

Memorandum D1-7-1: Posting Security for Transacting Bonded Operations

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This memorandum provides directives on acceptable forms of financial security including their submission, update, and termination for the participation in bonded revenue transactions with the Canada Border Service Agency (CBSA). It applies to Trade Chain Partners (TCPs) and Financial Security Providers. This memorandum must be read in conjunction with other memorandums issued by the CBSA bonded programs, for which the financial security is provided.

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Updates made to this D-memo

This memorandum has been revised to reflect changes in accordance to the new [Financial Security \(Electronic Means\) Regulations](#). This memorandum outlines the general policies for posting a financial security in the context of the Release 3 of the CBSA Assessment and Revenue Management (CARM). CARM introduces automation of the financial security business process and offers online self-service tools to the trade community in order to achieve optimal business interactions with the CBSA.

Definitions

Terminology

Refer to [Appendix B: Comparison of terminology between the Financial Security \(Electronic Means\) Regulations and the CCP](#) for terminology alignment between the Regulations and the CARM Client Portal (CCP).

Application Programming Interface (API)

Software which allows multiple computer systems to communicate with each other electronically.

Business Number (BN9)

A unique nine digit Canada Revenue Agency (CRA) business registration number assigned to businesses and other organizations for tax-related purposes.

Business Number RM Account (BN15)

A fifteen digit number made up of the 9 digit business number appended by a 6 digit alpha-numeric extension used to uniquely identify the business's import/export accounts (e.g., 123456789RM0001).

CARM Client Portal (CCP)

The CARM Client Portal (CCP) is an online self-service tool that serves as the primary hub for accounting and revenue management with the CBSA.

Written Security Agreement (e.g. Customs Bond)

An agreement between a debtor and a security provider under which the security provider guarantees payment of amounts that the debtor owes under the Act or the Customs Tariff (contrat de garantie). In the CCP, the Written Security Agreement is referred to as "Non-Cash Bond".

Deposit (cash security)

For the purpose of this memorandum, the deposit also known as "Cash Security", refers to a deposit that is made electronically by the importer in CARM in order to provide a financial security. In the CCP, the Deposit is referred to as "Cash Bond".

Duties

Under the Customs Act, duties include duties and taxes on imported goods under the Customs Tariff, the Excise Act, 2001, Excise Tax Act, the Special Imports Measures Act and any other Act of Parliament. However, for purposes of some sections and articles of the Customs Act, the term 'duties' does not include the taxes applied under Part IX of the Excise Tax Act (i.e., the Goods and Services Tax (GST)). This means that in the case of a request for a refund of duty, GST is not refunded. Under the Customs Tariff, duties include duties and taxes levied on imported or exported goods, except for the duties and taxes provided for in Sections 53, 55, 60, 63, 68, or 78, or the temporary duties levied under any of Sections 69 to 76.

Security Provider

The entity who guarantees payment of amounts that the debtors owes under the Customs Act or the Customs Tariff (fournisseur de garantie). In the CCP, the Security Provider is referred to as "surety provider". Refer to [Appendix A: Security Provider Types](#).

Guidelines and General Information

1. The memoranda listed below outline specific policies and procedures for the posting of financial security for bonded operations. Before making an application to transact a bonded operation, the appropriate memorandum should be consulted to clarify applicable requirements, levels of security, type of financial security, and specific completion instructions.

[D1-2-1, Special Services](#)

[D1-8-1, Licensing of Customs Brokers](#)

[D3-1-1, Policy Respecting the Importation and Transportation of Goods](#)

[D3-3-1, Forwarded and Consolidated Cargo – Import Movements](#)

[D3-4-2, Highway Pre-arrival and Reporting Requirements](#)

[D3-5-1, Marine Pre-load/Pre-arrival and Reporting Requirements](#)

[D4-1-4, Customs Sufferance Warehouses](#)

[D7-4-4, Customs Bonded Warehouses](#)

[D8-1-1, Amendments to Temporary Importation \(Tariff Item No. 9993.00.00\) Regulations](#)

[D8-1-2, International Events and Convention Services Program \(IECSP\)](#)

[D8-1-4, Administrative Procedures Related to Form E29B, Temporary Admission Permit](#)

[D17-1-1, Documentation Requirements for Commercial Shipments](#)

[D17-1-3, Casual Importations](#)

[D17-1-4, Release of Commercial Goods](#)

[D17-1-5, Registration, Accounting and Payment for Commercial Goods](#)

[D17-1-8, Release Prior to Payment Privilege](#)

[D17-1-10, Coding of Customs Accounting Documents](#)

[D17-2-1, Coding of Adjustment Request Forms](#)

[D17-4-0, Courier Low Value Shipment Program](#)

[D17-5-2, Financial Security related to the Release Prior to Payment Privilege](#)

Who can participate in Bonded Transactions

2. Any registered company, whether an individual, partnership or corporation may post security with the CBSA to participate in bonded revenue transactions.

