

ISF: An Importer's Perspective

Crate&Barrel

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ISF: An Importer's Perspective

- Crate and Barrel's Ocean Supply Chain
 - 7500 FEU's
 - Over 30 Countries of Origin
 - Over 600 Active Import Vendors
 - 3 Steamship Lines/12 Forwarders



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ISF: An Importer's Perspective

- ISF is *NOT* “One Size Fits All”
 - Who are your business partners?
 - Where are they located?
 - Who knows the data elements?
 - When do they know them?
 - What systems capture any/all of the information?



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ISF: An Importer's Perspective

- Crate and Barrel's ISF Solution
 - Self-Filing
 - 3rd-party Software product
 - Vendors key ASN's (Advance Shipment Notifications) which include BOL number and Stuffing Location/Consolidator
 - Data flows to our ERP which, based on P.O.'s and SKU's adds the other eight data elements
 - All info pushed to 3rd-party ISF software for filing

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ISF: An Importer's Perspective

- Implementation Challenges
 - Getting the “real” BOL number
 - Who's filing it in AMS?
 - Classifying SKU's early enough
 - Samples
 - Time
 - Testing all the possible scenarios

ISF: An Importer's Perspective

- Don't Underestimate ISF
 - “Just like my Entry, only earlier”
 - The international transportation trade hasn't caught up – no Arrival Notices for ISF
 - Nothing like the 15-day General Order window
 - \$5,000 Penalties

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ISF: An Importer's Perspective

- *Communication is Key*
 - Vendors/Manufacturers
 - Transportation Providers
 - Customs Broker
 - Internal Parties



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ISF: An Importer's Perspective

- Other Best Practices
 - Ask for address info in “ISF” format
 - Ensure logistics/operations team understands ISF impact of their decisions (e.g. re-routes)
 - Confirm all brokers are using the same current list of item classification
 - Review transactions where you are not the IOR (e.g. DDP purchases) to confirm who is the ISF Importer

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ISF: An Importer's Perspective

- Now What?
 - New part of regular audits
 - Part of all future ocean rate negotiations
 - New vendor education
 - Prepare for what's next
 - Canada
 - Other countries
 - Air???



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ISF: An Importer's Perspective

- ISF Silver Lining: Heightened Visibility
 - Illuminate the “Black Hole”
 - Control Transit Times
 - Identify Consolidation Possibilities
 - Determine Damage Liability



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Questions.....??

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Importer Security Filing Best Practices

From the Importer's Agent's Perspective



- **Michael J. Ford**

- Vice President of BDP International, Regulatory Compliance and Quality
 - Over 30 years of service with BDP, various operational roles
 - Current TSN member and Trade Ambassador for the ACE project
 - Current member of COAC
 - Assisted with testing of the data requirements with CBP in fall 2007

- Know your carriers, not all are alike, be extra careful with non-automated AMS filing carriers
- Update to ISF files, when (PEA time) and How
- Obtaining electronic PO details when possible
- Possible changing Sales Terms (D terms)
- How to handle your filings, when two ISFs' have been filed for the same shipment.
- Record-keeping
- How to handle a possible Penalty situation
- What to expect if a penalty is issued

Best Practices for your ISF filings



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- **Use of DUNS number instead of full name, address and Tax ID number**
- **Reports and timeliness what is considered on Time?**
- **Residue containers**

- **Know your carriers, not all are alike, be extra careful with non-automated AMS filing carriers.**
- **As carriers provide the important data element that connects the ISF record with the Manifest, some carriers use the Booking number as the Bill of lading number**
- **Not all carriers file their manifest directly to CBP, thereby creating problems when ISF are filed with bill of lading that will not be Matched.**
 - Will require updates to ISF filings for records to be matched

How to handle changes / modifications

- **When the rule was first issued, the update to records were allowed up to point of vessel first port of arrival, now... changes and updates need to be considered when changes are known to the entry process.**
- **If changes are known at time of entry or post entry then consider that your ISF should be updated to reflect the change**
- **Entry data should be consistent with ISF data filed.**

How to correct your filing when two ISF have been filed for the same shipment



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- **If two ISF filings (using the same bill of lading number) occurs for the same order then changes / cancellations must happen**
- **Both ISF filers will be notified of the duplicate filing**
- **Both ISF filers must contact the importer as to what ISF filing is correct while the other filer “must” cancel their ISF filings to CBP (electronically)**

- **Consider changing Sales terms (DDU/ DDP)**
- **Control the movement of freight / carrier selected as much as possible for your imports**
 - While this effort is placed with your supplier, important/ sensitive/ high valued cargo can be delayed if the ISF is late or not filed at all.

