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Trade Chain Partner Sub-Working Group (TCP SWG) Deep-Dive Session

DRAFT – FOR DISCUSSION PURPOSES ONLY

December 16, 2019

Canada

CARM

CBSA Assessment and
Revenue Management

Agenda

Topic	Speaker
Technical Rules of Engagement	Kevin Horseman
Opening Remarks	Kevin Horseman
Financial Security Update	Jonathan Hopkins
Delegation of Authority Update / Transaction Types in the CARM Client Portal	Carola Daffner
Program Authority Update	Tara Rathbone
Upcoming TCP Engagement	Kevin Horseman
Roundtable and Conclusion	Kevin Horseman



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Financial Security Update

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How will Financial Security evolve under CARM?

CARM is moving to Importer liability for the Release Prior to Payment (RPP) program

- Financial Security in the Context of the CARM Project
- Overview of the RPP Program as of CARM Release 2
- How CARM will Enable the Future State RPP program
- Summary of Key Changes
- How will the future state RPP program be rolled out?
- How will the future state RPP program function as of CARM R2?
- Next Steps

Financial Security in the Context of the CARM Project

CARM is focused on moving to Importer liability for the Release Prior to Payment (RPP) program

There are multiple areas where financial security exists at the CBSA. The CARM Project **will modernize the structure of the RPP program.**

Current security programs

- Security for In-bond Movements
- Travelers Administrative Fees
- Special Services D1-2-1
- Sufferance Warehouse Security
- Bonded Warehouse Security
- Courier Security
- Duty-Free Shop Operator Security
- Customs Broker Licensing Security
- Release Prior to Payment (RPP) Security
- Temporary Admission Permit – Form E 29B
- Temporary Importation (Tariff Item No. 9993.00.00)
- Provisional Duty Security (under SIMA)
- Appeals

Release Prior to Payment (RPP) financial security will be set at the Importer level as of CARM Release 2

Overview of the RPP Program as of CARM Release 2

CARM will streamline the RPP program for TCPs and the CBSA, clarifying liability and enhancing trade facilitation

Future State Overview

- Liability will be established at the Importer level.
- All Importers will be required to post security to participate in the RPP program. Importers will no longer be able to use their Customs Broker's RPP security to clear shipments and receive release prior to payment.
- The amount of RPP security an Importer (resident or non-resident) is recommended to post will be based on their highest historic monthly accounts receivable over a 12 month period, inclusive of duties, taxes (GST), fees, and penalties.
- It is the Importer's responsibility to manage and maintain the appropriate amount of RPP security relative to their accounts receivable, inclusive of duties, taxes (GST), fees, and penalties. The \$10 million cap in place today will remain.
- An Importer will have the flexibility to make interim payments to reduce their RPP security utilization, and raise or lower their RPP security to account for seasonality or other fluctuations in their business.

Overview of the RPP Program as of CARM Release 2 – Cont'd

CARM will streamline the RPP program for TCPs and the CBSA, clarifying liability and enhancing trade facilitation

Future State Overview

- The CBSA will monitor the utilization of an Importer's RPP security (i.e. current account balance compared to RPP security posted). A summary of the potential thresholds and related actions is presented below.

RPP Security Utilization	Timing*	Action*
> 75%	Day 1	Nudge
> 100%	TBD	Second Nudge
		Risk, Trust, Compliance (RTC) Score Impact
		Fee Issued
		Removal from RPP Program

- *Note: The specific timing and actions are illustrative at this point in time, pending further consultation with the TCP community.

How CARM will Enable the Future State RPP program

CARM will simplify how bonds are received by the CBSA and will provide functionality to view and manage RPP security via the CARM Client Portal

Importers will continue to be required to obtain a bond from an acceptable Surety Company as outlined and published by the Treasury Board of Canada Secretariat.

