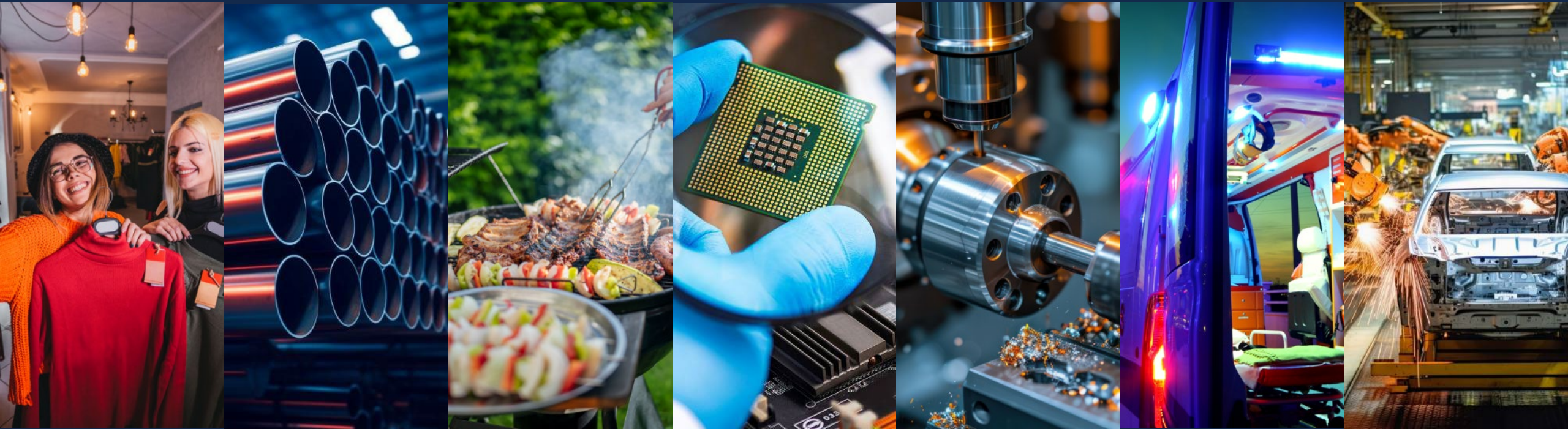




BONDS, FOREIGN TRADE ZONES, AND BONDED WAREHOUSES

THURSDAY MAY 22ND, 2025



BONDS, FOREIGN TRADE ZONES, AND BONDED WAREHOUSES



Maya Mackey

Assistant Vice President, Strategic Development



David Harlow

President & CEO



Adam Lees

Vice President, Customs Brokerage





Customs Bonds

Sufficiency, Saturation, Stacking

May 22, 2025





SUFFICIENCY & SATURATION

BOND SUFFICIENCY AND SATURATION



- CBP reviews bond sufficiency monthly
- Review is on a rolling 12-month basis (not done at anniversary)
- If bond limit is deemed not sufficient to cover 12 months DTF it becomes saturated
- Once saturated CBP issues insufficiency notification

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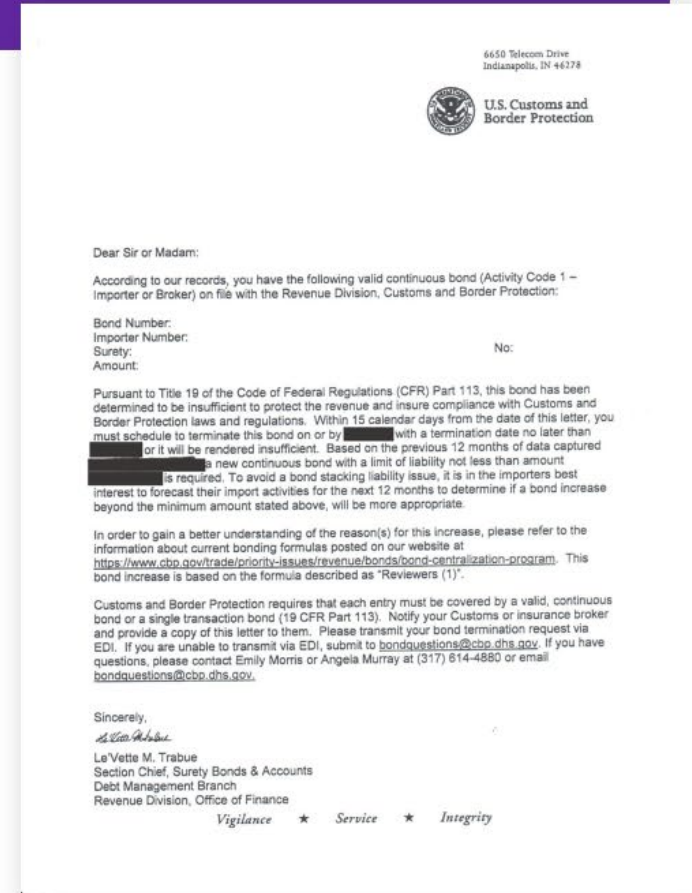
INSUFFICIENCY NOTIFICATIONS



- Provides 15 days to submit termination of current bond
- Advises of termination date
- Advises of review period
- Advises minimum bond limit required

Customs does NOT know your future importing plans.

FORECAST, FORECAST, FORECAST... To Determine Proper Bond Amount & AVOID REPEAT INSUFFICIENCY!



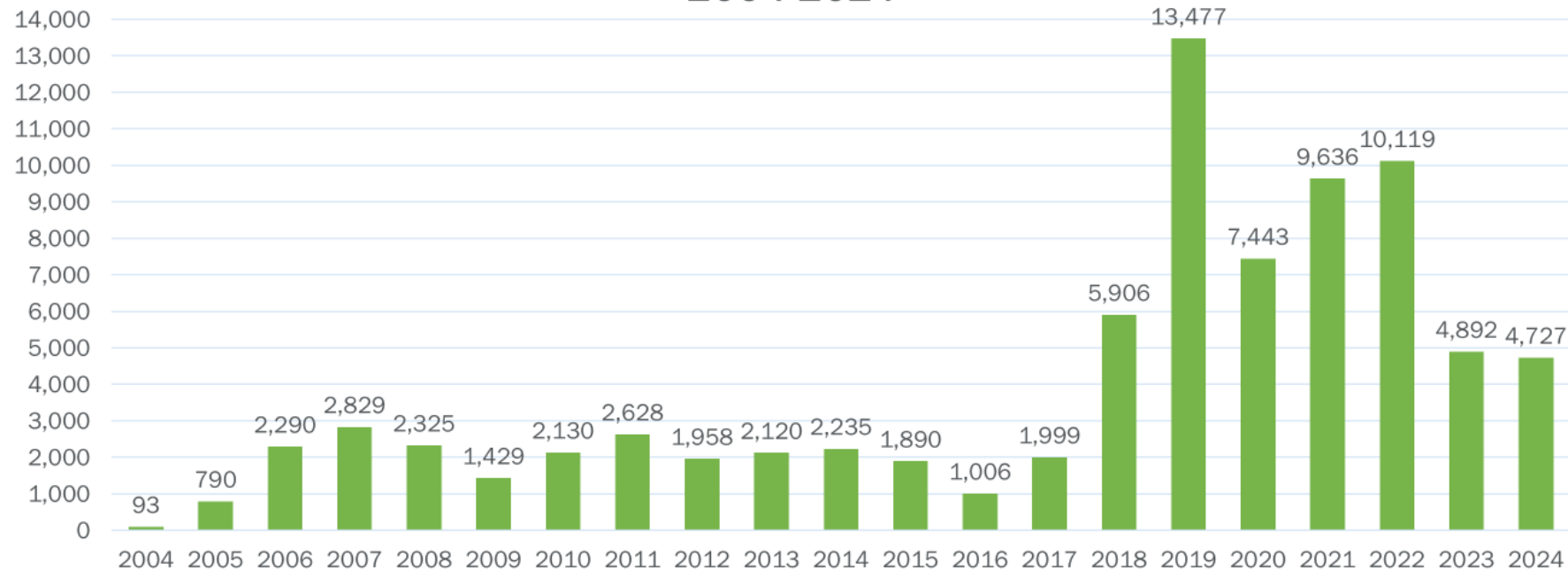
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CBP INSUFFICIENCY NOTICES ISSUED



Bond Liability Amount Increases
(CB Insufficiency Letters Issued)
2004-2024



*As of December 31, 2024

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The background of the slide features several stacks of US dollar bills, including \$100 and \$500 bills, some secured with yellow rubber bands. The stacks are arranged in a way that suggests a large sum of money.

