

# U.S. Customs and Border Protection to Deploy eBond



BY COLLEEN CLARKE

**IN 1988 WHEN** I started working in the customs surety industry, I was advised that the customs bond form, consisting of five parts, would become obsolete in a very short time because Customs and Border Protection (CBP) was planning to develop an electronic customs bond filing and acceptance system. That didn't happen. As all Chicago Cubs fans know, we have the philosophy "there's always next year." We can carry that over to electronic customs bonds as we've said the same for over 25 years. The only difference with this year is that we can actually say, "eBond will be deploying next year." In actuality, CBP will be deploying eBond on January 3, 2015.

## Why eBond – why now?

The paper customs bond system is broken. In 2005, CBP improved the continuous bond filing system by centralizing the filing of continuous

bonds with the Revenue Division in Indianapolis (previously, all continuous bonds were filed at the local port, subject to the port director's discretion). Centralized filing allowed CBP better oversight of bond sufficiency, reduced the number of execution errors on continuous bonds, and produced a more uniform system. Single transaction bonds (STBs), however, were not centralized, they continue to be filed at the port where the entry transaction is made.

In 2011, the Department of Homeland Security Office of Inspector General performed an audit of the single transaction bonds on file with CBP and discovered that 65 percent of the STBs, having an aggregate liability of \$8 billion, contained errors serious enough to make them uncollectible in the event of a claim. Think about it: if even 1 percent of those bonds had a claim, the government would

have been unable to collect \$80 million! As taxpayers, we should be concerned about the potential for CBP's loss of revenue and its effect on the U.S. economy.

It was concluded, based on the audit, that the only way to fix the broken STB system was to centralize the filing of STBs, much as CBP did for continuous bonds. CBP and the surety industry were faced with the monumental task of determining how to centralize the filing of 750,000 to one million STBs annually.

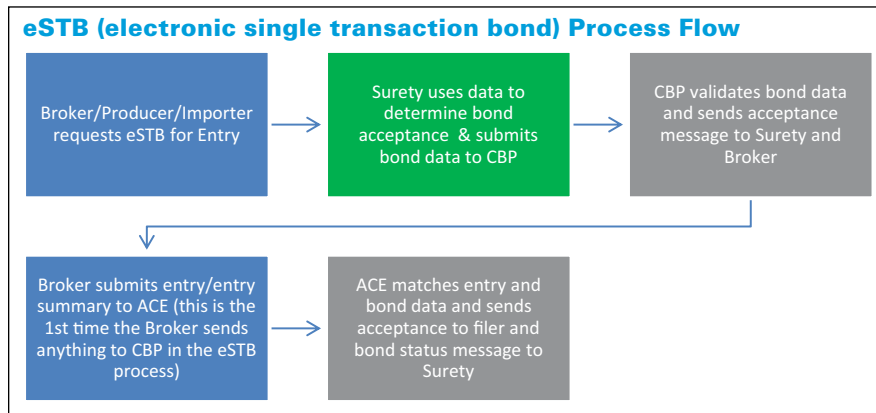
During the 12<sup>th</sup> term of the Advisory Committee on Commercial Operations of Custom and Border Protection (COAC),<sup>1</sup> a recommendation was

made that the only way that CBP could successfully centralize STBs was in an electronic environment. CBP agreed with the recommendation and began mapping the system as a part of its new, fully electronic customs entry system called the Automated Commercial Environment (ACE). The ACE system will replace CBP's current antiquated Automated Commercial Surety system (ACS).

Pursuant to this new system, CBP will require all eBond submissions be filed by the surety bond producer or surety company. This is a significant process change, as customs brokers<sup>2</sup> currently file paper STBs with the entry package. Continuous bonds are typically filed by a bond producer, customs broker or importer directly.

#### Current development

The entire eBond process in ACE is being developed with all interested parties' involvement. The working group for the development of eBond originated through the Trade Support Network (TSN).<sup>3</sup> In 2013, the eBond



Working Group was organized. It is made up of the TSN eBond Subcommittee, the Surety Account Subcommittee, software vendors, surety bond producers/surety companies, customs brokers, all offices of CBP and the Department of Treasury. The eBond Working Group has had multiple meetings to complete the development of the Customs eBond system.