- <https://www.tbs-sct.gc.ca/pol/doc-eng.aspx?id=15796>

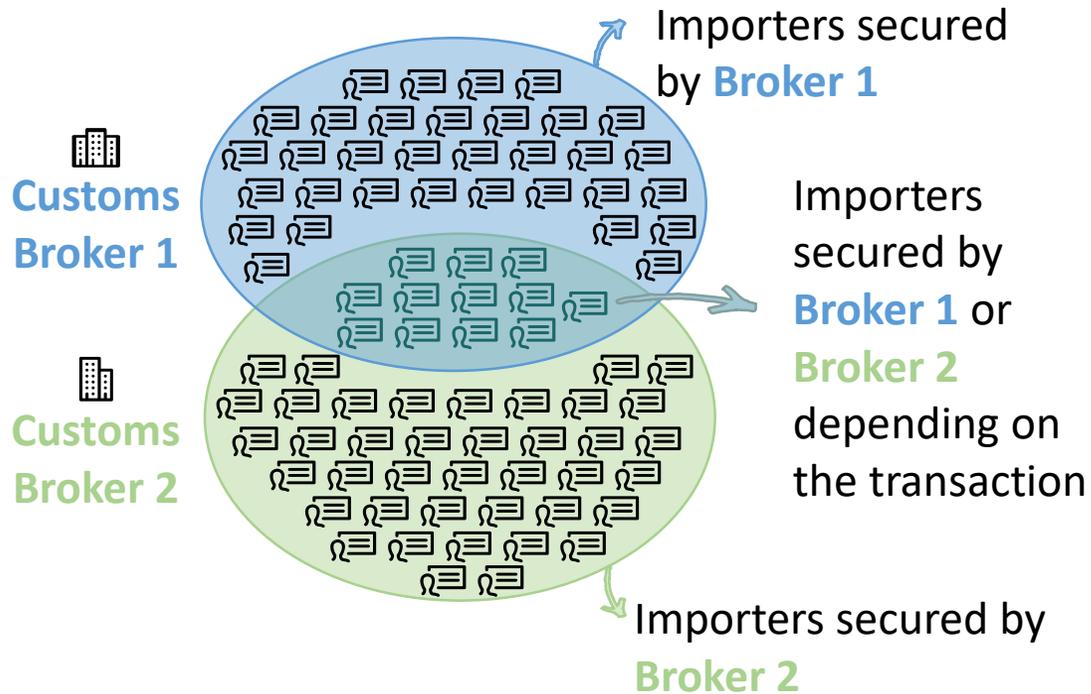
Future State Functionality

- CARM will enrol Surety Companies via the CARM Client portal and provide the ability to establish a direct connection with the CBSA via an Application Programming Interface (API).
- CARM will simplify how the CBSA will receive bonds via the following options:
 - An Importer will obtain a bond with a Surety Company, and CARM will receive the bond via an API set up with the Surety Company, or,
 - An Importer 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 to view all security posted including current utilization of RPP bonds, and will prompt the Importer with proactive nudges to increase security or make payment if their account balance is approaching the amount of RPP security posted.

