eBond Is Coming: How Will it Work?

April 7, 2014 1:30pm – 2:45pm
Red Rock Resort
Introductions
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STB Centralization & eBond Update

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Single Transaction Bond Centralization Project and eBond Update

Presentation to the National Customs Brokers & Forwarders Association of America, Inc. (NCBFAA)
April 7, 2014
Discussion Topics

Presentation Purpose

**Single Transaction Bonds Centralization Project**

- STB: Why Centralize and Automate
- Key Meetings and Activities to Date
- “As-Is” State
  - High Level “As-Is” STB Process
  - “As-Is” Challenges Noted to Date
- “To-Be” State
  - STB Centralization Concept
  - High-Level “To-Be” Data Flow Concept (Initial Entry and Replacement scenario)
  - Additional “To-Be” Considerations
- STB Project Timeline
- STB Centralization: Update and Next Steps
- Desired Outcomes and Impacts

**eBond Project Update and Next Steps**

Points of Contact
Presentation Purpose

• The purpose of this presentation is to:
  – Share the status of CBP’s STB Centralization and eBond development projects with NCBFAA members.
  – Share CBP’s vision for developing an eSTB system solution and centralizing STB within the OA Revenue Division.
  – Provide the Trade Community the opportunity to provide input and establish shared goals and vision for STB centralization and eBond.
  – Raise any anticipated challenges in achieving successful STB centralization and eBond solution.
  – Inform NCBFAA members of planned next steps for STB centralization and eBond development.
Single Transaction Bonds Centralization
STB: Why Centralize and Automate

- A June 2011 DHS OIG report cited bond execution errors, deficiencies in bond retention, and other issues that challenge CBP’s ability to collect on STBs.
- CBP has limited ability to report to Congress or Treasury on key inquiries regarding bonds.
- Enables CBP Officers to focus on trade and law enforcement mission and reduces the burden on Entry and Import personnel.
- Protects CBP by informing CBP Officers that a valid bond has been secured before cargo is released into commerce.

**Trade Community Focus**
- Brokers are restricted to normal business hours to submit bonds and process entries
- Broker and Surety systems and processes are more modern and advanced than CBP’s systems, which leads to inefficiencies in accepting and processing STBs
- Standardizes the way CBP interacts with the Trade across ports
Key Meetings and Activities to Date

**Initial HQ-level Planning Meetings** (March – May 2013)
- Key stakeholders from OA, OT, OFO, and OCA met to discuss current STB processes, risks/challenges, vision for future solution, and actionable next steps.

**Output:** High-level STB “As-Is” process flow and considerations for “To-Be” solution.

**Educational Port Site Visits w/ CBP & Trade** (June – Sept. 2013)
- Site visits to document feedback from CBP Officers, Import/Entry personnel, and Trade.
- Vision for utilizing e-STB was shared with OFO and the Trade for their feedback.

**Output:** Documented process flow highlighting variations across locations and detailed notes identifying current STB processes, challenges, and considerations for future processes and eBond.

**Additional Trade Outreach Activities** (Ongoing)
- OA is engaging the Trade Community through several venues: COAC, CSEC, TSN, NCBFAA Webinar, etc. to share the vision for e-STB and eBond and collect feedback.
- Conducted surety visits to understand system capabilities and interface requirements.

**Output:** Additional information to feed user requirements for e-STB solution.

**eSTB Development and eBond Planning** (Ongoing)
- OA and OT (ACE Business Office) are refining the scope of the planned eSTB /eBond solution to develop user stories for development. Development began Feb. 2014.
- Engaging Trade and CBP stakeholders on requirements for eBond solution to lead into development scheduled for May 2014.

**Output:** User stories and design requirements for solution development on ACE platform.
High Level “As-Is” STB Process

- CBP currently does not have a centralized office responsible for overseeing and administering the STB program.

- Port Directors and other OFO personnel are responsible for setting bond amounts and validating their accuracy and completeness without a centralized body to coordinate activities and policy enforcement across the ports.
High Level “As-Is” STB Process

Path Drivers:
- Entry Method
- Location
- Commodity Type
- Operational Priorities

Lower Risk
- Slower Release
  - Port returns the bond to the filer to be re-submitted at Entry Summary
  - CBP Officer releases cargo into U.S. Commerce.
  - Importer re-submits STB with the package at Entry Summary.
  - CBP Import/Entry Personnel review STB at E/S and Accept or Reject

Higher Risk
- Expedited Release
  - Importer submits paper CBP Form 301 for first time at Entry Summary
  - CBP Import/Entry Personnel review STB for first time at Entry Summary

Differentiators:
1. Best practice, validates STB before release but could slow trade
2. Port may have difficulty locating and matching STB to Entry Summary filed
3. STB submitted but not reviewed at Entry; may note existence but no validation occurs
4. Highest risk, no leverage to require new or revised STB after release but helps expedite trade
“As-Is” Challenges Noted to Date

1. **Processing Time:** Paper-dependent environment and physical document examination can lead to system backlogs and potential cargo delays.