Accepted forms of Financial Security

Security can be accepted in one of, or a combination of, the following forms:

Written Security Agreement

3. A Written Security Agreement may be obtained from one or more accepted security providers referenced in [Appendix A: Accepted security providers](#). The Security Agreement can be submitted to CBSA either by:

- (a) The security provider via the Bond API connectivity, or
- (b) The importer via the CARM Client Portal (CCP), which must be validated by the security provider.

In either case, the electronic data elements required by CARM are as follows:

- (a) Guarantor/Security Provider Name
- (b) Financial Security Number
- (c) CBSA Program
- (d) Program Account Number
- (e) Financial Security Amount
- (f) Release Prior to Payment (RPP) security (This field exists via CCP only. Select "Yes" if applying for the RPP privilege)
- (g) Legislative Authority
- (h) Validity Period (From/To)

4. The security providers and/or the importers are responsible for informing the CBSA by means of [Web-form](#) if they are no longer authorized to issue a financial security in Canada, or if they are no longer in business.

Other forms of Financial Security

5. In exceptional circumstances only, other forms of financial security may be accepted. These circumstances are determined as:

- (a) Infrastructure is inadequate or incompatible with the electronic system specified by the Minister;
- (b) A natural disaster, national crisis or any other situation prevents or impedes the use of the electronic system specified by the Minister or makes using it unreliable; or
- (c) It is impracticable for a debtor, due to circumstances outside of their control, to give security in the electronic system specified by the Minister.

Accepted non-electronic forms of financial security are as follows:

- 5.1. **Certified cheques and money orders:** These forms are to be used by the CBSA to create deposits in CARM. These deposits can be monitored by the client via the CCP.

5.2. Security Agreement in paper format:

- 5.2.1. Subject to section 5 above, the CBSA may accept a security agreement in paper format issued by either of the entities referenced in [Appendix A: Accepted security providers](#).
- 5.2.2. The security agreement must adhere to a prescribed format, as contained in the applicable memorandum listed in section 1, which should define its purpose, amount, terms and provisions.
- 5.2.3. For the debtor on the Security Agreement in paper format, the CBSA requires the signature of the Owner, President, Chief Executive Officer (CEO), Executive Director or a similar highest ranking official authorized to sign on behalf of the company. If an official other than those aforementioned is signing on behalf of the company, a certified copy of the by-laws authorizing that official to sign on behalf of the company shall be required and the signature of a witness shall also be necessary. There is no requirement for the witness for the debtor to be a notary or a commissioner of oaths. When the security depositor is a single proprietorship or partnership, the CBSA requires the signature(s) of the proprietor or each of the partners on the security agreement.
- 5.2.4. The agreement requires the signature of a representative authorized to sign for the financial security provider and where possible shall bear their corporate seal; otherwise, the signature of a representative authorized to sign for the security provider shall be witnessed (signed and sealed) by a notary public, a lawyer or a commissioner of oaths.

To submit other non-electronic forms of financial security, importers are to communicate with the CBSA according to their respective bonded program as shown in [Appendix B: CBSA contact information](#).

Deposit

6. A deposit can be created via the CCP by using one of the accepted electronic methods of payment in accordance with [Memorandum D17-5-1 - Payment of duties and taxes on imported commercial goods](#)

Accepted Financial Security Providers

7. Financial security agreement can be accepted from one of the following:

- (a) company or society that, by an order of the Superintendent of Financial Institutions made under subsection 53(1) of the [Insurance Companies Act](#), is approved to commence and carry on the fidelity or surety class of insurance business in Canada;
- (b) an entity that is licensed or otherwise authorized under the laws of a province to carry on the fidelity or surety class of insurance business in that province;
- (c) a member of the Canadian Payments Association referred to in section 4 of the [Canadian Payments Act](#);
- (d) a corporation that accepts deposits insured by the Canada Deposit Insurance Corporation or the Autorité des marchés financiers to the maximum permitted by the statutes under which those institutions were established;
- (e) a *credit union* as defined in subsection 137(6) of the [Income Tax Act](#);
- (f) a corporation that accepts deposits from the public, if repayment of the deposits is guaranteed by His Majesty in right of a province.

