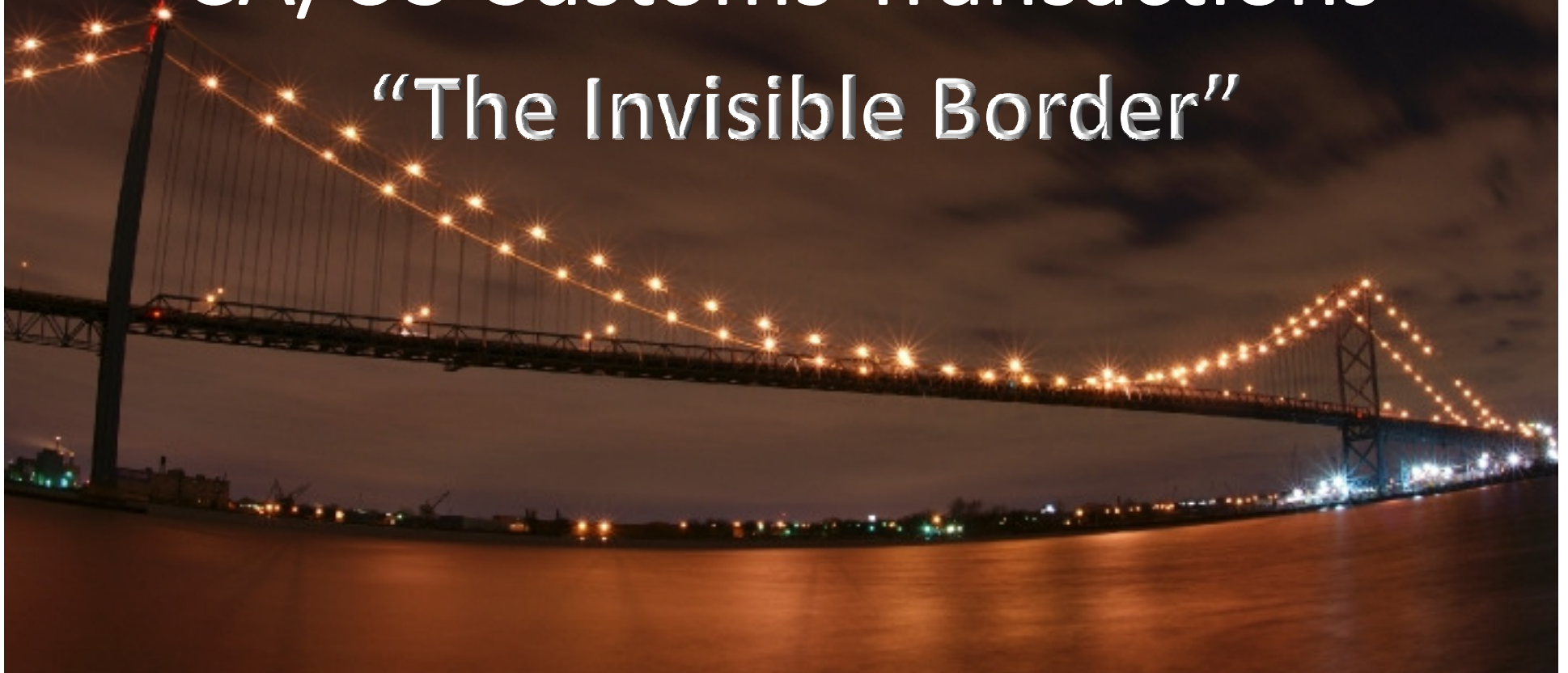




**SANDLER & TRAVIS TRADE  
ADVISORY SERVICES, INC.**

# CA/US Customs Transactions “The Invisible Border”





# STTAS CORPORATE OVERVIEW

## We are ...

- full service International Trade Consulting and Managed Services Firm
- affiliated with Sandler, Travis & Rosenberg, PA, specialized International Trade law firm

## We have ...

- **People:**
  - 400+ Professionals globally capabilities in over 20 languages
  - the best collection of international trade compliance talent in the tariff and trade industry
  - former government officials, accountants, lawyers, industry professionals
  - Worldwide network extends from North and South America to EU and Asia
- **Process:**
  - STTAS has developed the most cost efficient, compliant processes
  - Processes are coordinated across all STTAS international locations
- **Systems:**
  - Proprietary TradeVIA<sup>®</sup> hosted system
    - Data Repository for all import and export related data
    - Integrated to house multiple country classifications, qualifications, etc.