The large customs surety bond producers already have an established electronic feed with CBP through

message queue (MQ), as they receive data from CBP on entries and claims on bonds that they file. MQ is considered message oriented middleware, or software that allows for messaging between computers.

The infrastructure is now being updated to expand the current communication between the surety bond producer and CBP to include electronic bond data.

In order to expedite the filing of STBs, the customs broker can either use the surety bond producer's online

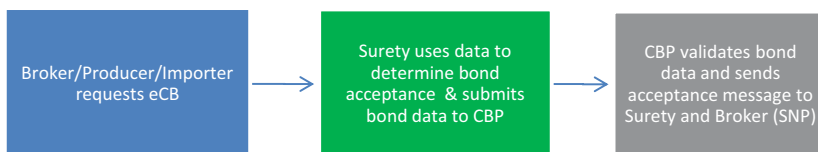
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### eCB (electronic continuous bond) Process Flow



bond issuance program or electronically transmit certain data elements to their customs surety bond producer/surety company for bond filing. Most customs surety bond producers/surety companies are programming their systems to accept and channel the data transmission through an underwriting process for acceptance. The surety will then transmit the required bond data through its electronic feed to CBP.

For continuous bonds, the customs surety bond producers will use their existing systems to submit bonds to CBP. Rather than the bond issuing software printing the bond, the user will "submit" the continuous bond; and the electronic data is sent directly to CBP. The advantage of the system is that continuous bonds will be accepted instantaneously. Today, it can take three to five days for a continuous bond to be accepted and input into the CBP system.

#### eBond benefits

Since CBP requires the bond to be filed by the surety company (or Managing General Agent), the surety has full knowledge of the liability. In today's world, especially for STBs, sureties allow customs brokers to file bonds within certain issuing authority limits. Oftentimes, the surety has no knowledge of bonds filed until after-the-fact and ends up guaranteeing a risk it may not have wanted to take.

The surety bond producer/surety company can collect additional underwriting information up front, in order to expedite the bond approval and filing process. Not only will customers typically receive a faster response (often within seconds on the majority of bonds), the surety bond producer/surety company will also have better data reporting capabilities to provide their clients.

#### Transition period

CBP will gradually roll the eBond system out based on the ACE schedule. On January 3, 2015, all STBs filed on ACE entries are required to be electronic, while all STBs filed on ACS entries will continue to be paper. At the same time, all continuous bonds may be filed electronically, but CBP will still allow paper bonds to be emailed for CBP processing.

CBP will be issuing a Federal Register Notice in early December announcing the eBond program. The regulations (19 CFR § 113) have been updated, but have not been finalized. The CSEC met with CBP in early November to review the regulation re-write.

It has been a long time coming, but we are almost there. ●

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*Committee, she works closely with CBP on policy issues affecting the surety industry. She can be reached at [colleen.clarke@roanokegroup.com](mailto:colleen.clarke@roanokegroup.com) or 847-969-1420.*

- 1 The COAC is a Federal Advisory Committee of 20 individuals appointing by the Secretaries of the Department of Homeland Security and the Department of Treasury. Its purpose is to advise CBP on the commercial operations of the agency. Colleen Clarke served two terms (11th and 12th) from 2009 through 2012.
- 2 Customs brokers are licensed by U.S. Customs & Border Protection to act as agents for importers in filing entry transactions. STBs are primarily filed by customs brokers.
- 3 The TSN provides a forum for the discussion of CBP modernization/automation efforts. There are 300 members of the TSN who represent the trade community through committees that provide information relating to specific business processes to CBP, including ACE requirement recommendations.

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listen to them as part of their training process. "They're a great resource and a great tool for training," he added.

Heine said using the Virtual Seminars in creative ways – to start a conversation with a client and get her or him to take action in a certain area, for instance – has paid off tremendously. "We have paid for our subscription several times over for several years just on the perpetuation seminar alone," he emphasized. ●



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