FAQ for Bonds

1. Should I increase my bond? Some key considerations…

Advantages to increasing bond amount:

- Avoid bond insufficiencies and delays at the border.
- Allows more time for proper assessment when determination is known.
- If multiple parties are on one bond, identify the entity that will be importing AD/CVD and see if multiple bonds can be written so no impact occurs for the other business units not importing AD/CVD. For further information regarding this option, speak with your bond provider/broker.

Disadvantages of increasing the amount of bond **without** rate being known/ final determination:

- Terminating and replacing bond for a liability amount that may not be sufficient for your importing needs based on AD and CVD rates.
- Collateral provided for new bond with increased liability amount based on estimation of duties (unknown rate/ use rates from previous years when it was applicable).
- Another termination and replacement bond needs to be filed which leads to additional collateral.
- Surety will question a substantial bond increase and may not file until determination is decided due to the liability they will be subject to.

2. If I decide to increase the bond, what is the required process?

The higher the bond amount, the longer the process takes because more parties are involved for the approval process (underwriting and the National Finance Center). For larger bond amounts (exceeding $1,000,000), paper submission **may** be required by the NFC and can take **5 days minimum for processing**. This can vary.

The following documents have to be supplied to the underwriter of your bond:

- Surety bond application and Indemnity agreement (1 document).
- General Indemnity Agreement (if liability amount exceeds $1,000,000).
- Most current fiscal year-end Financial Statements **(in English)**. This should include Income Statement, Balance Sheet, Statement of Cash Flow and any accompanying accounting notes. If you don't have current audited financials, surety has accepted unaudited financials signed by an officer of the company. (Confidentiality Agreements are available if you are reluctant to provide).
- Collateral in the form of Cash (ACH and Cash Wire Transfer), via check (certified check, bank check or cashier's check) or instructions for Letters of Credit. Must be a FDIC (Federal Deposit Insurance Corporation) insured US Bank with a financial rating of at least 40 or higher.
- Completed Antidumping questionnaire.

In the event that you use Avalon surety, contact your representative at Livingston and they will be happy to provide you with the documents you require.

3. If I am not using Avalon as a surety company, what is the process?

You will need to contact your own surety for them to instruct you on what to do. Similar documents will be required. Please advise broker(s) handling your clearances when new bond is approved so their system can be updated accordingly. Livingston cannot get details pertaining to your continuous bond from NFC or surety involved when we are NOT the bond holder.

4. If I increase my bond, will I need to do it again?

Yes, if you choose to increase bond prior to the determination for both AD/CVD the new liability may be inadequate. Variables include: entry values, duty, taxes and fees.

Once determination is made and **if** AD/CVD is applicable, the duty deposits are just estimates paid at time of entry and are subject to change with each annual administrative review.

5. Will my shipments be held if my bond is saturated?

Yes, if the bond is deemed insufficient by Customs, entries will be rejected. If you deal with multiple brokers who obligate the same bond, they too will receive rejected entries. Contact your bond provider ASAP to confirm what is needed to expedite termination and replacement process, see above for requirements. If Livingston maintains your bond we will be able to assist with getting documentation to your surety, conveying information and will be able to discuss subject matter. If we do not maintain your bond we will have minimal details pertaining to your current bond.

Importer could request the termination process be started for their saturated bond which starts the “clock” on the 15 day termination process but they must act quickly with meeting all requirements with surety to ensure new bond for appropriate liability amount is written and effective by the 16th day.

** Termination and Replacement takes 16 calendar days total.*

Please note, shipments subject to AD/CVD CANNOT be put on Broker Bond to avoid delays.

6. Are there any product exemptions?

We do not know the details at this time but it will pertain to the Tariffs in Scope. Announcements are scheduled to be made on Monday, April 24.

7. What does the liability amount cover?

The liability amount covers accumulated duty, taxes and fees, also referred to as DTF, within a 12 month period.

> *Ex. If bond was written 4/23/2016, the bond period covers up to 4/22/2017. Bond auto renews on 4/23/2017; next bond period would cover through 4/22/2018.*

Additional Notes:

Obligations

- **Customs** – Need adequate bond amount to cover duty, taxes and fees within a 12 month period. Pay DTF to CBP. Respond to insufficiencies promptly.
- **Surety** – Provide collateral to cover bond liability amount. Expect to provide collateral for future bond periods.
- **Broker** – The bond premium will increase when liability amount of bond increases. Make arrangements with broker to ensure DTF is paid timely avoiding credit issues with Livingston. If you are paying DTF direct to CBP via ACH, let your broker know to ensure account is flagged properly.