- **If your monthly volumes of import shipment is growing and multiple products are moving under a shipment, consider the use of electronic data to assist in the ISF filing.**
 - Understand the timing of the ISF filing around the world at different time zones is very important.
 - Understand that changes to ISF are highly recommended
 - A penalty can be issue for incorrect data
 - Ensure that the best information available was used for the ISF filing

- **If you currently own a continuous bond for your import today, then no changes / modifications are needed**
- **If you import using a single entry bond then you must obtain a bond to secure your ISF filing**
- **If you wish to create a separate ISF bond to cover the ISF filings then Surety companies are offering out this new option to consider**

- **In understanding the ISF rule, no mention of record keeping exists however you must consider the 5 year CBP rule of record keeping your ISF data.**
 - Record keeping can be the holding on to your electronic data that has been filed on your behalf
 - Consider keeping a copy of a ISF “form” with your entry documentation or
 - Consider using electronic if your ISF filings per month exceed 20 -25 individual shipments.

- **Use of DUNS number instead of full name, address and Tax ID number**
- **All parties(8) noted on the ISF can make use of the DUNS number to report entity.**
- **One data element can cut down on the amount of data sent on the ISF, reduce the chance for errors.**

How to reduce the chance for errors

- **Reports and timeliness what is considered on Time?**
- **CBP will be changing the metric of timeliness for all ISF filings.**
 - All ISF filings are measured against the carriers first filing of the manifest data (could be 3 days prior to loading)
 - CBP will be changing the metric to be 24 hours prior to vessel departure or sailing from Port of exit.
 - Performance will improve once this change is placed into production by CBP

- **CBP will still be issuing out reports to ISF filers on behalf of Importers**
- **All Tier 2 & 3 C-TPAT participants should receive their summary data from CBP, if they have provided an email address by importers to CBP**
- **Request your detail report from BDP (monthly) to understand what records might be considered late (by supplier / country)**

- **Residue containers – if containers are manifested by the carrier as carrying residue then an ISF filing must be transmitted to CBP to meet the ISF rule**
- **If the container will be manifested as IIT then no ISF filing will be required by the ISF rule.**

- **CBP has posted mitigating and aggravating factors on how to deal with ISF penalties**
- **Understand if the penalty is for lateness or accuracy of the data filed**
- **Understand if the filer has been issued a penalty or just the Importer**
- **CBP will centralized all penalties for ISF filings at CBP in Headquarters for review**
- **Most penalties will be issued when cargo arrives in the US when no ISF data has been submitted yet an entry packet was delivered.**

- **CBP will still request a ISF filing to be sent to CBP for the penalty situation.**
- **CP has stated that they will use “common sense” when issuing penalties for ISF filings**
 - Taking into account history of entry and ISF filings
 - This should create consistency in policy when dealing with these issues

- **By now you should have been filing most of ISF records to CBP to understand the data elements as well as the timeliness of your data to CBP.**
- **To those importers that have not filed any records to CBP now is the time, failure to file will result in no compassion of CBP when the penalty situation sets in.**
- **The ISF date for the issuance of penalties will be January 26, 2010, this date will not change (date is loading date on vessel)**
- **CBP does know what importers have filed and those that have not, CBP will be matching up entry activity with ISF activity**
- **The clock is ticking.....**



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Importer Security Filing Best Practices

From the Importer's Agent's Perspective





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- **Statutory concerns**
 - Cost benefit analysis

 - **Regulatory concerns**
 - Security versus compliance
 - “Do Not Load” orders versus Penalties
 - Final rule
 - Increased penalty exposure

 - **Operational concerns**
 - Compliance rates
 - SMEs
 - Bill of lading numbers
 - Unified filing

 - **Holistic Risk Management**
 - Supply Chain Transparency
 - Account Management
 - Anomaly/Risk Targeting
 - Volume Distinction
 - Resource Allocation – strategic deployment of agency resources
-



Importer Security Filing From the NCBFAA Perspective

Cindy Allen – NCBFAA Educational Institute Director

The BOND Stuff

- Bonds are required on Jan. 26th, 2010
- Current continuous bonds may be used
- “Agents” may use their own bonds
 - Is considered to be the ISF Importer
 - Agree to have their own bond charged for breaches of the obligation
- Unified Filing:
 - must have the same importer for both ISF and entry
 - Must be on the same bond
- Exemptions for bond requirements



CONTINUOUS BONDS

- For Both ISF and Entry:
 - Current limit of liability calculations apply
 - Can be unified or separate ISF
- Entry Only
 - No changes
- ISF Only
 - Appendix D Bond
 - Bond Code “16”
 - Filed with Office of Finance
 - Current Limit of Liability Calculations Apply



