

Insufficient Bond Information Updated 03/02/2011

Continuous bonds may be rendered insufficient for the following reason(s):

- Outstanding debt issues related to any of the entities on the bond (including unpaid bills and debit vouchers)
- Failure to comply in a timely fashion with a formal demand letter from CBP to increase the bond
- Use of an invalid or 'non-deliverable' address for any entity using the bond
- Failure to comply with the rejection of a termination request
- Missing or misplaced bond paperwork
- Use of an invalid importer of record number on the bond (ex. an entity using an EIN that is not assigned to that party by the IRS)
- Failure to provide any required bond paperwork (ex. Reconciliation rider, bond rider for importation into the U.S. Virgin Islands, surety approval for participation in deferred tax payment, etc.)
- Failure to annually deposit the required cash-in-lieu of surety for a continuous bond obtained under 19 CFR 113.40
- Failure to comply with specific mandates / requests from the Office of Administration

Deferred Payment

19 CFR 24.4(c)(1) requires importers who elect to participate in the deferred payment of estimated import taxes to submit the approval of the surety on the continuous bond to the use of this procedure. Effective 3/12/07, the Revenue Division Bond Team will render any continuous bond lacking such approval insufficient if that bond is associated with any deferred payment of estimated import taxes in the past 12 months.

Invalid Addresses

Since July, 2005, the Revenue Division Bond Team has spent considerable resources in an attempt to obtain corrected, valid addresses when the U.S. Postal Service returns mail to CBP as 'undeliverable'. To address this problem in the past, CBP would fax a request to the bond filer advising that an importer listed on the continuous bond had an invalid address. This notification would allow 15 days for the discrepancy to be corrected before the bond would be rendered insufficient. In analyzing the results of this process obtained since July, 2005, The Bond Team has determined that this process is inadequate and inefficient in obtaining corrected addresses. In a large percentage of these cases,

importers and brokers did not respond to the fax request and only acted to correct the address after the continuous bond had been rendered insufficient.

As a result, effective 3/12/07, The Bond Team will handle incorrect or insufficient addresses as follows: Upon receipt of mail returned as 'undeliverable' by the U.S. Postal Service, The Bond Team will render the continuous bonds insufficient immediately. Importers will need to submit a completed CBP form 5106 and bond rider to the Revenue Division Bond Team, in order for the address to be corrected and the bond to be returned to sufficient status.

U.S. Virgin Islands

The Virgin Islands Area Port issued Notice #2005-15 on August 23, 2005, requiring a bond rider for importations into the U.S. Virgin Islands (USVI). That notice provided sample language for the required rider. It also advised that a failure to provide the rider would result in the 'suspension of bond usage and privileges', and might impact the release of goods. The notice also advised that the bond rider must be included with any new continuous bonds obtained after September 14, 2005 if that continuous bond would be used to import merchandise into the USVI.

The Revenue Division Bond Team is aware that some continuous bonds associated with entries filed in the USVI since 9/14/05 does not have the required rider. As of March 12, 2007, the Revenue Division Bond Team rendered insufficient any valid, continuous activity code 1 bond used to make entry into the USVI since 9/14/05, if a copy of the required rider was not on file. Please note that the rider on file MUST have specified an effective date of 9/14/05 or the effective date of the continuous bond (whichever date was later). A copy of the bond rider must have been on file with the Revenue Division, Office of Administration. Any riders submitted in response to that notice which do not explicitly cover the appropriate time period may not prevent CBP from rendering the bond insufficient.

A reminder of this bond rider requirement was posted as part of the "Latest News and Developments – Continuous Bonds", Policies and Procedures, under Bond Centralization Program" at www.cbp.gov.

Riders may be submitted to the Revenue Division Bond Team via fax to (317) 614-4517 or via email to cbp.bondquestions@dhs.gov (email subject line should state "USVI rider").

Continued Use of Insufficient Bonds

The Revenue Division Bond Team has identified isolated instances wherein principals and brokers are using continuous bonds that have been deemed insufficient. In most instances, ACS / ABI edits will prohibit insufficient continuous bonds from being used on entry transactions. However, the Revenue Division Bond Team has identified parties who are circumventing these edits.

Effective immediately, the Revenue Division may take one or more of the following actions when it identifies that a principal has been made aware of the insufficiency of their continuous bond yet continues to use that bond for any CBP transaction(s):

- Other continuous bonds which the principal is using in combination with their own bond will be re-evaluated and may be rendered insufficient (example – a broker's bond is used for entry, and the principal's bond is used for summary)
- The Revenue Division, in conjunction with the Ports of Entry, may input cargo criteria to preclude immediate release of the principal's goods
- As a last resort, the importer record may be voided

Note: Depending on the underlying issue(s), continuous bonds may be rendered insufficient without advance notice. In some instances, parties may be allowed as long as 30 days to remedy a condition prior to the bond being rendered insufficient.

Any questions about insufficient continuous bonds should be addressed to the Revenue Division via email to cbp.bondquestions@dhs.gov or by leaving a voicemail at (317) 614-4880. Bonds will not be returned to sufficient status until the underlying cause of the insufficiency has been remedied.