

Brave New World – Navigating the Modernized In-Bond Regulations

On September 28th, the highly anticipated updated in-bond regulations were published in the *Federal Register* as a Final Rule set to take effect on November 27th, followed by a 90-day flexible enforcement period. The original Notice of Proposed Rule Making (“NPRM”), published in February 2012, was heavily commented on by multiple segments of the trade and industry including the National Association of Foreign-Trade Zones. The published Final Rule reflects a consideration of those comments and the resulting regulations move the in-bond process to an automated and largely paperless platform for CBP. The changes to the regulations are numerous and broad. Highlighted below are some of the more significant modifications.

The most significant change in the regulations is the elimination of the paper CBPF 7512 (with the exception of pipeline) and the requirement that all in-bond applications be submitted to CBP electronically for authorization through a CBP approved EDI system, such as the current QP/WP functionality. While the current QP/WP system provides for an automated release, there is still a paper CBPF 7512 produced that travels with the shipment. **Under the new regulations this form will no longer be produced/required.** This change is significant and will require companies to rethink the type of documentation they will use to manage in-bond processes and maintain evidence of custody and transfers for in-bond shipments.

The regulations mandate a harmonization of transit times for all modes of transport at **30 days** with the exception of movements by barge that will be retained at 60 days. Movements by pipeline are also excepted from the transit time limitations.

CBP will also require additional detail level information requiring **reporting of the six-digit harmonized tariff number** on the in-bond application, as well as **sufficient descriptions to identify merchandise that may be regulated by other agencies.**

Another significant change is the **elimination of the ability to transfer liability between carriers**, meaning that the carrier bond obligated on the in-bond application retains liability for the entire movement from origination to destination of the in-bond. A change in carrier liability can only be triggered by the arrival of the originating in-bond and the filing of a new application for a subsequent in-bond movement.

It should also be noted that although the original proposal shortened the time to report in-bond arrival to 24 hours, the final version of the regulations has retained the current language allowing **report of the arrival within two (2) business days.** However, the FIRMS code of the arrival location must also be reported as part of the notification.

Additionally, requests for **diversion of in-bond movements** must be submitted and approved electronically prior to the diversion taking place.

With a 60-day implementation window, now is a good time to review the impact of these regulatory changes and make the necessary internal process adjustments to successfully navigate the challenges and rewards of the expanded automation of the in-bond program.