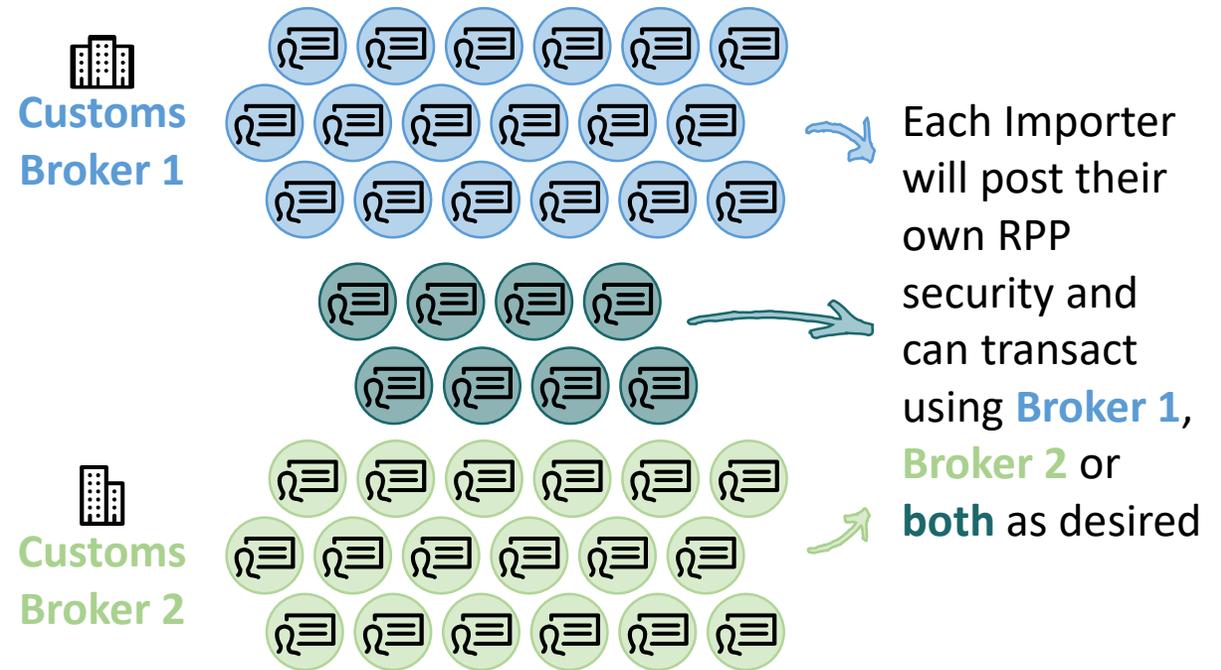
Key Changes

An illustrative example of how Importer liability will shift the structure of the RPP Program is outlined below

Current State RPP Structure



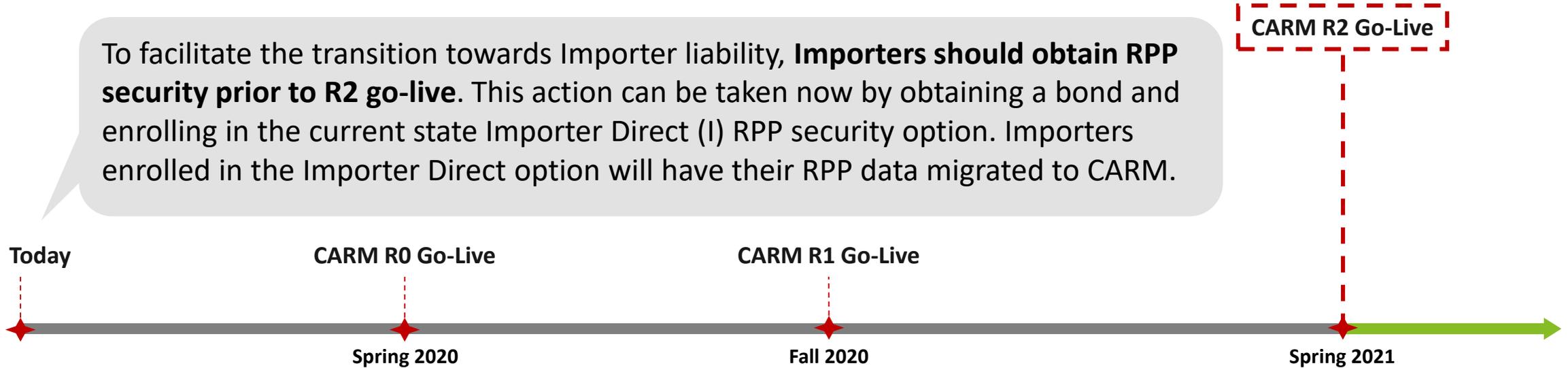
Future State RPP Structure



How will the Future State RPP Program be Rolled Out?

The transition to the future state RPP program must begin as soon as possible..
CARM will provide tools and support throughout the transition

To facilitate the transition towards Importer liability, **Importers should obtain RPP security prior to R2 go-live.** This action can be taken now by obtaining a bond and enrolling in the current state Importer Direct (I) RPP security option. Importers enrolled in the Importer Direct option will have their RPP data migrated to CARM.