# OUR GLOBAL PRESENCE



**We offer 24/7  
Import & Export  
Operational  
Management all  
over the world**



# 10+2

Importer Security Filing



# Update on ISF

- CBP enforcement begins January 26, 2010
- Enforcement will be “gradual and progressive in nature”
- In next 6 months, CBP to identify importers and carriers not complying with ISF rule
- CBP to continue to issue Progress Reports
- CBP to issue warning letters
- Do not expect Do Not Load messages or Liquidated Damages
- But – each violation on case by case basis
- If non-compliant, CBP may increase physical examinations
- By October – full enforcement mode





# Interim Final Rule “10+2”

**“Importer Security Filing and Additional Carrier Requirements”**

**Docket Number USCBP-2007-0077**

**ACTION:** Interim final rule, solicitation of comments.

**SUMMARY:** To help prevent terrorist weapons from being transported to the United States, vessel carriers bringing cargo to the United States are required to transmit certain information to Customs and Border Protection (CBP) about the cargo they are transporting prior to lading that cargo at foreign ports of entry. **The required information is reasonably necessary to improve CBP’s ability to identify high-risk shipments so as to prevent smuggling and ensure cargo safety and security.**



# Do Not Load Messages

- Timetable
  - Might begin in May, 2010, but CBP does not expect to issue many.
  - More DNL by August, 2010.
  - Full enforcement by October, 2010.
- CBP will not issue “affirmative load” messages to carriers.
- CBP will not send an actual DNL hold message to the ISF Filer, but are only sent to the carriers.
- CBP will send notification to the ISF Filer that the ISF prompted a DNL hold message.
- ISF Filer can then correct the mistake.





# CBP Progress Report



- CBP issues Progress Reports to each ISF filer
- CBP assesses whether ISF filer is making “satisfactory progress toward compliance.”
- In Fall 2010, CBP will use these reports in determining assessment of liquidated damages and issuance of “no load” messages.
- Good progress reports viewed as mitigating factor for ISF violations.



# CBP Enforcement of 10+2

- January 26, 2010 – October 2010 – case by case basis
- October 2010 – Majority full enforcement
  - CBP will assess liquidated damages against the bond securing the ISF in the amount of \$5,000 per late ISF, \$5,000 per inaccurate ISF, and \$5,000 for the first inaccurate ISF update, in addition to penalties applicable under other provisions of law
  - CBP will assess “do not load” messages
- CBP will consider an entity’s progress reports during the delayed enforcement period as a mitigating factor in any enforcement action.





*Customs-Trade  
Partnership Against Terrorism*



## Why discuss C-TPAT with new ISF Requirements?

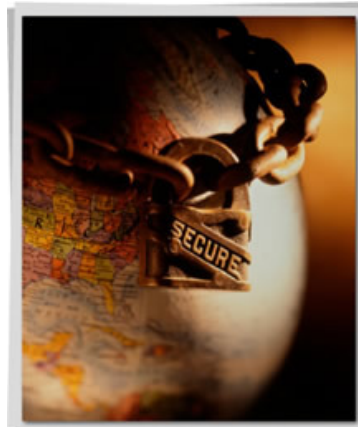
The purpose of the C-TPAT to better secure the supply chain from hostile intent:

- Importers must know and enlist support for the goals of C-TPAT from each link of their supply chain
- ISF requires importers to solicit specific information from these links
- CBP offers benefits for these actions



# 2009 C-TPAT Update

- CBP has validated approximately 10,994 C-TPAT members since 2003
- CBP has completed 2,598 re-validations
- CBP is five times less likely to inspect C-TPAT members' cargo at U.S. ports of entry





# C-TPAT Benefits

- Faster processing at the border
- Reduced inspections; first-in-line treatment when inspections are necessary
- First-in-line treatment for business resumption
- Eligible for the Importer Self Assessment Program (ISA)
- Land border crossers eligible for Free and Secure Trade (FAST)
- **Beginning in January 2010, an additional mitigation of up to 50 percent of the normal mitigation amount for an ISF penalty, depending on C-TPAT tier level**
- C-TPAT Supply Chain Security Specialist (SCSS) provides a point of contact within CBP
- Access to C-TPAT membership list



