

Memorandum D17-5-2: Financial Security for Release Prior to Payment

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This memorandum is used to administer the policies and procedures (see [References](#)) around the Financial Security related to the Release Prior to Payment Privilege following the implementation of the CBSA Assessment and Revenue Management (CARM) Release 3 phase project. This phase brings 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.

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Guidelines

This memorandum outlines the procedures and requirements for participants in the Release Prior to Payment (RPP) program, which allows importers to obtain the release of goods from the Canada Border Services Agency (CBSA) before paying duties and taxes. This memorandum outlines the accepted forms of financial security for RPP and defines the requirements.

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, Letter of Credit)

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. 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 debtor owes under the Customs Act or the Customs Tariff. In the CCP, the Security Provider is referred to as “Surety provider”. Refer to [Appendix A: Security Provider Types](#).

Release Prior to Payment (RPP) Privilege

1. The Release Prior to Payment (RPP) is a privilege that entitles importers who have provided financial security to the CBSA to:
 - a. obtain the release of goods from the CBSA before paying duties and taxes;
 - b. defer accounting for goods; and,
 - c. defer payment of duties and taxes.

Please refer to [Memorandum D17-1-8- Release Prior to Payment Privilege](#) for additional details.

2. Importers, who wish to enroll in RPP, must provide financial security at the importer program account level and in the legal entity name registered against the business number. Enrolment is considered complete when an approved form of financial security has been provided to the CBSA in compliance with the requirements stated in subsections 7 to 14 of this memorandum. For more information on the business number registration and requirements, please refer to [Memorandum D17-1-5 - Registration, Accounting and Payment for Commercial Goods](#).

Acceptable Forms of Financial Security for RPP

Financial security:

3. **Written Security Agreement:** the importer may obtain a Written Security Agreement(s) from one or more accepted security providers listed in [Appendix A: Security Provider Types](#). The Written Security Agreement can be submitted to the CBSA either by:
 - the security provider via the API connectivity, or
 - the importer via the CCP, which must be validated by the security provider.

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

- Guarantor/Security Provider Name
- Financial Security Number
- CBSA Program
- Program Account Number

- Financial Security Amount
- RPP security (This field exists via CCP only. Select “Yes” if applying for the RPP privilege)
- Legislative Authority:
 - a) If submitting via CCP, this field will automatically populate when selecting RPP.
 - b) If submitting via API, the applicable legislative authority field must be completed.
- Validity Period (From/To)

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.

4. **Deposit:** the importer can provide security in the form of a deposit. To create the deposit, a cash security request must be completed via CCP, following which, the importer will be prompted to make a payment or to use an available credit on the account.
5. Once the importer complies with the financial security requirements, the enrolment in RPP is confirmed and a CARM notification will be sent to the importer via the CCP.

Other forms of financial security

6. In exceptional circumstances only, other forms of financial security may be accepted for enrolment in RPP. These circumstances are determined as:
 - Infrastructure is inadequate or incompatible with the electronic system specified by the Minister;
 - 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
 - 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:

- a. Certified cheques and money orders; and
- b. Security Agreement in paper format

An approval must be obtained in order to provide non-electronic forms of financial security. To obtain the approval, the importers are to communicate with the CBSA at [RPP Financial Security RARD-Garantie Financiere MAP DCRR@cbsa-asfc.gc.ca](mailto:RPP_Financial_Security_RARD-Garantie_Financiere_MAP_DCRR@cbsa-asfc.gc.ca).

Financial Security Requirements for RPP

7. In order to participate in the RPP program, both resident and non-resident importers must provide a financial security that is equal or higher than the requirement calculated by the CBSA. At the time of enrollment, the requirement for importers is based on their highest monthly account receivable balance from the previous 12 months for each RM business account. The account receivable is comprised of duties and taxes, inclusive of the GST and other types of debts, such as adjustments, interests, etc.

Written Security Agreement Requirements

- 7.1. The amount of financial security posted in the form of a written security agreement shall be 50% of the requirement as described in section 7 above; i.e. one dollar of the security agreement will cover two dollars of debts.
- 7.2. The minimum written security agreement amount to be posted is CAN\$5,000 per RM business account.

Deposit Requirements

- 7.3. The amount of financial security posted in the form of a deposit shall be 100% of the requirement as described in section 7 above; i.e. one dollar of the deposit will cover one dollar of debt. There is no minimum requirement for a deposit.

General Requirements

- 7.4. There is a maximum financial security amount of CAN\$10 million per RM business account for all forms of security.
- 7.5. The importer can post a mixture of financial security forms to reach the total requirement.

Self-Assessment Requirements

- 7.6. If the importer's account does not include the historical data necessary for the calculation of the financial security requirement, the importer must provide to the CBSA an estimated financial security amount, based on their importation projections (self-assessment). At all

times, the importer remains responsible for ensuring that the financial security adequately covers the account receivable net balance.