CARM will establish a temporary solution to allow Surety Companies to pass bond information to CBSA prior to R2 go-live, allowing the CBSA to migrate those Importers who have obtained bonds onto the RPP program. **Further information and timelines will be communicated as a solution is finalized.**

How will the Future State RPP Program Function at CARM R2?

The CARM Client Portal will support importers in managing and monitoring their RPP security utilization

CARM R2 Go-Live

As of CARM R2 go-live, it is recommended all importers have RPP security in the amount of their highest monthly accounts receivable, inclusive of duties, taxes (GST), fees, and penalties.

CARM will provide the ability to view security posted with the CBSA, including current utilization of RPP bonds. Any updates or new bonds procured will be pushed directly to the CBSA via the API established with the respective Surety Company or validated by the Surety Company on the CARM Client Portal.

Spring 2021

Should an Importer choose not to obtain security, they will not be permitted to obtain Release Prior to Payment as of CARM R2 go-live.

Next Steps

The transition to Importer liability will require action by the Importer community, Customs Brokers, Surety Companies, and the CBSA

CARM is committed to:

- Continuing to communicate further details on the future state RPP program and transition to Importer liability.
 - Targeted consultations with the surety industry will be scheduled early in the new year.
 - Key messages will be distributed to the TCP community, leveraging various forums and mechanisms.
- Working with Importers and Surety Companies to implement an interim solution to receive bonds prior to R2 go-live.

As key players in the Trade ecosystem, our ask from you is to:

- **Importers:**
 - Obtain a RPP bond and enrol in the Importer Direct RPP Security option.
 - Speak with a Surety Company and obtain RPP security prior to R2 go-live.
- **Customs Brokers:**
 - Communicate to your Importers that they will be required to obtain RPP security prior to CARM R2 go-live.
- **Surety Companies:**
 - Issue RPP bonds to Importers and work with CARM to establish a solution to receive bonds prior to the API and CARM Client Portal RPP functionality going live as of R2.
 - Prepare to enrol with the CBSA, create a CARM Client Portal Account and establish an API as of CARM R2 go-live.

Additional questions?





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Delegation of Authority Update / Transaction Types in the CARM Client Portal

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Delegation of Authority Update

We heard the following concerns:

- Brokers and service providers would prefer if other brokers/service providers could not see their transactions, rulings etc. on an importer's account
- The 'all or nothing' access to the portal is not desirable and more granularity is preferred
 - E.g. 'View' access for a service provider / broker enables them to see all activity on the importer's account, regardless of who submitted a given ruling or transaction
 - There is no ability for importers to e.g. assign access by activity, e.g. 'Rulings only', or 'CAD only'
- Concerns about usability and effort involved to set up access using individual access assignments
- Concerns about the fact that broker access means that all broker employees will have access to an importer's account

Delegation of Authority Update

Options under consideration

- Restrict access to the filer by default
 - Brokers and service providers will only be able to see transactions, rulings etc. that they filed on behalf of the importer (default access)
 - The importer can modify access so that their broker(s) has access to see all their information
- Capture portal user to business relationship (employee to employer)
 - After the business to business relationship between importer and broker is established, access to the importer's account is given to the broker's business account manager(s), who can then assign a subset of their employees to the importer account

Transaction List – Document Types

- Financial transactions are identified by document type and their transaction

Document Type(s)	Description
E9	E29B
B3, B2, RSF, C1	Assess\Reassess (B3,B2-1, RSF) RSF goes away in the future. Corrections document (e.g. C1 used for corrections instead of B2).
AI	Penalty
IN	Interest
P1	Drawbacks
WO	Write-Offs
OP	Refunds
OR	Refunds - RF Clearing
K3	K23 invoice
K9	Ascertain forfeitures
LP, LC, LD, CD	Incoming payments
SD (new)	Security Deposit