STACKING EXPOSURES

THE IMPORTANCE OF FORECASTING



COMPARE

10% Duties, Taxes & Fees for LAST 12 months

VERSUS

10% Duties, Taxes & Fees for the NEXT 12 months

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BOND SUFFICIENCY EXAMPLE



An importer pays \$900,000 in DTF annually and maintains a \$90,000 bond.
(\$900,000 X 10% = \$90,000)
Bond effective 1/1/2024



Bond Stacking Liability: \$ 90,000

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BOND SUFFICIENCY EXAMPLE



An importer pays \$900,000 in DTF annually and maintains a \$90,000 bond.
(\$900,000 X 10% = \$90,000)



Bond Stacking Liability: \$ 90,000

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BOND SUFFICIENCY EXAMPLE



An importer pays \$900,000 in DTF annually and maintains a \$90,000 bond.
(\$900,000 X 10% = \$90,000)



Bond Stacking Liability: \$ 90,000

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BOND SUFFICIENCY EXAMPLE



An importer pays \$900,000 in DTF annually and maintains a \$90,000 bond.
(\$900,000 X 10% = \$90,000)

Monthly Duties Taxes, Fees	\$75,000	\$75,000	\$75,000	\$75,000
	Jan '24	Feb '24	Mar '24	Apr '24

← PREVIOUS 12 MONTH PERIOD

Bond Required (10% DTF): \$ 90,000

Running total of DTF Paid = \$ 300,000

Bond Stacking Liability: \$ 90,000

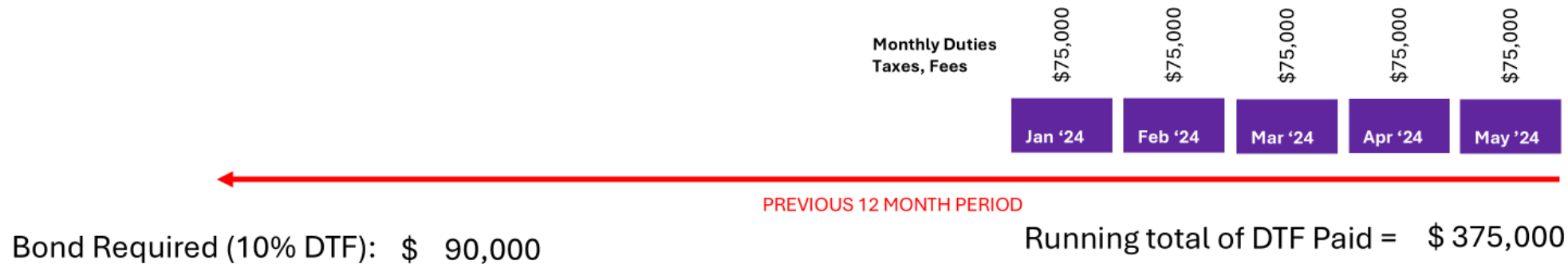
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BOND SUFFICIENCY EXAMPLE



An importer pays \$900,000 in DTF annually and maintains a \$90,000 bond.
(\$900,000 X 10% = \$90,000)



Bond Stacking Liability: \$ 90,000

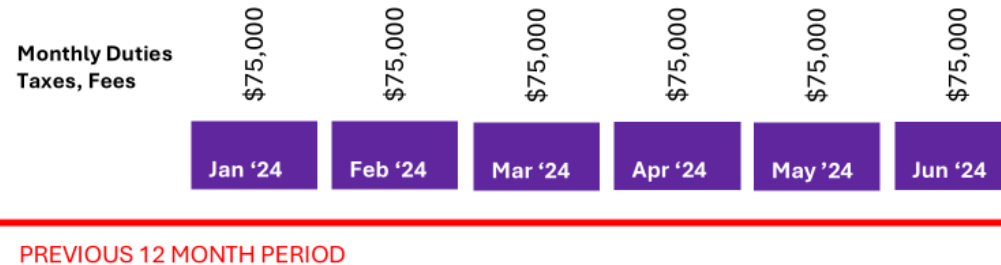
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BOND SUFFICIENCY EXAMPLE



An importer pays \$900,000 in DTF annually and maintains a \$90,000 bond.
(\$900,000 X 10% = \$90,000)



Bond Required (10% DTF): \$ 90,000

Running total of DTF Paid = \$ 450,000

Bond Stacking Liability: \$ 90,000

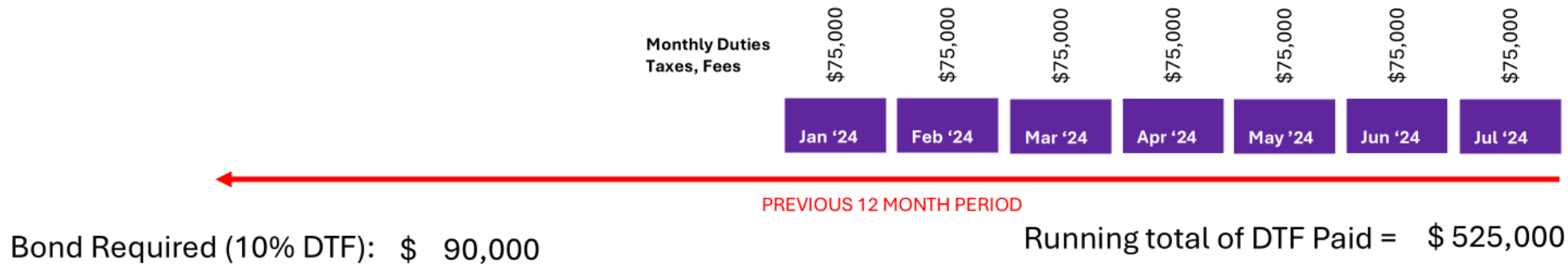
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BOND SUFFICIENCY EXAMPLE



An importer pays \$900,000 in DTF annually and maintains a \$90,000 bond.
(\$900,000 X 10% = \$90,000)



Bond Stacking Liability: \$ 90,000

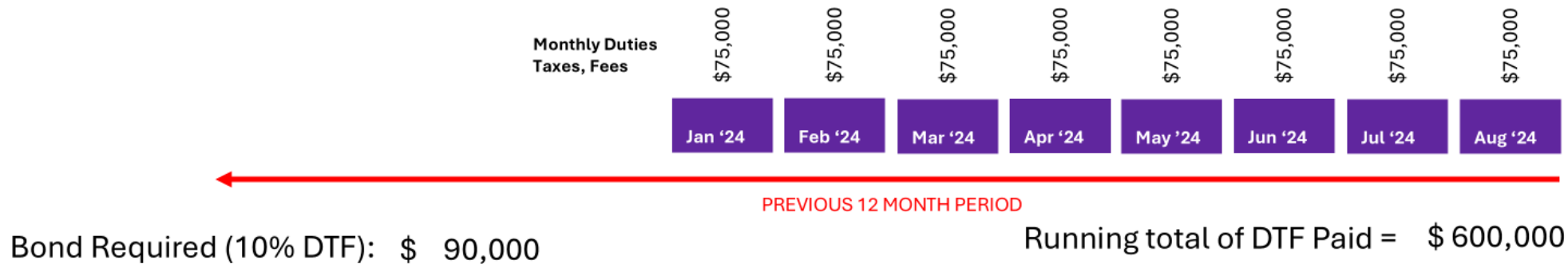
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BOND SUFFICIENCY EXAMPLE



