



**INTERNATIONAL TRADE SURETY ASSOCIATION**

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July 14, 2020

Ms. Valerie Neuhart, Acting Executive Director  
Office of Trade Relations  
1300 Pennsylvania Ave NW, Room 3.5A  
Washington, DC 20229

*<http://www.regulations.gov>*

RE: Department of Homeland Security Docket Number USCBP-2020-0033

Dear Ms. Neuhart,

The International Trade Surety Association is a trade association of surety companies and insurance brokers who specialize in providing surety and surety products for international trade purposes, including Customs bonds. Our membership has requested that we submit brief comments to COAC encouraging CBP establish a reasonable and uniform approach to determining the proper bond amount for foreign trade zone ("FTZ") activity. FTZ activity is covered by a Customs bond containing the conditions set forth in 19 CFR 113.73.

It is our members' experience over the past few decades that CBP does not experience a significant level of revenue loss due to the operations of FTZs, such as the nonpayment of duties, taxes, and fees related to unaccounted FTZ merchandise. We do believe that most of the bond claim activity deal with liquidated damages for process violations, such as untimely filing of reports.

Presently, the bond amount is determined at the port level and is for an amount the port director may deem necessary to accomplish the purpose of the zone, subject to a \$50,000 minimum.<sup>1</sup> This discretion is, recently, causing confusion across many ports and the inconsistent use of varying formulas results in bond amount requests from CBP that seem to the trade to be unnecessarily large.

We strongly encourage that CBP adopt a reasonable standard for determining the proper bond for the FTZ(s) that an entity may operate throughout the CBP territory. As the first paragraph in the Introduction section of CBP Directive 3550-004 (Guidelines for Determining Amounts of Bonds) states:

To require excessive security where it serves no valid purpose places an unnecessary burden on international trade and commerce. Judgment and discretion are important

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<sup>1</sup> See CBP Directive 3510-004, page 9. ([https://www.cbp.gov/sites/default/files/documents/3510-004\\_3.pdf](https://www.cbp.gov/sites/default/files/documents/3510-004_3.pdf))

ingredients in the process of setting bond amounts. While discretion is an important aspect in setting bond amounts, the principles of national uniformity or standardization must also be followed regardless of the particular technique or formula used to determine bond amount. Setting the amount of a bond must not be an arbitrary action.

We encourage CBP to complete its review, act promptly, and adopt a reasonable formula that can be carried out across all ports. Its absence could delay new or expanded FTZ activity (*i.e.*, delay creation of domestic jobs and manufacturing), or even worse, drive existing activity to foreign countries.

Respectfully,  
International Trade Surety Association

A handwritten signature in black ink that reads "Matthew L. Zehner". The signature is written in a cursive, flowing style.

Matthew L. Zehner  
President

cc: ITSA Board