currently has a \$50,000 bond because in the past their goods have been duty free under a trade agreement. The importer calculates that over the last year they have imported \$3,500,000 into the United States. Anticipating additional duties of 25%, this could result in a future duty outlay

of \$875,000. To calculate the proper bond amount, 10% of the anticipated duties would be \$87,500- and with the bond rounding rules – this results in a \$90,000 Customs entry bond.

Comprehensive Coverage

- Incorporate All Payments: Your calculations should include all paid and payable duties, and dutiable government fees, ensuring no detail is overlooked.
- Handle Outstanding Bills: Calculate 10% for unpaid or protested bills under 210 days.
 - For delinquent bills over 210 days or denied protests, factor in the full amount.
- Include Unpaid Debit Vouchers: Ensure every aspect of your financial obligations is covered.

We recommend that you use the most recent version of your entry data, guaranteeing up-to-date calculations.

Bond Usage Review

We recommend that all importers proactively review their bond level and forecast if and when their bond may saturate. Waiting for CBP to issue a mandated increase will limit the time to react/obtain a new, larger import bond, so we strongly recommend action as soon as possible. If you believe your company's import bond may be insufficient, we suggest completing [a new import bond application](#) and returning it to us (BondDept@anderinger.com) for processing. (Please note that it is possible that we (and other sureties) will receive a high volume of applications, another reason we recommend importers start now.)

Bond Sufficiency Report

Should Deringer bond clients find they are suddenly paying significant amounts of duties, taxes and fees to U.S. Customs and would like to get a snap shot of their current bond sufficiency, they can contact us at BondDept@anderinger.com and request a bond sufficiency summary report. When doing so, please provide your company's name and account number.

Financial statements may be required for underwriter review on any bond, but very likely for new import bonds valued at \$400,000 or more. When financial statements are required, the underwriters are looking for the importer's latest **complete, year-end financial statement**:

- A year-end financial statement is defined as a **12-month CPA prepared statement which includes, Statement of Income, Balance Sheet, and Statement of Cash Flows and accompanying notes**. If the statement is not CPA prepared, the underwriters will require it to be signed by an officer of the company attesting to its accuracy. If the financial statements are not already in English, an **English translation must accompany the original version**. Also if the financial statement is over a year old, the underwriters will require additional information.

Termination and Replacement Import Bonds

Importers should be aware that there may be a collateral requirement when terminating/replacing existing bonds. It may take banks up to 30 days to issue a letter of credit (LC) once it has received all of the required information. Should collateral be required by the underwriters to secure the new import bond, it will likely be required to be issued for the face value of the new bond and the underwriters will release the required LC format for processing once the importer has provided the name and address of the U.S. bank they wish to use. If a General Indemnity Agreement (GIA) is required by the underwriters, the GIA will need to be sign by one of the importer's officers (CEO/CFO) and witnessed by another party (the witness does not need to be an officer of the corporation).



If a Collateral Release Policy (CRP) is required, it can either be physically signed by a corporate officer (CEO/CFO) or if the importer would prefer sent via DocuSign to the officer who signed the GIA. It is important that if collateral is required that the importer maintain a copy of the signed CRP as it details what must occur before the underwriters will agree to release the collateral at a later date.

Underwriter Requirements

Given the anticipated volume of mandated increased notices, Deringer anticipates delays in underwriter reviews/processing times. It is extremely important that the importer provide all the required information/completed documents as soon as possible in a legible complete format, including:

- financial statements,
- ADD/CVD forms,
- non-reimbursement statements,
- requests for entry summary copies,
- collateral requirements,
- General Indemnity Agreement (GIA) requirements,
- Collateral Release Policy requirements (CRP), etc.

If the information provided is incomplete, provided in a foreign language (without an accompanying English translation), or not legible, then the underwriters will need to reject the information provided pending receipt of complete, legible information they can review/process.

CBP Insufficiency Notices

If the importer should receive an insufficiency notice from CBP before we have contacted them, the importer should reach out to us (BondDept@anderinger.com) with a copy of the notice they received immediately. While CBP tends to review/issue insufficiency notices early each month, a CBP insufficiency review can occur anytime. The deadlines for actions are detailed in the CBP notice and it is imperative that they are followed or the current bond will be rendered insufficient immediately by CBP and trigger a lapse in bond coverage. It is important to note that CBP insufficiency will not remove the requirement that the current import bond be terminated and replaced with a new import bond. Nor does a CBP insufficiency flag speed up the minimum 16 day term/release process.

We know import bonds are a complex and important topic. Feel free to review our recorded Trade Landscape webinar series ([part 1](#) and [part 2](#)) that provides bond considerations in detail.

For those customers that use Deringer for their bonds, applications for a new import bond or to terminate/replace your existing bond, please complete this [application](#).

*Note: The **minimum** turnaround time authorized by CBP to terminate/replace an existing port bond is 16 days from the time CBP receives the termination request for the existing import bond.

Completed applications should be returned to
BondDept@anderinger.com.