Transaction List – Transaction types

Transaction Descriptions		
Security Deposit - Down Pay E29B	PTT MN	GST/HST on billed goods & service
Security Deposit Payment E29B	PTT AB	QC - Provincial Portion of QST on billed goods and services (K23)
Duties - Commercial	PTT BC	Broker License fees
Special Assessment (SIMA)	NPA Initial (AMPS)	Interest on Late Payment
Excise Duties - Cigars	NPA Cancellation (AMPS)	Copies of Documents
Excise Duties - Cigarettes	Late Accounting Penalty (CCS)	Storage Charges
Excise Duties - Tobacco	GST/HST Penalty Revenue	Special Service Fee
Excise Tax - Automobiles	Custom Penalties	NSF Administration Fee
Excise Tax - Air conditioning	Excise Tax Penalties	Licenses and permits
Excise Duties - Beers	Interest on Late Payments	Customs Bonded Warehouse fees
Excise Tax - Wines <=7%	Interest Refundable	Customs Sufferance Warehouse fees
Excise Tax - Wines >7%	Drawbacks - Reduction of Duty	Miscellaneous service fees
Excise Tax - Bulks Spirits & D	Drawbacks - Reduction of SIMA	Cost recovery program / MOU / Special Charge
Excise Tax - Miscellaneous	Drawbacks - Reduction Other	RCMP Seizures
Excise Tax - Gasoline	D/BACKS EXCEPT GAS -IMPORTS	Port Seizures
Excise Tax - Casual Import.	Write-Offs (Debits)	Customs investigative services seizure
Excise Duties - Spirits	Misc-Cash over (Credits)	Receipt of counterfeit money
Excise Tax - Diesel Fuel	Low Value Amount set off	Fines and forfeitures
GST Revenue on Imports	Penalty Amount Refund	Custom Penalties
HST Revenue on Imports	Refunds - Duty	Priority Post Handling Fee
QST QC	Refunds - Imports	Incoming Payments
PST MN	Refunds - Excise tax	Return Payment
PST SK	Refunds - Temp Sec. Dep	Prepaid Payment
PST BC	Pre go-live E29B	IS I/E Conversion
PTT NB	Refunds - In Transit	Cash security deposit statistical entry
PTT QC	Refunds - Confirmed	Negative GST statistical entry

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Program Authority Update

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Program Authority – State of Play Summary

- **Release 0**

- IT-related changes
- No regulatory or legislative changes required

- **Release 1**

- Introduction of basic portal functionality
- No regulatory or legislative changes required

- **Release 2**

- Full CARM functionality and policy changes introduced
- Regulatory and legislative changes are recommended

Program Authority – Accomplishments

- Regulatory and legislative amendments have been identified, and documented as recommendations in a policy paper:
 - Five proposed areas of change:
 - billing;
 - accounting;
 - electronic communications;
 - financial security; and
 - payment.
- Consultations related to the proposed changes have been integrated into the existing TCP Working Group sessions, and will continue throughout the upcoming months.