2. **Lost Revenue:** Decentralized STB processes result in write-offs and delinquencies. The DHS OIG estimated that approximately $8 billion of $12 billion in STB for importer/broker entries accepted by CBP during FY 2009 contained errors that could result in non-collection. Further OIG analysis projects CBP should have required an additional $1.5 billion in FY 2009 to cover risk of imports subject to other government agency requirements.

3. **Manual Bond Errors:** Brokers or importers submit inaccurate and/or incomplete bonds leading to unplanned administrative burdens and delays in cargo release.
## STB Centralization Concept

<table>
<thead>
<tr>
<th>Current Operations</th>
<th>STB Centralization Concept</th>
</tr>
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<tbody>
<tr>
<td>Some ports release cargo without receiving a STB.</td>
<td>CBP protects revenue by enforcing the requirement to submit and validate an STB prior to cargo release.</td>
</tr>
<tr>
<td>CBP receives and reviews paper STBs (CBP Form 301) and Ports use a combination of ACS and ACE.</td>
<td>E-STB will be an electronic system for receiving, processing, reviewing, and maintaining STB data across all Ports in a single ACE platform.</td>
</tr>
<tr>
<td>Brokers submit a majority of STBs with limited surety involvement.</td>
<td>The eSTB concept will limit who can push STB data electronically to CBP. Brokers will not be able to push bonds to CBP unless the sureties or surety agents grant that authority to the brokers through the surety system.</td>
</tr>
<tr>
<td>CBP is involved with litigation cases over inaccurate STBs due to execution errors.</td>
<td>CBP regulations will be revised to reflect that the individual who pushes the bond (i.e. the surety) is responsible for the accuracy of the inputs. CBP will “accept” the STB after automated data validations.</td>
</tr>
<tr>
<td>CBP spends valuable time correcting erroneous STBs, utilizing valuable Officer and staff resources.</td>
<td>CBP will “accept” STBs after automated bond validation; CBP ports will no longer manually review and approve the STB. OA staff will shift from administrative activity to more analytical functions.</td>
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<tr>
<td>Surety systems do not interface with CBP systems to push STB data, yielding risks for manual data errors.</td>
<td>The eSTB concept will enable sureties’ financial systems to interface directly with CBP systems to push STB data electronically to CBP, which eliminates duplication of effort and risks for manual data entry errors in creating and submitting paper STBs.</td>
</tr>
</tbody>
</table>
High-Level “To-Be” Data Flow Concept

1. If the Broker/Filer opts to continue the eSTB process, the process would start again from “Request an STB for Entry”.

2. If the rejection of the entry filed is due to the inability to match an Entry and Bond, the filer should contact the surety to determine what corrective actions should be taken.
Additional “To Be” Considerations

1. **Centralized and Standardized Procedures:** Consistent operating procedures will improve accuracy of STB information and minimize cargo delays. Ports will consistently enforce requirement for receiving bond information at the time of entry and verifying existence and accuracy prior to release.

2. **Bond Monitoring:** Updated systems will create uniform procedures at all ports, cracking down on port shopping and enabling more consistent monitoring by CBP.

3. **Expanded Electronic Entry:** e-STB will permit 24/7 bond filing while performing completeness checks on STBs and integrating with existing systems. Potential for ACE interface with proprietary broker/surety systems could further streamline data entry. This will also eliminate instances where documents are required because of the STB, which frees up resources for both the trade and CBP.

4. **Bond Accountability:** Updated systems and policies will clarify who is accountable for STBs throughout entry process by shifting ownership from CBP to the broker and surety communities.
STB Project Timeline