An importer pays \$900,000 in DTF annually and maintains a \$90,000 bond.
(\$900,000 X 10% = \$90,000)



Bond Stacking Liability: \$ 90,000

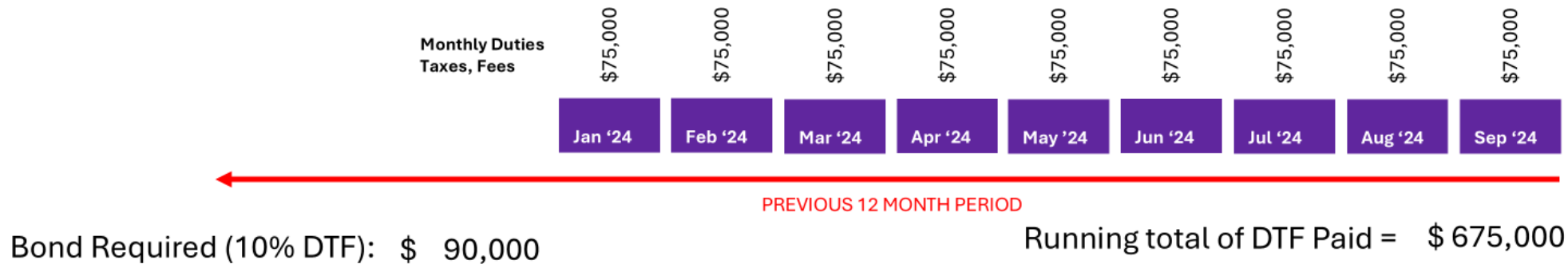
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BOND SUFFICIENCY EXAMPLE



An importer pays \$900,000 in DTF annually and maintains a \$90,000 bond.
(\$900,000 X 10% = \$90,000)



Bond Stacking Liability: \$ 90,000

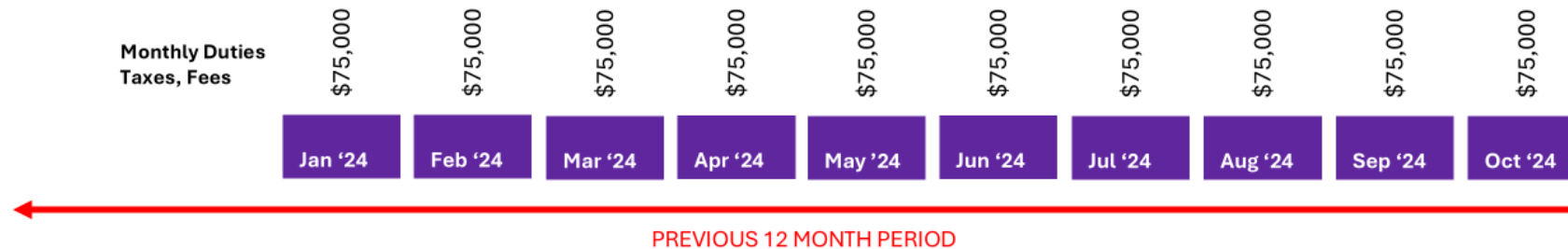
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BOND SUFFICIENCY EXAMPLE



An importer pays \$900,000 in DTF annually and maintains a \$90,000 bond.
(\$900,000 X 10% = \$90,000)



Bond Required (10% DTF): \$ 90,000

Running total of DTF Paid = \$ 750,000

Bond Stacking Liability: \$ 90,000

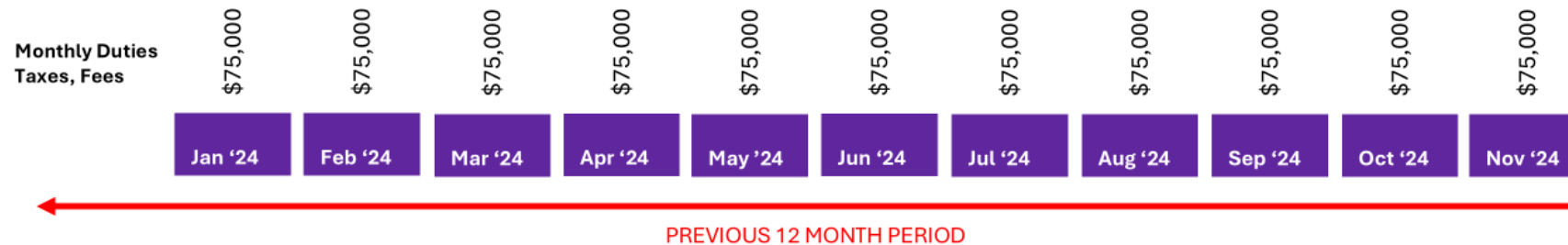
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BOND SUFFICIENCY EXAMPLE



An importer pays \$900,000 in DTF annually and maintains a \$90,000 bond.
(\$900,000 X 10% = \$90,000)



Bond Required (10% DTF): \$ 90,000

Running total of DTF Paid = \$ 825,000

Bond Stacking Liability: \$ 90,000

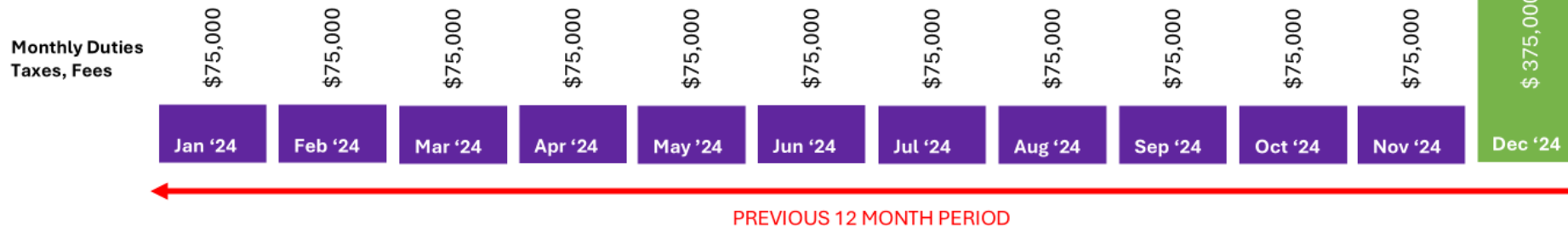
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BOND SUFFICIENCY EXAMPLE

Effective December 2024, their tariff increases from 5% to 25%.

December 2024 – CBP requires \$200,000 Bond



Bond Required (10% DTF): \$ 90,000

Running total of DTF Paid = \$ 1,200,000

*After \$100k, increase in increments of \$100k \$ 200,000

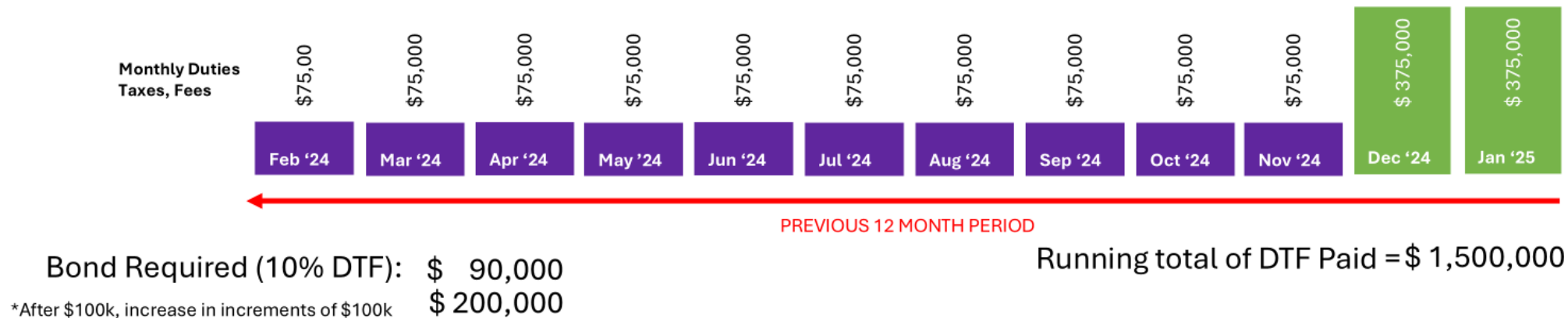
Bond Stacking Liability: \$ 290,000

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BOND SUFFICIENCY EXAMPLE



Effective December 2024, their tariff increases from 5% to 25%.