7.7. Importers may request to modify the financial security requirement calculated by the CBSA ([refer to section 8](#)). A request to increase the requirement does not require approval from the CBSA. However, a request to reduce the requirement is contingent on approval from the CBSA. The importer may be required to provide projections and, if applicable, evidence to support the new suggested requirement amount.

Annual Review

7.8. The CBSA conducts an annual review of the financial security requirement for each importer's RM business account. The review period is comprised of October 20 of a given year to October 19 of the following year. The updated requirement establishes the new minimum financial security to be provided to the CBSA. The newly calculated requirement will be communicated to the importers by way of notification on the CCP and will be effective on January 15th, date by which the importers are required to be compliant.

Updating Financial Security

8. The importers can electronically request a modification of the financial security requirement calculated by the CBSA in two ways:

8.1. when completing the RPP enrollment process on CCP, or

8.2. by requesting an updated financial security requirement through their CCP account.

Updating a written Security Agreement

8.3. The Security Provider can submit a modification directly into CARM via CCP or API. The information that can be updated are as follows:

- The Financial Security amount;
- Validity period.

8.4. In case of a reduction request to the financial security coverage, the CBSA may require evidence to support the reduction. When compliance to the financial security requirement is not met, the CBSA may require the importer to reinstate their security coverage.

Updating a Deposit

8.5. Importers can request a modification via the CCP either by increasing or reducing the deposit:

- Importers may submit an additional deposit when the existing security is not sufficient
- Importers may decrease the deposit when the existing security exceeds the required amount. The amount released will result in a credit on the account, that can be used to offset other debts or that can be requested for disbursement when conditions are met.

8.6. When reducing an existing financial security coverage, the importers are responsible for ensuring that adequate security coverage is maintained on the account to secure the debts owed to the CBSA and to remain compliant to RPP program requirements.

Financial Security Ongoing Monitoring

9. The CBSA provides the importer with the ability to monitor the utilization of the financial security provided for their account via CCP. The importer must ensure that the total security coverage is always higher than their account net open balance; i.e. debts minus available credits. In cases where the account net open balance exceeds the total security provided, the importer must either make a payment or increase the financial security coverage.

10. The CARM system will send notifications to the importer when the utilization rate reaches 75% and 100%. The importer must ensure that the utilization rate remains under 100%.

11. Should an importer fail to comply with adequate financial security coverage, the CBSA reserves the right to suspend or revoke the RPP privilege.

Termination of Financial Security

12. When financial security is provided in the form of a written security agreement with a set duration, a notification is sent to the account owner within three months of the security agreement expiry date. Importers must work with their Financial Security provider to either extend the existing security agreement or submit a new agreement in order to maintain their participation in RPP program.

13. If the security provider terminates a security agreement, the termination will be effective 30 days following CBSA's receipt of the termination notice. To continue participating in the RPP program, the importer must provide adequate financial security. For more details refer to memorandum [D1-7-1, Posting Security for Transacting Bonded Operations](#).

14. There is no expiry date for the Deposit.

Demands against RPP Financial Security

15. 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 regulations. 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.

15.1. Written Security Agreement: The CBSA will enforce the terms and conditions of the agreement and will send the security provider a notice of demand for payment of a debt that has been incurred by the debtor. The CBSA will provide relevant information to substantiate the demand.

15.2. Deposit: The CBSA will withhold a sufficient portion of the security to cover the amount owing.

16. The demand amount shall include all debts that were covered by the financial security during its effective duration.

17. If the Written Security Agreement has been terminated or expired, the CBSA has up to one year after the termination or expiry date to submit a demand for payment. Such demands may only be made for debts incurred prior to the termination date of the Written Security Agreement.

18. Within 60 days after the day on which a demand is sent to a security provider under subsection 8(2) of the regulations, the security provider must

(a) pay to His Majesty in right of Canada the amount referred to in paragraph 8(2)(a) of the regulations; or

(b) provide the Minister with information to rebut the demand

19. The CBSA reserves the right to suspend and/or revoke the importer's RPP privilege if and when a demand is initiated on the financial security.

Additional Information

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:

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

- [Financial Security \(Electronic Means\) Regulations](#)
- [Customs Act, Section 33, Section 35, Section 133 \(1\) & \(2\)](#)
- [Customs Tariff](#)
- [Excise Act, 2001](#)
- [Excise Tax Act](#)
- [Special Imports Measures Act](#)
- [Accounting for Imported Goods and Payment of Duties Regulations](#)
- [Agents' Accounting for Imported Goods and Payment of Duties Regulations](#)
- [Customs Brokers Licensing Regulations](#)
- [D1-7-1 Posting Security for Transacting Bonded Operations](#)
- [D1-8-1 Canada Border Services Agency Customs Brokers Professional Examination](#)
- [D17-1-5 Registration, Accounting and Payment for Commercial Goods](#)
- [D17-1-8 Release Prior to Payment Privilege](#)
- [D17-5-1 Payment of duties and taxes on imported commercial goods](#)
- [D22-1-1 Administrative Monetary Penalty System](#)
- [Security Agreement in paper format](#)

Issuing Office

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

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