**Initiation**
- Funding
- Business Requirements
- Preliminary Scope
- Preliminary Timeline
- Communication
- Charter

**Definition**
- Finalize Scope
- Convert Requirements to AGILE Stories
- Validate Timeline
- Market Acceptance

**Design**
- Verify Scope
- Plan AGILE Sprints
- Design system processes
- Design Interfaces
- Technical requirement

**Construction**
- Configure System
- Create Interfaces
- Integration Tests
- Prepare training
- User Acceptance Testing

**Acceptance**

**Readiness**
- Training
- Policy
- Procedure
- Resource realignment

**Deploy**
- Cutover
- Go-live
- Managed Transition

**Timeline**
- FY 2013
  - QTR 3: Complete Stakeholder Coordination
  - QTR 4: Finalize Requirements/AGILE Stories for e-STB and eBond
- FY 2014
  - QTR 1: 2/5/14 – Begin Development of e-STB
  - QTR 2: 5/6/14 - Complete System Development of e-STB
  - QTR 3: 8/5/14 – Complete Development of eBond
  - QTR 4: 1/3/15 – Deployment to Production e-STB and eBond GO-live
- FY 2015
  - QTR 1
  - QTR 2
Increment 5 Scope (eBond part 1)

- Develop Bond Intake System
  - Provide capability to receive a bond submission via EDI
  - Provide capability to validate the information received in the bond submission.
  - Provide capability to store bond information received for use in additional processes.
  - Provide capability to return a positive or negative response to the surety via EDI.

- Begin building ACE Portal Functionality for Bonds
  - Provide a Bond search screen for Trade
  - Provide a Bond view screen for Trade
  - Provide a Bond search screen for CBP
  - Provide a Bond view screen for CBP
Desired Outcomes and Impacts

**Save Time and Expedite Trade**

**Dedicated Resources with Specialized Knowledge and Expertise** – Smaller group of dedicated resources focused primarily on the STB program promotes faster processing and responsiveness to issues and questions raised by the Trade.

**Faster STB Processing for the Trade** – Brokers and sureties will not have to duplicate efforts to complete paper STBs for data already in their own systems.

**Expanded Entry Capabilities for the Trade** – Automated STB submission and validation will permit 24/7 bond filing so the Trade does not have to wait for ports to open for business.

**Automates Labor-Intensive STB Validation by CBP** – Electronic submission and validation can expedite cargo release without increasing risk and free up resources in the field. Based on annual STB volumes (300,000 – 750,000) and avg. manual processing times (6.5 minutes per bond), could save estimated 32,500 – 81,250 man hours (15-39 FTEs) per year.

**Improve Collections for CBP**

**Reducing Protests, Write-offs, and Rejections** – Improved consistency in the application of STB policies and procedures will drive down potential revenue losses. CBP will have perfected STBs in-hand in all cases prior to cargo release.
eSTB Project: Update and Next Steps

• Further identify impact points as we develop the technology solution for STB centralization.

• Continue trade outreach initiatives to share the e-STB vision and incorporate additional feedback from the Trade.

• Continued coordination with ACE and OIT to determine functionality requirements and develop user stories for the eSTB solution design.

• Continue data gathering effort to answer further questions required to finalize eSTB and eBond design.
eBond Project Update
eBond Project: Update and Next Steps

- CBP organized and hosted an e-STB and eBond working group meeting on December 2; utilized majority of time to work through e-STB concept with limited discussion and update on eBond. The next meeting is scheduled for April 2, 2014.

- Key anticipated dates for eBond:
  - May 7, 2014 – Begin development of eBond (ACE Increment 6)
  - August 5, 2014 – Complete system development of eBond
  - January 3, 2015 – Planned deployment of e-STB and eBond

- OA and ACE Business Office will continue to engage CBP and Trade stakeholders to refine user requirements gathered over the last several years and prepare for development of user stories to inform system development.

- Process under eBond (continuous bond) will remain largely the same; continuous bond submissions will not be tied to an individual entry and brokers will still have to request from the Surety before the Surety submits to CBP.
Points of Contact

• **Office of Administration, Financial Operations, Revenue Division**
  - Bruce Ingalls - Director, 317-298-1107
  - Kara Welty - Chief, Debt Management Branch, 317-614-4614

• **Office of Trade, ACE Business Office**
  - Monica Crockett – Director, Entry Summary Accounts and Revenue, 571-468-5375
  - John Everett – Cargo Control and Release Division, 571-468-5339
Surety Perspective

Colleen Clarke
eBond Background

• Recommended more than 20 years ago
• 2010: ACE Business Office eliminates “BAF”
  — Direct communication between broker & surety
• 2011: DHS OIG Audit & Recommendation to Centralize STBs
  — COAC recommendation

‘Everything old is new again’
eBond Process

• Surety to transmit bond to CBP
  — EDI Transmission – timing
  — eBond CATAIR
• Issuing Authority
• 5106 GIF
  — Query 5106 data
eBond Benefits (CBP)

- Assurance that surety is accepting liability
- Validation of bond prior to release
- No paper
- Uniformity
eBond Benefits (Broker)