Acknowledgement of Financial Security

8. An electronic financial security acknowledgement will be issued when the security acceptance process is completed on the CCP.

Amendments of Financial Security

9. The TCP may mandate the security provider to update or modify certain financial security information. Updates and modifications that can be done to the financial security are as follows:

Updating a Written Security Agreement

9.1. The security provider can update the following information via the CCP or through the API connection:

- (a) The Financial Security amount;
- (b) Validity period (security agreement end date only).

For all other changes, the Written Security Agreement must be cancelled and replaced by a new one.

Updating Security Agreement in paper format

9.2. When a company changes its legal name, a rider or endorsement is to be obtained from the security provider and sent along with the copy of the relevant legal articles of name change/amalgamation, to the CBSA as per contact information referenced in [Appendix B: CBSA contact information](#).

9.2.1 The terms and conditions of a paper security agreement can be altered by the security provider with a rider, endorsement or amendment. This document is to indicate:

- (a) *the name of the security provider;*
- (b) *the Financial Security number;*
- (c) *the principal;*
- (d) *the Financial Security amount;*
- (e) *the type of activity secured;*
- (f) *the purpose (i.e. increase or decrease the amount secured, change of name, etc.);*
- (g) *the Certificate of a Name Change or Amended Articles of Incorporation issued by the provincial or federal authority that approved the change in name, if applicable; and,*
- (h) *the effective date of the rider, endorsement or amendment.*

Note: The signature requirements for riders, endorsements and amendments are the same as the original *Financial Security*.

Termination of Financial Security

10. **Written Security Agreement:** when a termination is required, a termination notice may be submitted to the CBSA in accordance with the Financial Security (Electronic Means) Regulations. The TCP must coordinate with the security provider to submit a termination notice via CCP.
 - 10.1. The security is deemed terminated only thirty (30) days after the receipt of the termination notice.
 - 10.2. The CBSA will acknowledge receipt of termination of the security agreement indicating the effective date of termination. The CBSA may submit notice(s) of demand within one (1) year after the date of the security termination. Such demands will only be made for debts incurred prior to the termination date of the security agreement.
 - 10.3. The terminated security agreement will remain available on the CARM system for future reference and audit purposes.
11. **Security Agreement in paper format:** Any security agreement provided in paper format may be terminated by the financial security provider via API or by mailing a written notice to the CBSA in accordance with the contact information provided in [Appendix B: CBSA Contact information](#). This notice must indicate the name of the debtor, the type of activity secured, the *Financial Security* number and amount.
 - 11.1. The Security Agreement in paper format will be terminated 30 days from the date of receipt of the notice. The CBSA will acknowledge receipt of termination indicating its effective date. The security will be held for a maximum of one year after it is terminated.
 - 11.2. The terminated security agreement will be retained on file by the CBSA for future reference and audit purposes, except if the security agreement is tendered under the anti-dumping regulations of the [SIMA](#). In such cases, a photocopy of the security agreement is retained on file and the original is returned to the depositor.
12. **Deposits:** when the deposit is no longer required (e.g. withdrawal from RPP privilege or posting other forms of financial security) a refund can be issued as a credit to the client's account. The credit may be used to offset other debts on the account or disbursed back to the client.

Reinstatement of Financial Security

13. **Written security agreement:** the TCP or the security provider must post a new security via the CCP in accordance with section 3 of this memorandum.
 14. **Security Agreement in paper format:** to reinstate a security agreement that was provided in paper format, the security provider is to forward a reinstatement notice to the CBSA as per contact information referenced in [Appendix B: CBSA contact information](#). The notice is to indicate the following:

“That, notwithstanding having terminated security agreement No. (), on (date), it is the company's intention to again act as a financial security provider for (name of client) and reinstate the terms and conditions of the security agreement in the amount of (\$) in its entirety. This reinstatement becomes effective as of (date).”
- The date on which the reinstatement becomes effective must be at least one day prior to the termination date. The original reinstatement notice must be received by the CBSA as per contact information referred to in [Appendix B: CBSA contact information](#) prior to the termination date. The CBSA will send an acknowledgement to the security provider and to the TCP confirming that the *Financial Security* remains in force.
15. **Deposits:** The TCP shall make a new request for a deposit via the CCP and provide a deposit in accordance with section 6 of this memorandum.