Bond Stacking Liability: **\$ 290,000**

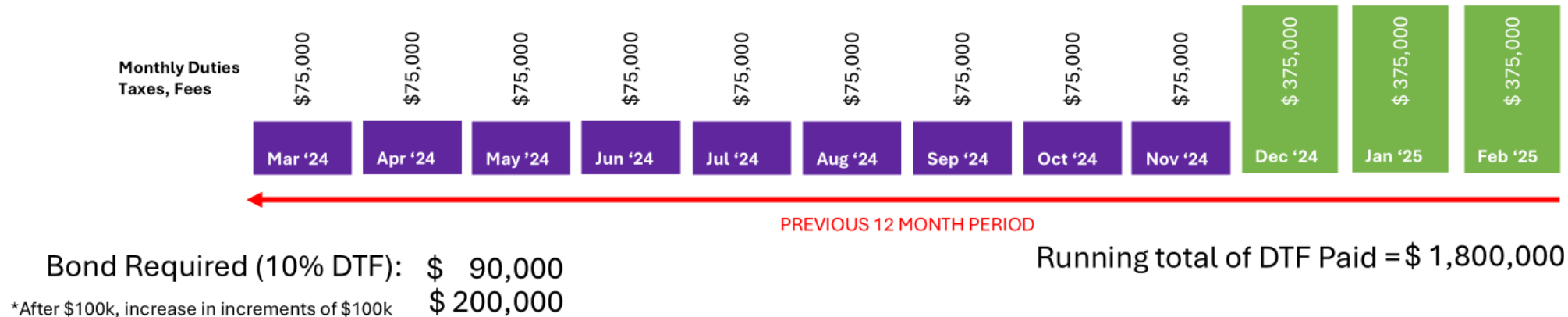
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BOND SUFFICIENCY EXAMPLE



Effective December 2024, their tariff increases from 5% to 25%.



Bond Stacking Liability: \$ 290,000

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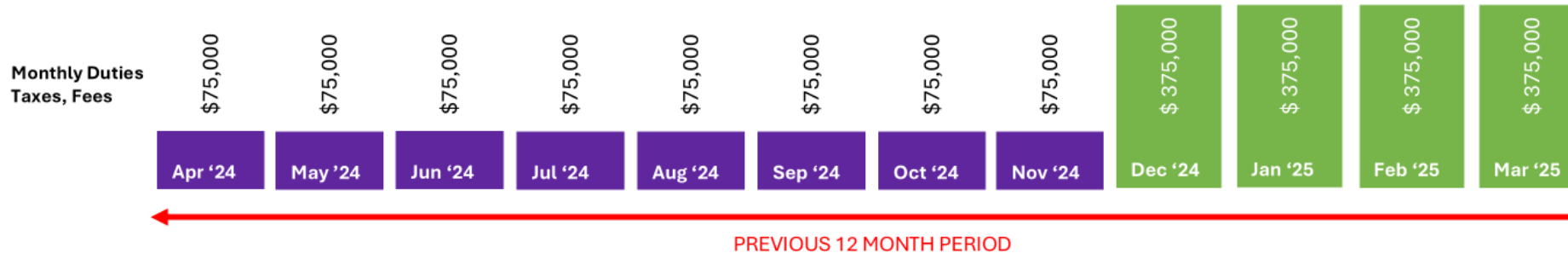
*After \$100k, increase in increments of \$100k)



BOND SUFFICIENCY EXAMPLE

Effective December 2024, their tariff increases from 5% to 25%.

March 2025 – CBP requires \$300,000 Bond



Running total of DTF Paid = \$ 2,100,000

Bond Required (10% DTF): \$ 90,000

*After \$100k, increase in increments of \$100k

\$ 200,000
\$ 300,000

Bond Stacking Liability: \$ 590,000

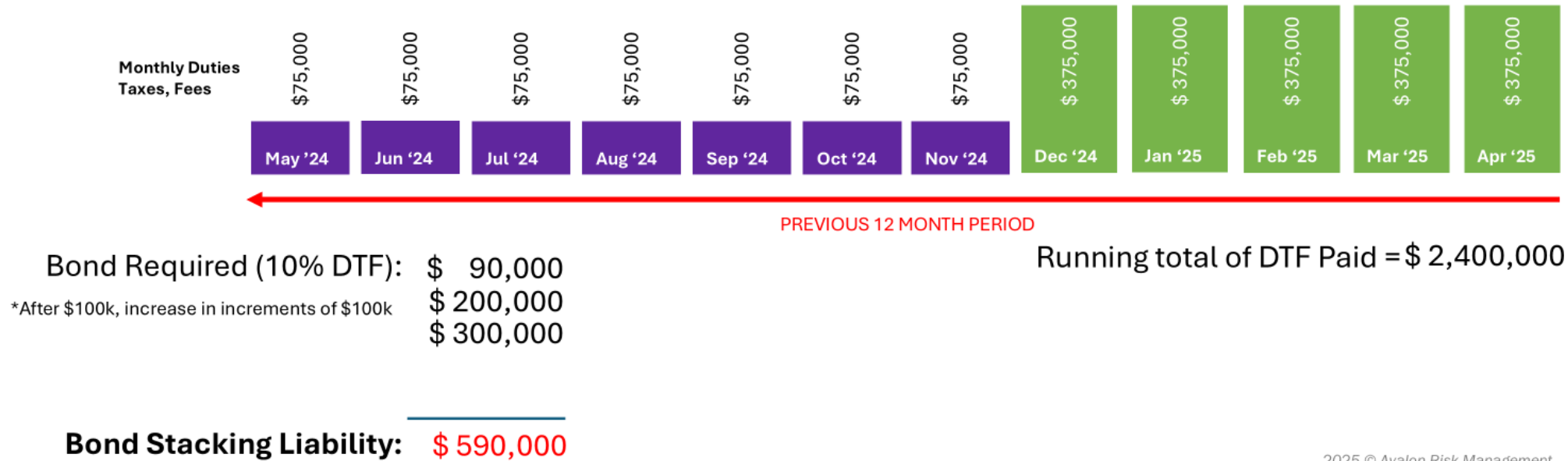
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BOND SUFFICIENCY EXAMPLE



Effective December 2024, their tariff increases from 5% to 25%.