- Bond filing will be 24/7
- No documents required
- RLF entries will be accepted on STBs
- Better reporting from surety
eBond Benefits (Surety)

- Transparency of data
- No paper
- Strengthens relationships
- Streamlined processing
- Increased efficiency
eBond - Hurdles

• Few brokers use ACE
  — ACE will be the system of record for all cargo release in November 2015
• eBond deployment in January 2015
  — Two processes for a time
• Less than 50% of ABI vendors programmed for ACE
  — Communicate with your vendor now!
eBond ABI Integration

Celeste Catano
Entry – Broker and Surety Process

Broker Keys
- Entry & STB info

Request send Entry to CBP

Send STB request to Surety

Surety Response

Has Surety approved?
- Yes
  - Auto Send Entry
- No
  - Broker handles exceptions

Visibility into responses (Emails/reports)

Entry Data on Hold Pending STB accept

Send Entry to CBP

Note – Similar flow for ISF
Other – Broker and Surety Process

- Manual Change
- Additional Bond
- Replacement Bond
- Void Bond

Send STB request to Surety

Surety Response

Visibility into responses (Emails/reports)

Broker updates Shipments
Communication with Sureties

• Working with Sureties to develop standard data elements for ABI vendors
  – ABI vendors can integrate with multiple sureties easier
  – Trying to avoid having 10-15 different formats

• Data Formats
  – Tilde (~) separated file
  – XML

• Communication Methods
  – MQ
  – Web Services
  – FTP or SFTP
**Data Elements to Surety**

- **Shipment Level**
  - Action Code (Add, Replace, Delete)
  - Importer of Record Number
  - Bond Principal Country
  - Bond Producer Account Number
  - AD/CVD Only indicator
  - Anticipated Port Code
  - Entry Filer/Number and Type
  - Bond Amount
  - Estimated Value
  - Total Duty, Fees, AD/CVD and IR Tax
  - Broker Reference
  - Contact Method for exceptions – Name, email, Phone etc.

- **Line Level**
  - Tariff Numbers
  - PGA Agency Codes
  - AD/CVD Case numbers
Continuous eBond

• Current CATAIR contemplates continuous bond intake
• Agile planning for Continuous Bonds begins 05/07/14
• Continuous Bonds In Scope CBP 301 Bond Form

<table>
<thead>
<tr>
<th>Activity Code</th>
<th>Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 – Importer or Broker</td>
<td>174,731</td>
</tr>
<tr>
<td>1a – Drawback</td>
<td>1,049</td>
</tr>
<tr>
<td>2 – Bond Custodian</td>
<td>5,770</td>
</tr>
<tr>
<td>3 – International Carrier</td>
<td>5,911</td>
</tr>
<tr>
<td>3a – International Traffic</td>
<td>807</td>
</tr>
<tr>
<td>4 – Foreign Trade Zone</td>
<td>862</td>
</tr>
<tr>
<td>11 – Airport Security</td>
<td>510</td>
</tr>
<tr>
<td>16 – Importer Security Filing</td>
<td>142</td>
</tr>
</tbody>
</table>

• Out of Scope: Activity Code 12 (ITC), 14 (IBEC), 15 (IPR) and 17 (MTO)
• eBond will capture 99.9% of all Customs bond activity on the CBP 301 Bond Form
113 Rewrite

• **19CFR113** updated to eliminate paper requirement
  – Sureties have “absolute” liability; no execution defenses
  – Revise Letter of Application Requirements
  – Will eBond accommodate eRiders and eTerms? Yes!
  – Termination notice may change (from 10/30 to 15 days)
• Recordkeeping requirements (**19CFR113.15**)
  – There will be no paper bond record, only data elements
  – This will impact billing, renewals, etc.
  – Customs Assigned Bond Number will change from 9 to 10 digits
New 5106

• New 5106 Form
  – Timing?
  – New Data Elements
  – Required only for “new” importers

• Impact on Bond Filing
  – Name and Address Change
  – Bond Sufficiency Increases and “Bad” Addresses
  – Continuous Bond Term and Replace Process
Process Flow

**Surety Portal**
1) Submit information
2) Surety review
3) Transmit Data Elements
4) Riders
5) Terminations
Continuous Bond Substitution

- Only if filer substitutes one continuous bond for another.
- May file Entry Summary with a different importer#.
- eBond validation to check if CB on file for new importer#.
- *Superseding Bond Indicator* would already be present in the Entry Summary set to appropriate value.
- Allows for Entry Summary to be filed with new bond successfully, as long as all other bond validations passed.
- By logging the Bond change to the transaction, Office of Administration will be able to determine the party liable for the transaction.
Questions