Demands against Financial Security

16. The CBSA may pursue a demand against the financial security, in accordance with the Financial Security (Electronic Means) Regulations, when the debtor has failed to pay an amount that they owe under the applicable legislation and/or regulation. The demand process will be initiated after reasonable attempts have been made to collect from the debtor, or when the debtor has filed a bankruptcy or bankruptcy protection.
17. For demands on security agreements (Electronic or in paper format), the CBSA shall enforce the terms and conditions of the security agreement and will send the security provider a notice of demand for payment of a debt that has been incurred by the debtor.
18. For demands on other forms of security i.e. certified cheque or money orders, the CBSA shall withhold a sufficient portion or the totality of the security to cover the amount owing.

Additional Information

19. It is the responsibility of the debtor posting financial security to update their contact information via the CCP, or to notify the CBSA of any changes to their address or contact information when they are not registered in the portal.

20. For more information, send your inquiries to [Client support contact form](#)

Appendix A: Accepted Security providers

Written Security Agreements can be accepted from one of the following:

- Entities that are approved by the Office of the Superintendent of Financial Institutions to carry on the fidelity or surety class of insurance business in Canada. These entities can be searched at:
 - [Office of the Superintendent of Financial Institutions \(OSFI\)](#)
- An entity authorized by the laws of a province, either through licensing or other means, to conduct insurance business in the fidelity or surety class within that province. These entities can be searched at:
 - [Superintendent of Insurance - Alberta](#)
 - [Superintendent of Insurance - Newfoundland and Labrador](#)
 - [Superintendent of Insurance - Northwest Territories](#)
 - [Superintendent of Insurance - Nova Scotia](#)
 - [Superintendent of Insurance - Nunavut](#)
 - [Superintendent of Insurance - Prince Edward Island](#)
 - [Financial Services Authority \(British Columbia\)](#)
 - [Financial Institutions Regulation Branch \(Manitoba\)](#)
 - [Financial and Consumer Services Commission \(New Brunswick\)](#)
 - [Financial Services Regulatory Authority \(Ontario\)](#)
 - [Quebec Financial Markets Regulator \(Québec\)](#)
 - [Financial and Consumer Affairs Authority \(Saskatchewan\)](#)
 - [Government of Yukon \(Yukon\)](#)
- A member of Payments Canada listed at:
 - [Payments Canada Members](#)
- Corporations Accepting deposits insured by Canada Deposits Insurance Corporation (CDIC) and Autorité des marchés financiers. These corporations can be searched at:
 - [Canada Deposits Insurance Corporation \(CDIC\)](#)
 - [Autorité des marchés financiers](#)
- A corporation, association or federation incorporated or organized as a credit union or co-operative credit society in accordance with [subsection 137\(6\)\(b\) of the Income Tax Act](#).

Appendix B: CBSA contact information

Please contact the CBSA at the below stated mail addresses if you wish to provide information related to your financial security:

- (a) For Importation accounts RPP financial security:

**Canada Border Services Agency
attention: Financial Security Unit
Ground Floor, Room 1018
333 North River Road, Place Vanier, Tower A
Ottawa, Ontario
K1A 0L8**

- (b) For Carriers accounts:

**Canada Border Services Agency
attention: Commercial Operations Integrated Support
191 Laurier Avenue West, 12th floor
Ottawa, Ontario
K1A 0L8**

- (c) for all other programs:

**Canada Border Services Agency
attention: Commercial Registration Unit
191 Laurier Avenue West, 12th floor
Ottawa, Ontario
K1A 0L8**

Appendix C: Comparison of terminology between the Financial Security (Electronic Means) Regulations and the CCP

Terminology used in the new Financial Security (electronic means) Regulations and D-memos	Terminology used in the CARM Client Portal (CCP)
Written Security Agreement	Non-Cash Bond
Deposit	Cash bond
Security Provider	Surety Provider

References

- [Canadian Payments Act](#)
- [Customs Act](#)
- [Excise Act](#)
- [Excise Act, 2001](#)
- [Excise Tax Act](#)
- [Financial Administration Act](#)
- [Income Tax Act](#)
- [Special Import Measures Act](#)

Superseded memoranda D

D1-7-1 dated October 7, 2008

Issuing office

Revenue Accounting and Reporting Division
Agency Comptroller
Finance and Corporate Management Branch

Contact us

[Client support contact form: Canada Border Services Agency](#)