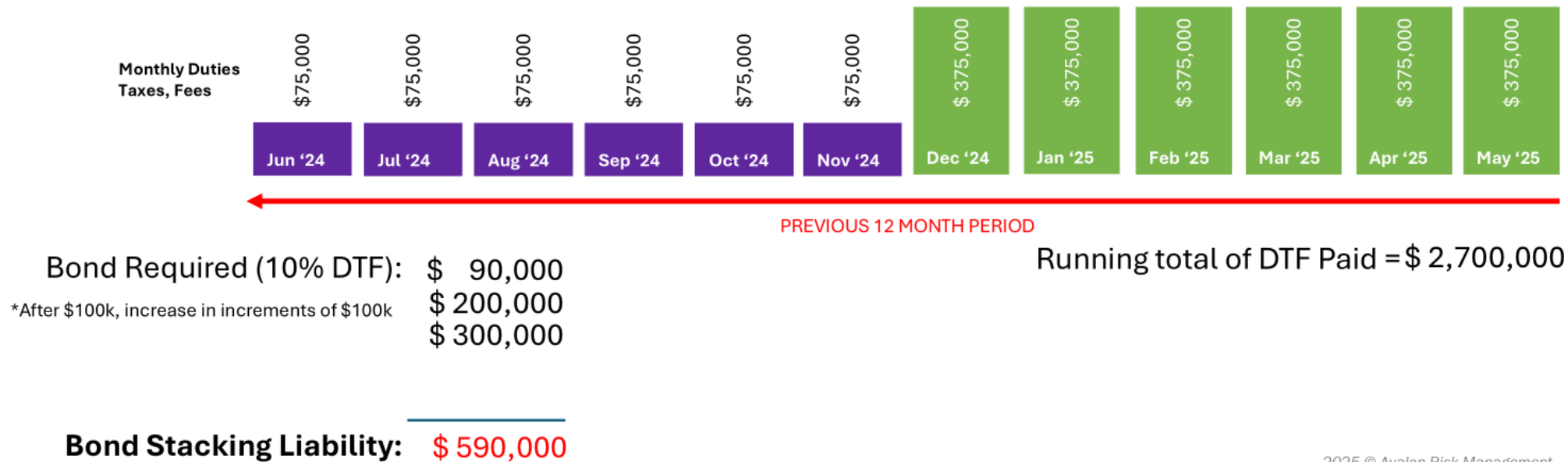
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BOND SUFFICIENCY EXAMPLE



Effective December 2024, their tariff increases from 5% to 25%.

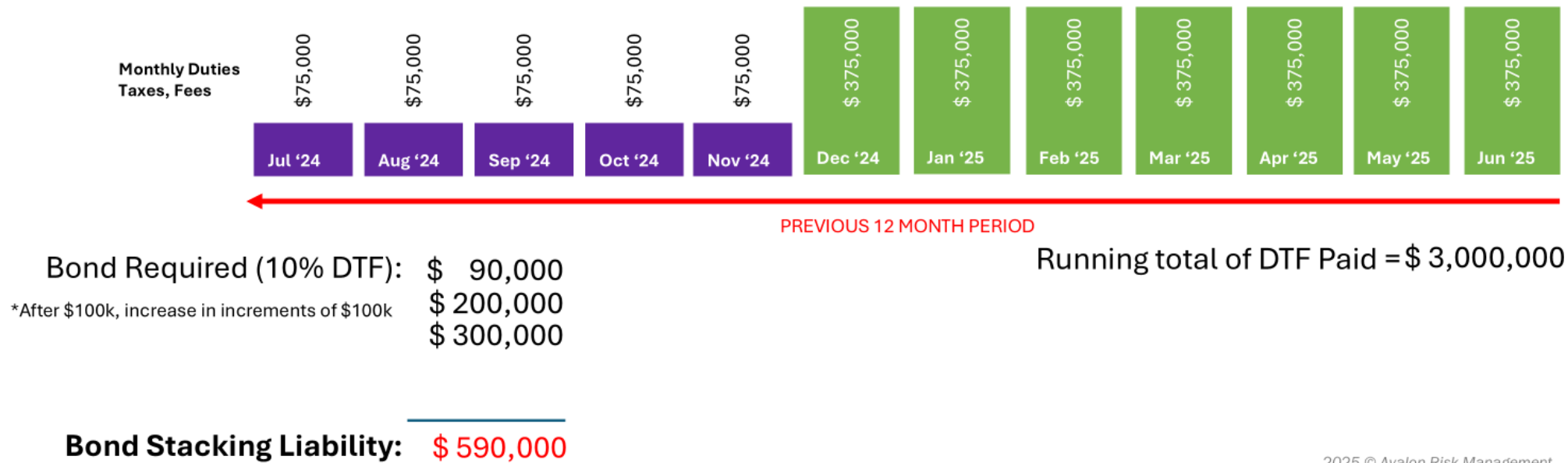


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BOND SUFFICIENCY EXAMPLE

Effective December 2024, their tariff increases from 5% to 25%.

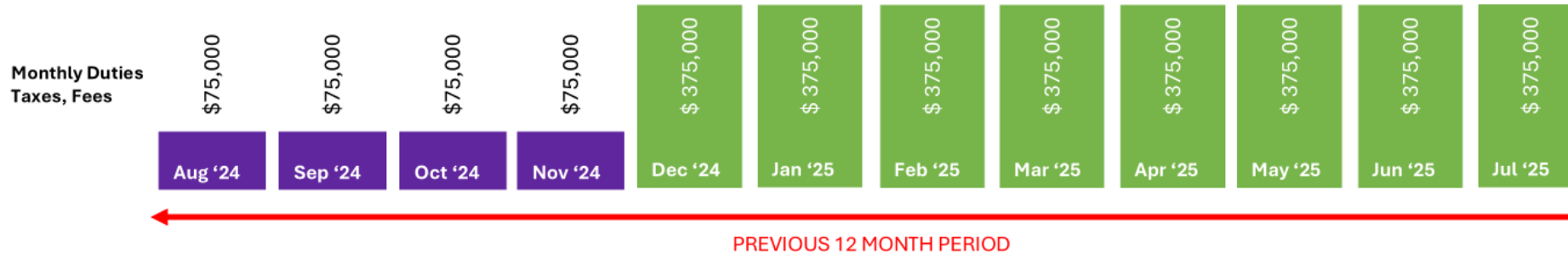


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BOND SUFFICIENCY EXAMPLE

Effective December 2024, their tariff increases from 5% to 25%.

July 2025 – CBP requires \$400,000 Bond



Running total of DTF Paid = \$ 3,300,000

Bond Required (10% DTF): \$ 90,000

*After \$100k, increase in increments of \$100k

\$ 200,000
\$ 300,000
\$ 400,000

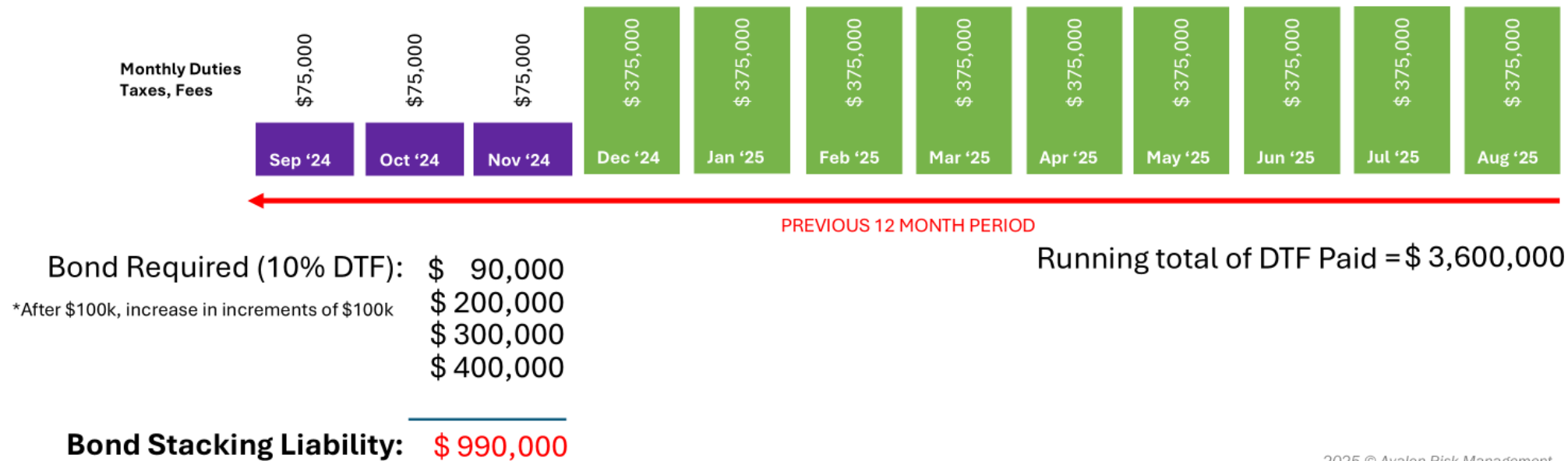
Bond Stacking Liability: \$ 990,000

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BOND SUFFICIENCY EXAMPLE



Effective December 2024, their tariff increases from 5% to 25%.



