



Date/Issue: **Issue 71/August 2011**

Title: **China proposes increase in FMC optional bond rider**

Author: **Andriana Davis, Senior Product Manager, Avalon Risk Management**

The Chinese Ministry of Transport (MOT) is proposing to increase the amount of the optional rider that licensed NVOCCs in the United States obtain when they wish to ship goods to or from China.

In 2003, China required all NVOCCs transacting business in the country to register with the MOT and post a cash deposit of 800,000 RMB (at that time, about \$96,000). The Federal Maritime Commission (FMC) later updated its regulations to allow licensed NVOCCs in the United States to amend their \$75,000 surety bond with a \$21,000 rider to meet these requirements and avoid depositing cash in a Chinese bank.

Because of fluctuating exchange rates, \$96,000 no longer corresponds with 800,000 RMB. The MOT has asked the FMC to adjust the amount of the optional China rider when the exchange rate between the United States and China changes by 20%. If the FMC accepts the MOT's proposal, China would require NVOCCs to obtain security for \$122,000, providing for a \$47,000 optional China rider and \$75,000 FMC bond.

The FMC's comment period ended on July 15. They plan to post public responses to its website and use the information to determine how the change would affect OTIs and the economy.

Avalon Risk Management is committed to your industry and will keep you up-to-date on changes regarding this important issue. We have a strong surety program tailored to logistics providers, and can assist you with obtaining the China rider and the required bonds to conduct business as an OTI.

For more information, contact your local Avalon office or Andriana Davis at (847) 700-8087 or adavis@avalonrisk.com. Contact information for your local Avalon office may be found at www.avalonrisk.com.

The Quest Newsletter is published quarterly and is designed to provide critical information in the transportation industry. Avalon Risk Management is not responsible for the accuracy or reliability of information contained in articles. The reader/user assumes all risk in the use of such information.