

A photograph showing several large stacks of US dollar bills, including \$100 and \$50 bills, tied with blue rubber bands. The stacks are arranged on a wooden surface, with some in the foreground and others in the background, creating a sense of depth.

## U.S. CUSTOMS BONDS

# ANTI-DUMPING AND COUNTERVAILING DUTY EXPOSURES

Anti-dumping (AD) and Countervailing duty (CVD) investigations continue to be initiated by the International Trade Administration (ITA) of the Department of Commerce (DOC) and the International Trade Commission (ITC). With AD/CVD margins higher than ever, sureties and brokers both have increased exposure and stricter underwriting guidelines must be enforced.

AD/CVD poses a unique underwriting situation as Avalon must account for liability applying to all bonds written in a period of review resulting from a future decision made by DOC. These decisions, leading to ultimate liquidation of entries, are typically made more than a year after entry and can take years to be determined.

95 percent of AD/CVD cases result in a final determinations of injury. With this growing exposure, we recommend that the importer of record is aware of their potential liability and is planning ahead for any potential additional duties that may be due.

The following factors are useful in understanding an importer's estimated future liability and their ability to meet obligations:

- Completed Bond Application and Indemnity Agreement signed by a corporate officer.
- Completed Antidumping Questionnaire.
- Historical information regarding the importer's specific history with commodities as well as additional information the customs broker can provide on previously handled shipments to the importer.
- Financial Statements for the last calendar year and interim statements for most current year are typically required. With any bond underwriting, current financial strength is an important consideration. As referenced above, we are also interested in the importer's procedure to ensure funds are set aside to pay expected anti-dumping margins.
- Collateral in whole or part, in the form of a Letter of Credit or a cash wire, may also be required. A review of the current collateral position can take place after liquidation of all entries. Because Customs can issue an increase up to 90 days after liquidation, we must wait to return collateral until after this period. The account will be reviewed for claims and collateral will be returned at such time as all liability is determined to be exhausted.

For more information contact your local Avalon representative or visit [www.avalonrisk.com](http://www.avalonrisk.com).