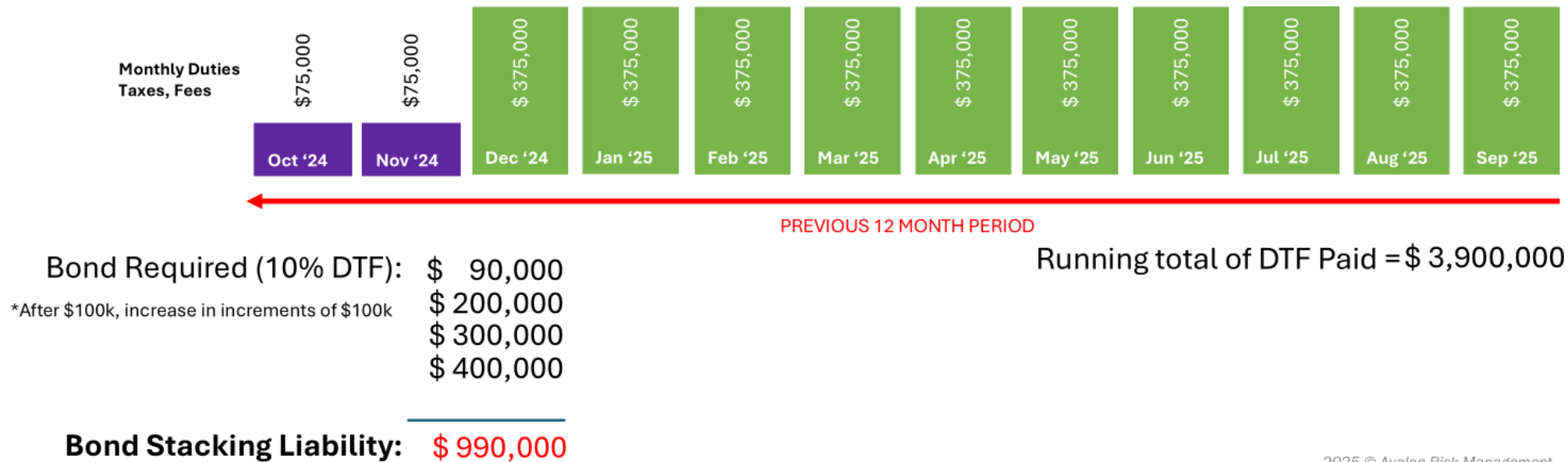
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BOND SUFFICIENCY EXAMPLE



Effective December 2024, their tariff increases from 5% to 25%.



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BOND SUFFICIENCY EXAMPLE



Effective December 2024, their tariff increases from 5% to 25%.

October 2025 – CBP requires \$500,000 Bond



Running total of DTF Paid = \$ 4,200,000

Bond Required (10% DTF): \$ 90,000

*After \$100k, increase in increments of \$100k

\$ 200,000
\$ 300,000
\$ 400,000
\$ 500,000

Bond Stacking Liability: \$1,490,000

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BOND SUFFICIENCY EXAMPLE



Effective December 2024, their tariff increases from 5% to 25%.



Running total of DTF Paid = \$ 4,500,000

Bond Required (10% DTF): \$ 90,000

*After \$100k, increase in increments of \$100k

\$ 200,000
\$ 300,000
\$ 400,000
\$ 500,000

Bond Stacking Liability: \$1,490,000

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BOND STACKING LIABILITY COMPARISON



Reviewing PRIOR 12 Months

(Only increasing to minimum amounts required by CBP)



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BOND STACKING LIABILITY COMPARISON



Reviewing PRIOR 12 Months

(Only increasing to minimum amounts required by CBP)



\$1,490,000

Forecasting NEXT 12 Months

(Increased bond to \$500,000 when duty rate increased Dec '24)



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BOND STACKING LIABILITY COMPARISON



Reviewing PRIOR 12 Months

(Only increasing to minimum amounts required by CBP)



\$1,490,000

Forecasting NEXT 12 Months

(Increased bond to \$500,000 when duty rate increased Dec '24)



\$590,000

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STACKING EXPOSURE



- CBP bonds auto-renew each year until terminated
- New period of liability created at each renewal
- Stacking occurs when a surety has open exposure for multiple bonds and/or multiple bond periods.
- Entries that are unliquidated are considered open exposure
 - One unliquidated entry creates open exposure up to full bond amount

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STACKING EXPOSURE



- Liquidation closes the exposure for the surety
 - Final step in the import process
 - Typically takes about a year, but could be longer if extended or suspended
 - CBP has additional 90 days after liquidation to reliquidate/issue penalty

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UNDERWRITING BEST PRACTICES

UNDERWRITING



- Risk factors may include:
 - Bond limit needed – the higher the bond amount the more the risk
 - Unliquidated entries and stacking of liability
 - Commodities imported (Anti Dumping/PGA/Quota/Visa are higher risks)
 - Claims history
- Bond Application and Indemnity
 - Must be signed by officer of company and/or any other party whose financials are being reviewed (i.e. parent company)
- Financial Statements
 - Financial liquidity, profitability, positive cash flow and allowed net worth

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UNDERWRITING



- Collateral
 - Letter of credit (issued by FDIC bank using approved language)
 - ACH, cash deposit or wire transfer
 - Certified check, bank check or cashier's check
- Returning Collateral
 - Collateral is held until all liability is extinguished for the bond period
 - Typically about one year plus 90 days after last entry in bond period
 - Anti Dumping/Countervailing Duties can suspend liquidation for years

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BEST PRACTICES



- Forecast, Forecast, Forecast
 - Utilize ACE portal reports
 - Work with your customs broker to regularly review your entry data
 - Determine how potential tariffs will impact your DTF over coming 12 months
 - Avoid stacking liability issues
 - Stay abreast of industry changes
 - Work with other departments to understand future plans, volume or sourcing changes, pricing changes, etc. that may impact bond coverage
 - Be proactive increasing your bond if needed

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THANK YOU!



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Foreign Trade Zones

David Harlow

Current Tariff Updates



- Section 301 Tariffs established in 2018 targeting China Products
 - 25 - 50% Tariff
 - Duty Drawback Allowed
- International Emergency Economic Powers Act (IEEPA) Tariff established on China products beginning 3/4/2025
 - 20% Tariff
 - No Duty Drawback
- Section 232 Aluminum & Steel Tariff except for EU, Canada, and Mexico (USMCA) beginning 3/12/25
 - 25% Tariff
 - No Duty Drawback



April / May Tariff Updates

- Section 232: Automotive & Auto Parts Tariff
 - 4/3/25 – Automobile Tariffs at 25%
 - 5/3/25 – Auto Parts Tariffs at 25%
- Reciprocal Tariffs:
 - 4/5/25 – 10% Tariff applied to all products with few exclusions
 - 4/9/25 – 10-34% Tariff on 140 countries paused for 90 days (except China)
 - 4/10/25 – China Reciprocal Tariff increased to 145%
 - 5/12/25 – China Reciprocal Tariff Paused for 90 days

Investigations & Restrictions

- Section 232 Investigations (up to 270 days)
 - Semi-Conductors
 - Timber
 - Pharmaceuticals
 - Critical Metals
 - Furniture
- De Minimis Enforcement / Restrictions
 - All Tariffed Goods are restricted from eligibility.
 - Increased Scrutiny: Authorities clamping down on misuse of De Minimis