# ISF and C-TPAT

- With ISF, CBP is elevating security-related requirements by mandating additional advance data filing in 2010
- C-TPAT compliance prepares companies for ISF
- Direct symbiotic relationship between C-TPAT and ISF
  - CBP provides ISF progress reports directly to C-TPAT Tier 3 members
  - Beginning January 2010, an additional mitigation of up to 50 percent of the normal mitigation amount for an ISF penalty, depending on C-TPAT tier level



# C-TPAT Today

- Strengthening government-business collaboration and information exchange
- Encouraging foreign governments' supply chain security efforts
- Expanding eligibility to achieve a trusted trader network

# EXPORT





# National Export Initiative

- Government-wide effort to double U.S. exports over the next 5 years.
- Federal government plans to increase its trade advocacy efforts:
  - Educating U.S. companies about opportunities overseas
  - Directly connecting companies with new customers
  - Advocating more forcefully for companies' interests

Important compliance-related issues U.S. exporters should be aware of when selling goods overseas:

- Ultimate Destination
- Jurisdiction and Classification of Goods
  - Know Your Customer
  - Anti-boycott Compliance
- Foreign Corrupt Practices Act



***Department of Treasury  
Office of Foreign Assets Control (OFAC)***

- OFAC administers economic sanctions programs levied against Specially Designated individuals and entities, as well as countries through the Foreign Assets Control Regulations (FACR – 31 CFR 500 – 599)
- The sanctions programs fall into 2 broad categories—
  - Financial sanctions (i.e., investment bans, freezing of assets, etc.);
  - Restrictions on exports, reexports, imports, commercial activities, and travel by U.S. persons.

OFAC, of the US Department of the Treasury administers and enforces economic and trade sanctions based on US foreign policy and national security goals against targeted foreign countries, terrorists, international narcotics traffickers, and those engaged in activities related to the proliferation of weapons of mass destruction.

It is authorized to impose controls on transactions and freeze foreign assets under US jurisdiction.



### ***Who is subject to OFAC Jurisdiction?***

- For IEEPA based sanctions programs (i.e., Iran, Iraq, Syria, Sudan, etc.)—
  - US citizens and permanent resident aliens, wherever they are located in the world
  - Individuals and entities located in the US (including all foreign branches, agencies, rep offices, etc.)
  - Corporations organized under US law, including foreign branches
- For sanctions programs under the Trading with the Enemy Act (TWEA), such as the programs for Cuba and North Korea—
  - US citizens and permanent resident aliens, wherever they are located in the world;
  - Individuals and entities located in the US (including all foreign branches, agencies, rep offices, etc.);
  - Corporations organized under US law, including foreign branches; **and,**
  - **Entities owned or controlled by any of the above, such as foreign owned subsidiaries of US corporations.**



# Reasons for U.S. Export Controls

- To protect U.S. National Security;
- To prevent the unauthorized diversion of military and tactical articles and technology from falling into the hands of countries, individuals, and entities hostile to the United States and its allies;
- To prevent terrorism;
- To further U.S. foreign policy objectives;
- To protect scarce U.S. natural resources;
- To support resolutions made by the United Nations; and
- To uphold our obligations under multilateral nonproliferation regimes (i.e., Nuclear Supplier's Group, Australia Group, Wassenaar Arrangement, Firearms Convention).



# Consequences of Noncompliance

## Recent Enforcement Actions

- Transportation Company (OFAC/BIS – Various Embargoed Countries/ Recordkeeping): \$9.4 million civil penalty
- Banking Company (OFAC/BIS – Various Embargoed Countries): \$350 million criminal penalty
- Engineering Company (DDTC – Unlicensed Exports): \$100 million civil penalty
- Energy Company (OFAC/BIS – Iraqi Sanctions Regulations): \$30 million civil penalty
- Security Company (DDTC – Successor Liability): \$15 million civil penalty
- Technology Company (DDTC – Unlicensed Defense Services): \$3 million civil penalty
- Chemical Company (BIS – Unlicensed Exports): \$904,500 civil penalty
- Logistics Company (OFAC – Iran Sanctions): \$481,983 civil penalty
- Manufacturing Company (BIS – Deemed Export): \$31,000 civil penalty





# Global Approach, Local Results

## Your Source for Tariff and Trade Compliance, Risk Management and Opportunities

*We are an international trade and customs consulting and managed services firm specializing in:*

- Import and Export Compliance
  - Managed Services
  - Commodity Classification
  - Free Trade Agreements
- Seminar / Webinar Series and In-House Training

**Global Approach, Local Results**



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