

Electronic In-bond Processing

If you handle in-bond cargo, it's important to know the updated in-bond process and CBP's enforcement of the same.

Last month, Customs and Border Protection (CBP) released [CSMS #38731726](#) advising the trade community that they will no longer accept paper copies of CBP Form 7512 to perform arrival and export functionality. Enforcement of ACE reporting for in-bond exports, arrivals and diversions commenced on July 29, 2019. While the electronic reporting of all transactions became mandatory in August 2018, CBP delayed enforcement until recently.

In-bond Process

In-bond cargo must be transported by a carrier covered by a CBP approved bond that allows cargo that has not yet been entered for consumption to move through the United States. Carriers, warehouses, cartmen and container stations that handle "in-bond" cargo are required by CBP to obtain an Activity Code 2 (C2) Bond guaranteeing compliance with CBP regulations.

To avoid penalties and liquidated damage claims, it's important to adhere to the new process set forth by CBP. CBP has published [Version 2.1 of the Automated In-Bond Processing Business Process Document](#) which provides CBP field personnel and the trade community guidance, requirements and responsibilities regarding in-bond cargo.

CBP Guidance

Per the FAQs in the above-mentioned document, if ports require paper copies of the CBP Form 7512 to be presented at arrival and/or exportation, carriers should continue to provide them. *It is important to note that this does not change the requirement for electronic reporting.* Arrivals and exports must still be reported via ACE except where exempted by regulation.

The standard 30-day maximum transit time to transport in-bond merchandise between U.S. ports will be in effect for all modes of transportation except pipeline and barge traffic. Movement by barge is 60 days; carriers will be required to electronically request and receive permission from CBP before diverting in-bond merchandise from its intended destination port to another port; and carriers will be required to report the arrival and location of the in-bond merchandise within 2 business days of arrival at the port of destination or port of exportation.

Claims

If the filing wasn't submitted or done in a timely fashion, a claim is not automatically issued. CBP manually reviews the transaction to determine if a claim is warranted. Per the FAQ of the business process document, if they find that there is a loss of duty due to the shipment being diverted to domestic use, the claim amount is typically based on the loss of duty or the value of the merchandise. Furthermore, if CBP determines that the violation arose from fraud, the claim amount can rise to the full value of the merchandise.

If there is no loss of duty, CBP is authorized to impose a penalty in a fixed amount not related to the value of merchandise, but an amount believed sufficient to have a deterrent effect. CBP's regulations state that, in general, "a penalty in a fixed amount ranging from \$1,000 to \$2,000 is appropriate in cases where there are no prior violations of the same kind. However, fixed sums ranging from \$2,000 to \$10,000 may be appropriate in the case of multiple or repeated violations." [19 CFR Part 171, Appendix B, \(E\)\(1\)\(c\).](#)

Aside from these penalties, CBP may also issue liquidated damages claims under [19 CFR 18.8\(b\)](#) and [19 CFR 113.63\(c\)\(C3\)](#). Liquidated damages claims can be issued for the value of the merchandise not exported or three times the value of the merchandise not exported if it is restricted/prohibited merchandise or alcoholic beverages.

If you have any questions regarding the in-bond process or obtaining a C2 Bond, please contact your local Avalon representative.

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