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Upcoming TCP Engagement

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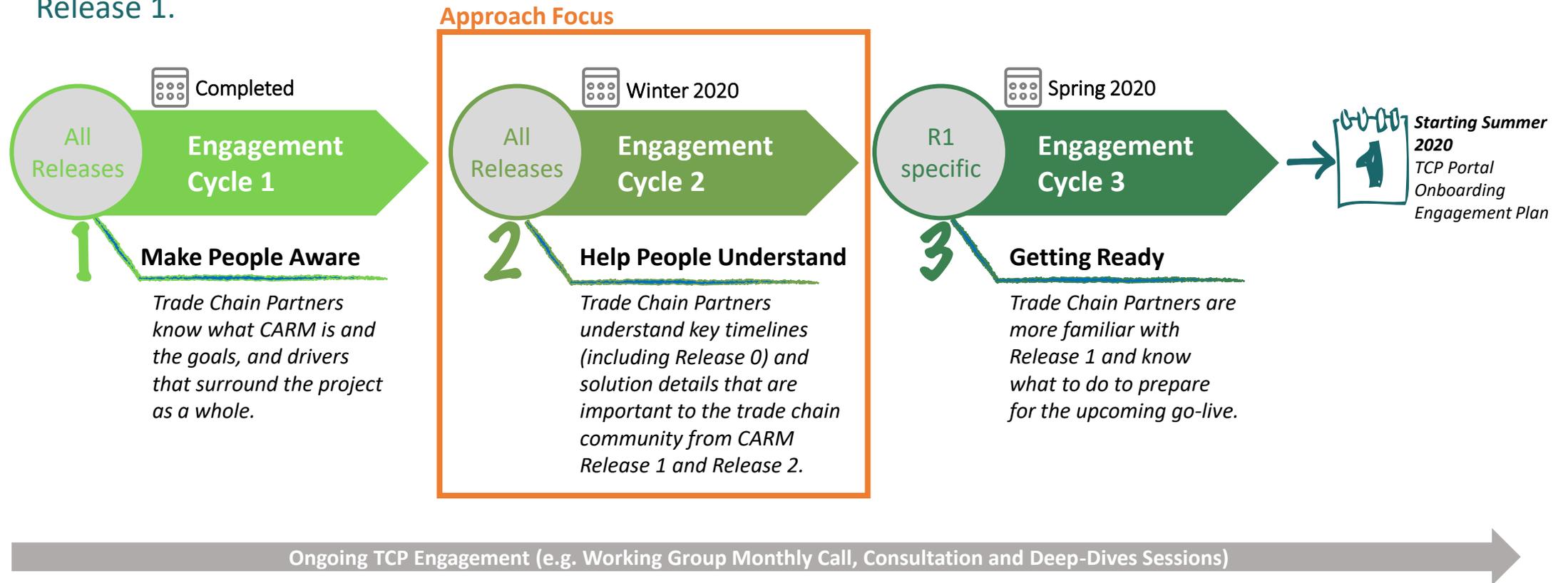
Purpose

- Provide an overview of upcoming engagements with Trade Chain Partners to communicate Release 1 and Release 2 changes.
- Seek support from members to champion CARM within their respective areas and ensure alignment with messaging to the trade chain community.
- The current scope of engagement spans from January 2020 to March 2020.

CARM will leverage a variety of different communication channels that ensures TCPs understand key solution details, and are encouraged to participate in upcoming webinars and open mics.

TCP Engagement Overview

The following depicts the cycles of TCP engagement that the CARM will be executing against, in advance of Release 1.



Target Audience Segmentation

Audiences will be segmented based on their key topics of interest, and have been broken down into 3 key groupings:

- **CARM Ambassadors:** Key TCP stakeholders that will be engaged first to enable promotion of CARM information, resources and events to their importers networks in order to increase visibility of this engagement cycle.
- **Importers:** Targeted audience for this engagement cycle.*
- **Other TCPs:** Other key TCPs that will be impacted by Release 2, will be able to attend activities and will benefit from communication materials, but aren't the key targeted audience for this engagement cycle.

#	Grouping	TCP Stakeholder	Audience	Key Topics of Interest
1	CARM Ambassadors	Customs Brokers	• ~300	• Delegation of authority; CARM billing cycles; CAD, corrections, and adjustments; financial security, EDI
2		Trade Service Advisors	• ~87	• Delegation of authority; CARM billing cycles; rulings and appeals; CAD, corrections, and adjustments;
3		Technical TCP stakeholders	• Software Providers: ~10 • IT representatives from organizations whom transact directly with the CBSA	• Registration and enrolment; CAD, corrections, and adjustments; EDI; APIs; ECCRD
4		Sureties	• TBD	• Financial security, delegation of authority, registration and enrolment
5	Importers	Importers	• ~228,000	• CARM Client Portal (CCP); registration and enrolment; delegation of authority; CARM billing cycles; CAD, corrections, and adjustments; financial security
6	Other TCPs	Other TCPs	• Warehouse Operators: ~1,150 • Transporters • Couriers • Duty-Free Shops: ~56 • Exporters: ~268,000	• CCP; registration and enrolment; billing and payment processing