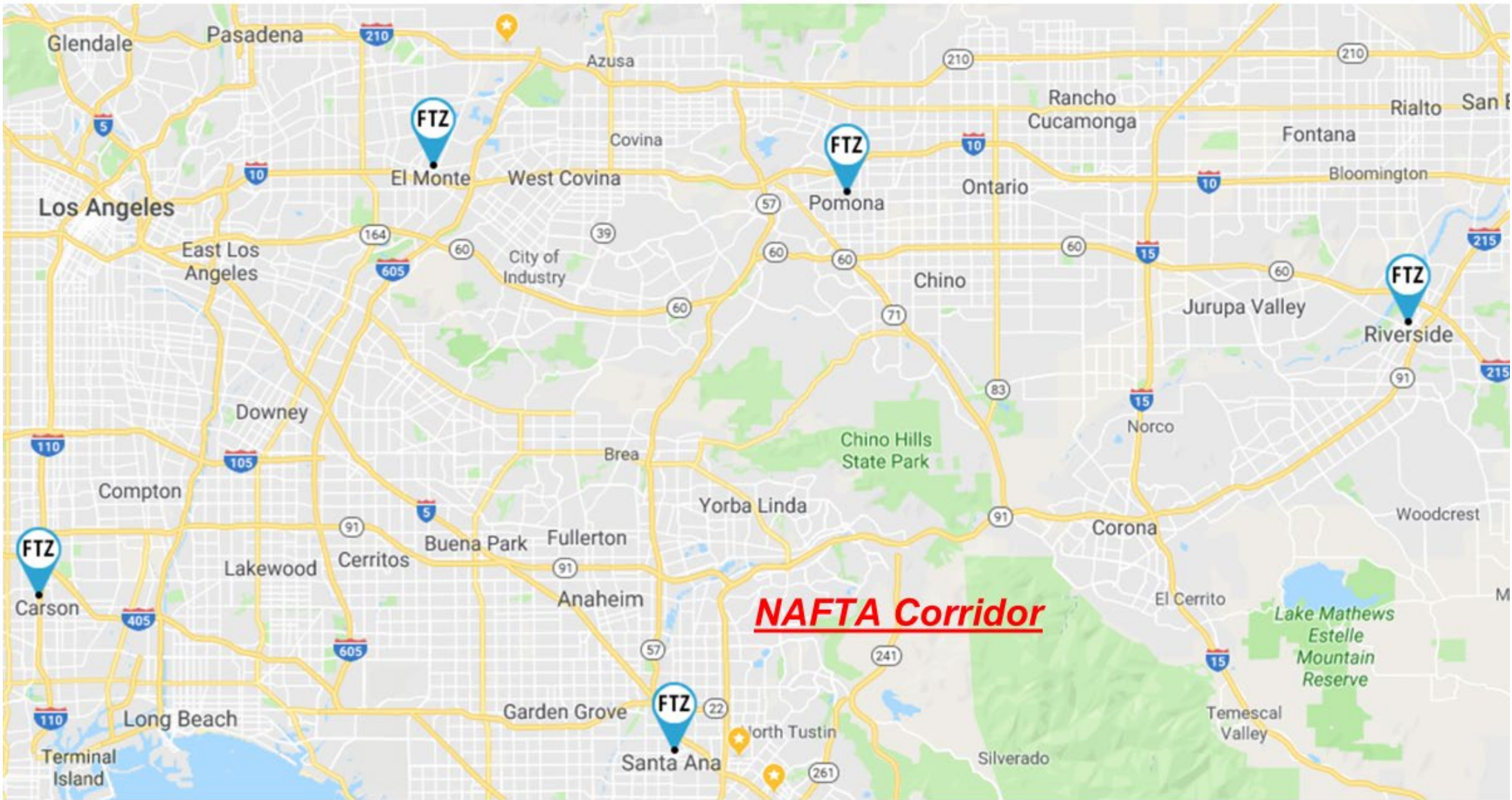
What is an FTZ?

“Duty-Free Island”

Foreign & domestic
merchandise:

- Stored
- Manipulated
- Exhibited
- Exported
- Manufactured
- Destroyed





Foreign Trade Zone Values



Create and Retain Jobs



Stimulate Economic Growth



Promote International Trade



FTZ Users

- Importers
- Exporters
- Custom brokers
- Freight Forwarders
- Trading Companies
- Trucking Companies
- Steamship Lines



Common Industries Utilizing FTZs



Alcohol



Apparel



Autos



Electronics



Raw Materials



Pharma



Energy



Textiles



Tobacco



General-Purpose Zone (GPZ)



- Generally used for warehousing and distribution
- Located at User's or operator's facility
- No retail allowed



Subzone (SZ)



- Great for Manufacturing & Processing companies
- Sub-Zones located in the User's own Facility
- No Retail Allowed



FTZ Infrastructure



FTZ Exponential Growth

- In 2018, 195 active FTZs vs 2023, 200 active FTZs. (261 approved in 2022)
- 1,300 active FTZ operations in 2023
- Over 550,000 FTZ employees in 2023
- Approximately 68% of merchandise received in FTZs is domestic status
- In 1997, \$180 billion in foreign and domestic merchandise received into FTZs compared with \$949 billion in 2023
- In 2018, exports were almost \$113 billion, but in 2023 exports amounted to almost \$145 billion
- Accounting for about 5% of ALL US exports, FTZs are an important export promotion tool



FTZ Operations

- Storage
- Manipulation
- Exhibition
- Manufacture
- Destruction
- Export
- Assembly
- E-Commerce



Automobiles



- Lamborghinis: Install roll bars, remove passenger seat and place decals to race car specifications



Liquor & Spirits



- Defer duty and taxes
- Repackage
- Write off broken bottles
- Destroy expired inventory



Trade Products



Trade Products



Financial Benefits



- Cash Flow
 - (Duty Deferral)
- Manufacturing
 - (Duty Reduction)
- Cost of Money
 - (Duty Elimination)
- Tax Exemptions



Duty Deferral



Cash Flow Savings



Arrival in U.S.



Admission to FTZ



FTZ Removal/
Customs Entry



Duty Reduction

Parts= 5% Duty



Finished Good= 2.5% Duty



Reduction= 50%

Manufacturing

Parts Arrive in U.S.



Manufacturing of
Finished Goods



Finished Goods
Withdrawal to
Commerce

Duty Elimination

Replaces Drawback



(Trans-shipment Center)

Elimination



Federal Excise Tax Exemption



Weekly Entry Program

- On May 18, 2000, President Clinton signed into law the Trade of Development Act of 2000.
- Contained in the law is a provision that specifies new Foreign Trade Zone “Weekly Entry” procedures for a significant reduction of paperwork and fees. As Foreign Trade Zone Users, companies that apply to U.S. Customs may be authorized to take advantages of this new law.

