Commercial Customs Operations Advisory Committee (COAC)
Government Issue Paper: Trade Enforcement and Revenue Subcommittee / Bond Working Group

November 2017

U.S. Customs and
Border Protection

Action Required:
- Informational only

Background:
- Risk-based bonding was initiated by CBP in response to three items that call on CBP to develop and apply risk assessments to improve collections:
  - Trade Facilitation and Trade Enforcement Act (TFTEA) (February 2016)
  - GAO Report (August 2016) - *AD/CVD: CBP Action Needed to Reduce Duty Processing Errors and Mitigate Nonpayment Risk*
  - Executive Order 13785 (March 2017) - *Establishing Enhanced Collection and Enforcement of AD/CVD and Violations of Trade and Customs Laws*
- Section 115 of TFTEA requires CBP to develop importer risk assessment guidelines to adjust bond amounts.
- Validated Customs-Trade Partnership Against Terrorism (C-TPAT) Tier 2 and Tier 3 participants are excluded from this requirement.

Issue:
- Risk-based bonding has been identified as a critical need by Congress, GAO and Executive Order 13785.

Current Status:
- CBP has organized resources to address recommendations 2 and 3 from the GAO report, as well as the requirements outlined in TFTEA and EO 13785.
  - GAO Recommendation #2: Regularly conduct comprehensive risk analysis that assesses risk factors related to AD/CVD collection.
  - GAO Recommendation #3: Use CBP data and risk assessment strategically to mitigate AD/CVD nonpayment to identify entries that pose heightened risk and taking appropriate action to mitigate the risk.

Next Steps:
- CBP will exercise the new authority to adjust bonds based on risk per TFTEA, Section 115.
- CBP is currently in discussions with the COAC Trade Enforcement and Revenue Committee's Bond working group about the concept of a supplemental ADCVD bond.
  - The discussions will serve as the basis of a pilot initiative for CBP to test the outputs of statistical risk models currently under development.
  - Based on lessons learned from that pilot, CBP will work toward its ultimate goal of more accurately assessing bond amounts based on a statistically valid analysis.
  - CBP will continuously refine and update risk-based models releasing sequential versions as additional datasets are loaded, with each version of the model to be statistically valid.

Submitted by: Troy Riley, Executive Director, Office of Trade, Trade Remedy Law Enforcement Directorate
Date: November 2, 2017