TCP Outreach – A Staged Approach

	1. Initiate Marketing Campaign	2. Deliver Webinars/Open Mics to CARM Ambassadors and Coordinate Marketing Push to Importers	3. Deliver Open Mics to Importers and Other TCPs
Objectives	Deploy marketing campaign with communication materials using a variety of channels to boost awareness of CARM and the upcoming webinars/open-mics series.	Inform targeted TCPs (i.e. CARM Ambassador) on how CARM will impact them, providing them with an opportunity to ask questions and priming them to encourage importer get engage with CARM.	Provide importers with an opportunity to ask questions and share concerns to the project team.
Key Outreach Activities	<ul style="list-style-type: none"> • Publish web communications • Distribute communication materials • Conduct short ‘plugs’ at association events and include CARM webinar information in formal association meeting presentations • Monitor webinar and open mic registration • Distribute recorded CARM webinars 	<ul style="list-style-type: none"> • Deliver webinars and open mics for CARM Ambassadors • Distribute recordings and presentations of CARM webinars • Conduct short ‘plugs’ at association events and include CARM webinar information in formal association meeting presentations 	<ul style="list-style-type: none"> • Deliver open mics to Importers and Other TCPs
Outcomes	<ul style="list-style-type: none"> ✓ CARM contacts are promoting webinars with info to cascade to their respective colleagues ✓ TCP community is aware of CARM webinars/open-mics ✓ CBSA operations teams (i.e. at POE) providing CARM materials to TCP clients ✓ Webinar and open mic schedule is approved, and sessions and supporting meetings are scheduled 	<ul style="list-style-type: none"> ✓ Webinars and open mics take place with strong participation from CARM Ambassadors ✓ CARM Ambassadors are promoting webinars and are equipped with information to cascade to importers ✓ Importers and Other TCPs understand how CARM will impact their business 	<ul style="list-style-type: none"> ✓ Webinars and open mics take place with strong participation from the Importer community

Webinar and Open Mic Overview

Webinars (CARM Ambassadors)	Recorded Webinars (Targeted to Importers)	Open Mics (All TCP Stakeholders)
<ul style="list-style-type: none"> • Webinars will provide key messaging on timelines, objectives and benefits, targeted to sub-sets of the CARM Ambassador audience, and will serve as input to the corresponding open mic sessions that will follow. • These webinars will present key information on CARM Release 1 and high-level information on Release 2. • Aims to further encourage audiences to push CARM materials and information (e.g., recorded webinars, info-pack) to TCPs. 	<ul style="list-style-type: none"> • Recorded webinars will provide key messaging on the project's timelines, objectives and benefits, divided into a series of recordings on specific topics. • Webinar recordings will serve as an input to the corresponding open mic sessions that will follow. • Webinars will present key information on CARM Release 1 and high-level information on Release 2. The content will be designed primarily for the importer community, however, will still be available to other TCPs. 	<ul style="list-style-type: none"> • The purpose of the open mics are to provide a forum for interaction with TCP audiences that participated in webinars/recorded webinars, aimed to gather feedback and questions from the trade chain community.

Proposed Recorded Webinars (Importers)

The following details the topics that the recorded CARM webinars will be composed of.

Recorded Webinar	Topic	Timing
1	<i>CARM 101</i>	
	CARM Objectives & Benefits	2 mins
	Deployment Strategy	3 mins
2	<i>Everything You Need to Know About CARM Release 1 – In Under 15 Minutes</i>	
	CCP Overview & Portal Registration	5 mins
	Delegation of Authority	5 mins
	Billing and Payment Processing	3 mins
	Rulings	2 mins
3	<i>Financial Security Changes to Come in Release 2 (10 minutes)</i>	
	Financial Security	10 mins
4	<i>Everything [Else] You Need to Know About CARM Release 2 – Registration & Enrolment (5 minutes)</i>	
5	<i>Everything [Else] You Need to Know About CARM Release 2 – CAD, Corrections & Adjustments (5 minutes)</i>	
6	<i>Everything [Else] You Need to Know About CARM Release 2 – CARM Billing Cycle (5 minutes)</i>	
7	<i>Everything [Else] You Need to Know About CARM Release 2 – Compliance & Appeals (5 minutes)</i>	

Additional questions?





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Roundtable and Conclusion

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Thank You!

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- 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)
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