



Canada Border
Services Agency

Agence des services
frontaliers du Canada

CARM Solution Spotlight – Financial Security

Updated: November 2020


Canada

CARM | CBSA Assessment and
Revenue Management

Changes to financial security for Release Prior to Payment privileges will come into effect with CARM's Release 2

Release 0

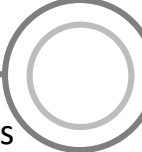
Upgrade – Accounts Receivable Ledger (ARL)



- ✓ No action required from Trade Chain Partners*

Release 1


Basic Functions CARM Client Portal



- ✓ Open to importers, customs brokers and trade consultants (all other clients will gain access with Release 2)
- ✓ Ability to grant access to your portal account to third-party service providers (customs broker, trade consultant)
- ✓ New online payment options (credit card payments, pre-authorized debit, etc.)
- ✓ Tools to help classify goods and estimate duties and taxes
- ✓ Application Program Interface (API) to retrieve tariff data
- ✓ Ability to electronically request rulings and track their progress

Release 2

All Functions CARM Client Portal



- ✓ Open to all trade community.
- ✓ Business registration and program enrolment
- ✓ Electronic commercial accounting declarations with ability for corrections and adjustments (to replace current B3 Customs Coding and B2 Request for Adjustment forms)
- ✓ **Changes to Release Prior to Payment requirements for bonds**
- ✓ Harmonized billing cycles
- ✓ New offsetting options
- ✓ Electronic management for appeals and compliance actions

*Recipients of Daily Notices may experience a delay in receiving them during the implementation, similar to other ARL updates.

Financial Security Overview



Key Benefits

- ✓ CBSA will be able to prompt importers and delegated brokers at risk of surpassing financial security levels via the portal
- ✓ Reinforces that the importer is liable for their imports, regardless if they used a Customs Broker or not

- As of CARM’s Release 2, importers will be required to have a **financial security bond, or post a cash deposit to participate in the Release Prior to Payment** program
- This significant change will require strong collaboration between the CBSA and the trade chain community
- Trade Chain Partners are **encouraged to promote this important change within the community, particularly with importers**
- The CARM Client Portal will provide clear benefits to the trade chain community, allowing efficient management of Release Prior to Payment security with the CBSA

How will RPP financial security be calculated?

- As of CARM's Release 2, to have access to the Release Prior to Payment privileges, **importers will be required** to post security with cash or non-cash bonds.
 - For non-cash bonds, the security requirement will be to **post a bond equal to or greater than 50%** of the importer's highest monthly accounts receivable (inclusive of duties and taxes (including GST)) within the prescribed period*.
 - For cash bonds, the security requirement will be to **post a bond equal to or greater than 100%** of the importer's highest monthly accounts receivable (inclusive of duties and taxes (including GST)) within the prescribed period*. This can be done by making a deposit through the CARM Client Portal as of Release 2.
- There will be a **minimum bond of \$25K** to obtain **Release Prior to Payment** privileges for non-cash bonds. For cash bonds, there will be no minimum bond requirement.
- Financial security bonds will secure **all accounts receivable (e.g. duties, taxes (including GST)), fees, interest, adjustments, and SIMA**.
- The existing bond **cap of \$10M will remain**.
- It is incumbent on the Importer to **maintain RPP financial security in the amount of their highest monthly accounts receivable**.

*The current timeframe for calculating Release Prior to Payment security is from July 25th of the previous year to July 24th of the current year, with updates required by October 15th of each year. For importers without 12 months of history or who wish to post a bond prior to July 2021, an estimation will be permitted as it is today.

How will CARM enable the future state Release Prior to Payment program?



- Importers will continue to be required to obtain a bond from an acceptable Surety Company as outlined by the D-Memo [D-17-1-8](#)

Future State Functionality

- CARM will enrol Sureties via the CARM Client Portal and provide the ability to establish a direct connection with the CBSA.
- CARM will simplify how the CBSA receives bonds via the following options:
 - **Option 1:** an importer will obtain a bond with a Surety Company, and CARM will receive the bond information via an API set up with the Surety Company; or,
 - **Option 2:** an importer or their delegate will enter their bond information on the CARM Client Portal, and their Surety Company will be notified to validate they have a bond for the amount specified.
- The CARM Client Portal will provide the ability for importers or their delegate to view all security posted and will prompt the importer with proactive reminders to increase security or make a payment if their account balance is approaching the amount of security posted.

How will the CARM Release Prior to Payment program be rolled out?



CARM will establish a temporary solution to allow Surety Companies to pass bond information to CBSA prior to Release 2 implementation, allowing the CBSA to migrate those importers who have obtained bonds onto the RPP program.