500 Entries per year at \$634.62 MPF for each: **\$317,310**

52 Entries per year at \$634.62 MPF for each: **\$33,000**

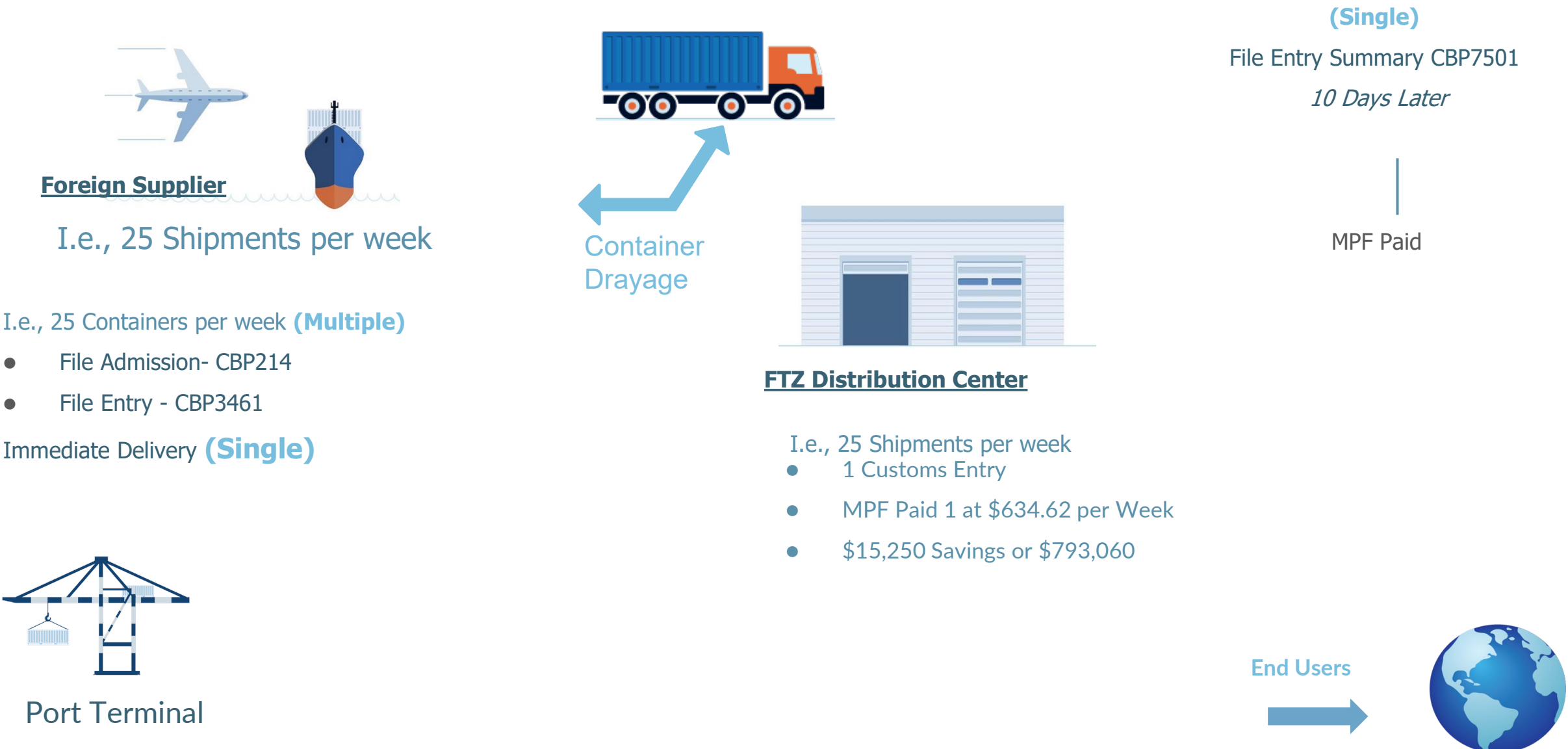
Annual FTZ Savings: \$284,310



- File 1 Weekly Entry (beginning of Shipping Week)
- Entry is “Estimated” or rather “Over Estimated”
 - Cushion for “Hot Shipments”
- Include Goods not imported or admitted to zone

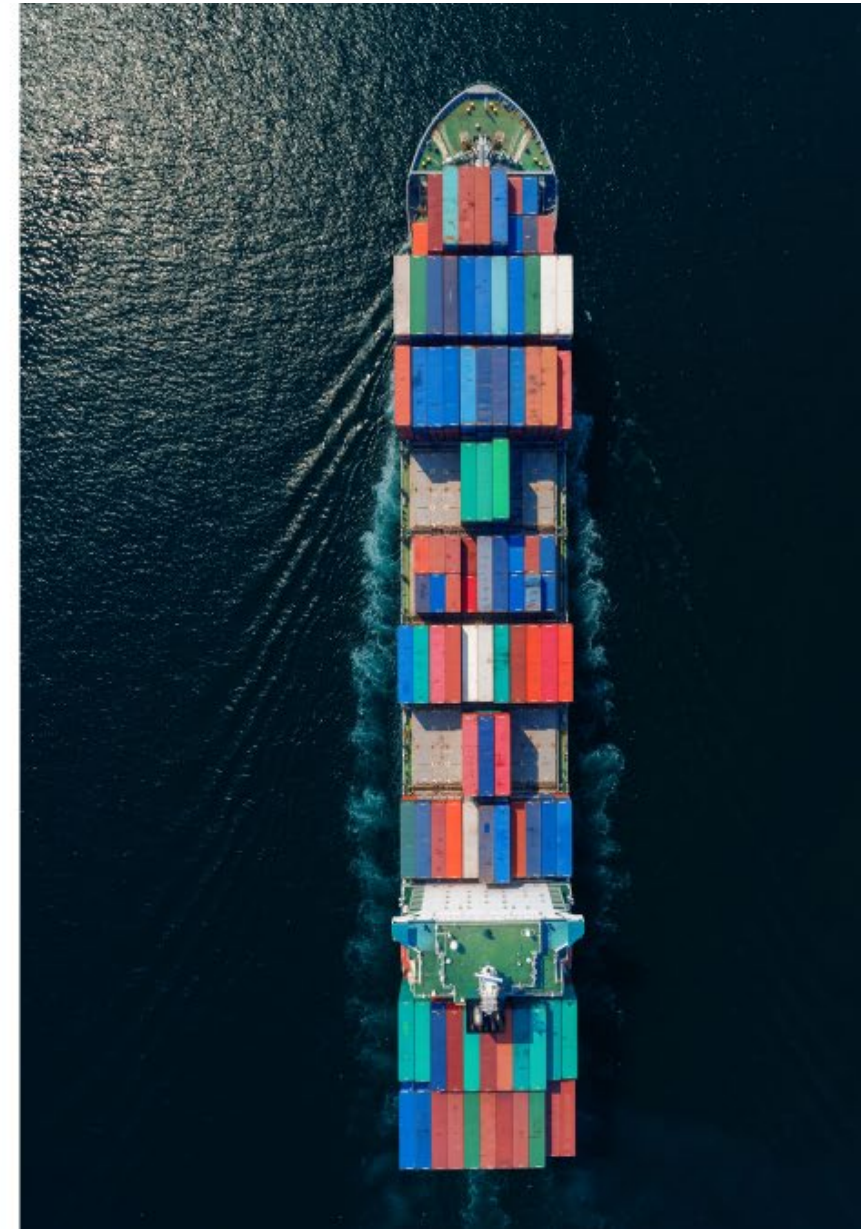


Flow of Goods- FTZ Processing



Other Benefits Continued

- Satisfy Legal Requirements to Export or Destroy
- Transportation Time Savings (Direct Delivery)
- Weekly Entry for Transportation & Exportation
- Blanket Permits:
 - CBP-214 (Admission) - 1 per day
 - CBP-216 (Manipulation/ Manufacture) - 1 per year
- Temporary Removal (120 Days)
 - Exhibition
 - Repair/ Analysis
- Indefinite Storage



Bonded Warehouse VS. Foreign Trade Zone

The BW Program

- Duty Deferral & Duty Elimination
- Duty Rate Determined at the time of Entry to the Commerce.
- No domestic product, equipment, and supplies

The FTZ Program

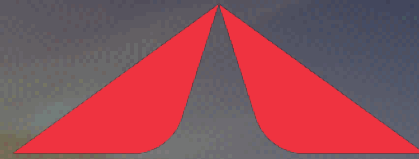
- Duty Deferral, Duty Elimination, Duty Reduction
- Weekly Entry Benefit (MPF Savings)
- Duty Rate Determined at the time of Receipt to the FTZ under PF status
- Domestic Product, Equipment, and Supplies are allowed

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Thank You!





ALBATM

THANK YOU!

TALK WITH US ABOUT YOUR CUSTOMS AND LOGISTICS NEEDS

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