SINGLE TRANSACTION BONDS

- To cover the ISF filing only:
 - The limit of liability will be \$10,000.
 - Must be submitted on the Appendix D bond, Code “16”.
 - Must have the ISF Transaction Number indicated on the bond
 - Must be submitted via email to CBP within 12 hours of the receipt of the ISF Transaction Number to the following email address:
ISF_Bond@cbp.dhs.gov
 - The subject line of the email must indicate the unique ISF Transaction Number only



SINGLE TRANSACTION BONDS

- Unified filing to cover entry and ISF:
 - Current limit of liability is not yet determined
 - Must be submitted on a CF301
 - A bond reference number (a unique serial number) must be transmitted in the ISF filing
 - The ISF Transaction Number must be listed in block 29 of the CF3461



Bill of Lading Misnomers

- How AMS works
- House Bill, Dummy Bill, Master Bill, Right Bill?
- #1 Error
 - 32,000 duplicate filings
 - BOL not on file?
 - DO NOT resend ISF



Penalty Mitigation Guidelines

- Four Penalty Situations:
 - Failure to File
 - Inaccurate Submission
 - Late Submission
 - Failure to Cancel/Withdraw
- Possible \$10,000 Penalty
 - 1st Violation: \$1,000 - \$2,000
 - 2nd and Subsequent Violations: \$2,500
- Always Possible:
 - DNL
 - Withheld Release



Mitigating Factors

- 1.) Evidence of progress in implementing ISF compliance during the phase in period.
- 2.) The number of ISF's compared with the number of violations.
- 3.) C-TPAT Tier 3 and Tier 2 importers will receive consideration of up to 50% mitigation for violations
- 4.) The importer has demonstrated that remedial actions have been taken to address the circumstances surrounding the violation.
- 5.) Inaccurate filings due to circumstances beyond the importer's control, such as vessel diversions and rolling bookings completely due to carrier actions.
- 6.) Receiving incorrect information from another party in the supply chain, if this information is found to be incorrect at a date later than allowed under the correction timeline. Under certain circumstances the liquidated damages may be canceled without payment.



Aggravating Factors

- 1.) The lack of cooperation with CBP
- 2.) Smuggling attempts and other actions contrary to law in association with the shipment
- 3.) Multiple errors on one ISF
- 4.) A rising error rate calculated over all ISF's



Automation Changes

- If the ISF is filed utilizing the “flexible filing option”
 - An FR = Flexible Range indicator is utilized for those shipments where a range of data is sent rather the precise information.
 - An FT= Flexible Timing indicator is utilized when the consolidator or stuffing location has not been provided.
 - An FX = Flexible Range and Flexible Timing is used for transaction requiring both options.
 - A CT=Compliant Transaction indicates that the information does not require the flexibility options and is correct as sent.
- An amendment **MUST** be sent and must be completed 24 hours prior to arrival.
- Amendment codes to be sent with update



Open Questions

- When will Penalties be Issued?
- Unannounced Shipments
- Bond Sufficiency Reviews
- DNL vs. Withheld Release
- Foreign Freight Forwarders & Bonds
- New Bond Volume at NFC
- Emailed STB's
 - Proof of filing and volume concerns
- Recordkeeping Requirements



Thank You!

Have a Great Day!

Cindy Allen

NCBFAA Educational Institute Director



TRG Direct .com

**CBP Trade Symposium
Washington, DC**

December 9, 2009

Background and History

- ATDI (Advanced Trade Data Initiative) the precursor to 10+2 – ISF
- Most US importers in the maritime domain know what they're importing weeks or months in advance (Purchase Order)
- Clients successfully filing ISF since the program launched in January 2009

Trouble Spots and Challenges

- Bill not on file
- Master bill containing multiple house bills; duplicate ISF if filed against master
- Some small importers do not pre-classify
- Communications from China
- Duns number rejects
- Household + Diplomat = Diplomat
- Don't panic!

Change

- It's a constant in our industry
- Significant and alters the way things have been done since the earliest days of shipping
- Like its predecessor the 24-Hour Manifest Rule many say, "It can't be done"
- CBP has been very responsive to issues

Importer Best Practices

- Communicate with *all* stakeholders
- ISF expectations included into purchase orders, contractual language (carriers and consolidators) and vendor payment terms
- NVOCC's = Ensure automation and know what B/L has been transmitted in AMS
- Importer controlled and filed directly
- Frequent review of ISF Performance Report

Importer Best Practices (continued)

- Some US importers allowing various levels of input at origin
- Record keeping 5 years
- 60-90 days to debug the program depending on size and supply chain complexity
- Look for opportunities to improve and enhance – the silver lining
- Considering membership in C-TPAT to achieve enhanced benefits

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