Today

CARM Release 1
Implementation

CARM Release 2
Implementation

*The future state RPP program will go-live at Release 2, however, **the transition must begin prior to this.** CARM will provide tools and support throughout the transition.*

An overview of the RPP onboarding solution is as follows:

- Importers obtain RPP bonds via their surety prior to Release 2 go-live, where the effective date of the bond is up to the Importer and Surety Company (could be Release 2 go-live or a date prior)
- Upon issuing bonds to importers, sureties provide bond information to CBSA
 - Data is loaded into CARM on a regular basis to enable the Agency to monitor importer RPP uptake in preparation for Release 2 go-live

Frequently Asked Questions

The following represents responses to frequently asked questions related to this aspect of the CARM solution.



1. When will importers be required to obtain a Release Prior to Payment (RPP) financial security bond?

- Importers will be required to obtain a financial security bond as a requirement for participation in the Release Prior to Payment program as of CARM's Release 2. All importers who wish to transact on RPP as of Release 2 implementation should obtain a bond between CARM Release 1 and Release 2.

2. How will an importer calculate the security requirement or bond amount they need to secure prior to Release 2 go-live?

- In order to calculate the security requirement prior to Release 2, importers will be required to calculate their bond requirement based on their highest historic monthly account receivable from July 25th of the previous year to July 24th of the current year.

3. How will an importer calculate the security requirement or bond amount they need to secure after Release 2?

- As of Release 2, if an importer has 12 months of history with the CBSA at the time of enrollment, CARM will automatically calculate and provide the security requirement as part of RPP-enrollment through the CARM Client Portal.
- As of Release 2, if an importer does not have 12 months of history, they will be prompted to estimate their security requirement based on anticipated accounts receivable, as it is permitted today. The security requirement is updated by the system on an annual basis. Statements of Accounts (SOAs) can be used to help calculate duties and tax history.
- Courier Low-Value Shipment (CLVS) importers are treated similarly to other RPP importers.

Frequently Asked Questions

The following represents responses to frequently asked questions related to this aspect of the CARM solution.



4. Why would the CBSA expect importers to secure the GST when they have never had to secure GST in the past?

- The Government of Canada has an obligation, to Canadian taxpayers, to properly secure their account receivables. Currently, GST represents the largest amount of accounts receivable for the government. Inclusion of GST in the bond requirement provides the government the ability to collect on amounts owing in the event of non-payment.

5. Under CARM, would it be possible to not provide security if an importer has no history of non-compliance?

- All Importers will be required to provide security as a requirement for participation in the Release Prior to Payment program as of CARM's Release 2.

6. Are single entry bonds being considered for payment of duties and taxes?

- An importer can obtain a single entry bond from a surety company. Upon obtaining the bond, the surety company can provide the information to CBSA via an interface into CARM, or the importer or delegate can provide the bond information on the CARM Client Portal.

7. Does Accounts Receivable include surtax?

- Surtax is included in the accounts receivables.

Frequently Asked Questions

The following represents responses to frequently asked questions related to this aspect of the CARM solution.

8. Can a bond cover multiple divisions within the same company?

- Each legal entity will require a bond. If a company has multiple program (RM) accounts, the company can obtain a bond at the entity level (BN9) to cover all RM accounts. If a company has subsidiaries (each with a unique BN), multiple bonds will be required.

9. How can a Trade Chain Partner obtain a bond to prepare for the upcoming changes to the RPP program?

- Importers will be encouraged to acquire a bond with a Surety, with an effective date of CARM's Release 2 implementation, or prior to. The CBSA will work with surety companies to enable them to provide their bond information into the CARM system, prior to Release 2 implementation.

10. If an importer has no receivables in the last 12 months, are they required to post a bond?

- An importer with no accounts receivables (for example they import zero-rated goods) within the past 12 months will not be required to post a bond, and will continue to have access to the Release Prior to Payment privileges as of CARM Release 2. However, the importer must ensure they have sufficient coverage if receivables are expected in any given month.

11. If an importer inadvertently secures two bonds at the request of two different brokers who are unaware that the importer is using multiple brokers, will the CBSA have a mechanism to decline a second importer bond for the same importer?

- The CBSA will not prevent an importer from obtaining security bonds from multiple surety providers. If exclusivity is a condition to bond an importer for a given surety provider, they would need to manage this outside of the CARM system directly with their clients (importers).

More information on CARM

For further details on the project:

- ✓ Visit the [CARM section of the CBSA website](#)
- ✓ Email: [CBSA.CARM Engagement-Engagement de la GCRA.ASFC@cbsa-asfc.gc.ca](mailto:CBSA.CARM_Engagement-Engagement_de_la_GCRA.ASFC@cbsa-asfc.gc.ca)
- ✓ Follow CARM on [LinkedIn \(CBSA Assessment and Revenue Management group\)](#)
- ✓ Join the [CARM group on GCcollab](#)