

CUSTOMS ENFORCEMENT

[Executive Order 14411: Strengthening Customs Enforcement](#) fundamentally changes U.S. Customs Enforcement rules, turning the **right to import into a privilege** and **making it structurally more difficult to evade U.S. duties and health and safety compliance**. CBP plans to deploy enforcement through technology-driven tools with targeted and enhanced data analysis to prevent the following schemes:

UNDERVALUATION

- Purposeful lowering of import value to reduce duty exposure resulting in less U.S. revenue collection.
- CBP is actively targeting “questionable” chain of custody shipments and detaining those for which they cannot reach the IOR.
 - *i.e.* DDP and First Sale shipments.

TRANSSHIPMENT

- Inaccurate country of origin claims to circumvent duties.

USE OF FOREIGN & SHELL COMPANIES

- Use of unverified foreign entities without meaningful U.S. presence to bear importer responsibility yet seemingly do not exist when CBP tries to track them down.

GOODS MADE WITH FORCED LABOR

EO 14411's 5 PILLARS OF CHANGE

1	Importer Eligibility Overhaul & Good Standing Mandate
2	Restrictions and Stricter Rules for Foreign IORs
3	Expanded Disclosure & Reporting Requirements
4	Higher Penalties & Tighter Mitigation Standards for Compliance Discrepancies
5	Faster Seizure, Disposal and Increased Transparency

IMPLEMENTATION TIMELINE & TRACKER

June 3

- President signs [Executive Order 14411: Strengthening Customs Enforcement](#) (see Fact Sheet [here](#))

June 9

- CBP issues new [Forced Labor Operational Guidance](#)

June 26

- [CSMS #69056621](#) - CBP issues guidance on the Deactivation of dormant IORs & process to reactivate

July 8

- CPSC [e-filing](#) requirements take effect; affected products listed [here](#)

July 16

- [CSMS #69241265](#) - CBP updates ACE to prevent IORs with 365 days of no activity from making entry.

August 13

- White House publishes [The Great Transshipment Scam: Rise, Scope and Cost](#) alleging a \$60B network spanning 40-countries built to skirt U.S. tariffs. The report, accompanied by a NYT op-ed [“It Was a Great Scam While it Lasted”](#) from author Peter Navarro, drew significant criticism from industry and [reported country offenders](#).

August 19:

- [91 FR 53627](#) CBP details forthcoming enforcement of IOR identity accuracy and update requirements; **enforcement begins Sept 18.**

Due by Sept 1:

- *Minimum penalty increased to 50% of assessed penalties*

September 2:

- [91 FR 56408](#) CBP seeks comment by Dec 1 on 64 questions related to the submission and breadth of heightened importer disclosure requirements, whether CTPAT-validated importers should be treated differently, and what technical traceability solutions are suitable to be integrated into ACE. New disclosures include but are not limited to:
- Foreign export documentation, identification of supply chain parties

Due by Nov 30:

- Publication of new IOR eligibility requirements, increased bond coverage of 3x domestic assets.
- CBP disclosure of ownership (including beneficial and affiliation), estimated import volumes by product and domestic asset data.
- Good standing registry creation.
- Vetting requirements for IORs, affiliates, freight forwarders and bonded custodians.

“ASAP”

- Foreign IORs Restrictions:
 - Prohibition from using informal entry.
 - Tighter formal-entry bond.
- CTPAT validation and/or use of CTPAT validated broker.



STEPS TO TAKE NOW

1	Review and Update CBP Form 5106 . <i>See next slide.</i>
2	Determine whether you are a U.S. or Foreign IOR. <i>See slide 6.</i> <i>If Foreign, begin impact mitigation steps of new restrictions.</i>
3	Pay every open CBP bill for all entities under your parent company.
4	Evaluate ability to obtain export documents and compare information with matching CBP entry.
5	Evaluate customs bond. <i>Compare 10% of last year's duties, taxes and fees against current bond.</i>
6	Catalog any known issues (including gray areas) and review with customs counsel.

IOR ACCURACY & UPDATE

ENFORCEMENT BEGINS SEPT 18

Importer of Record (“IOR”) identification information contained in CBP Form 5106 must be up-to-date and accurate!

Inaccuracies may result in:

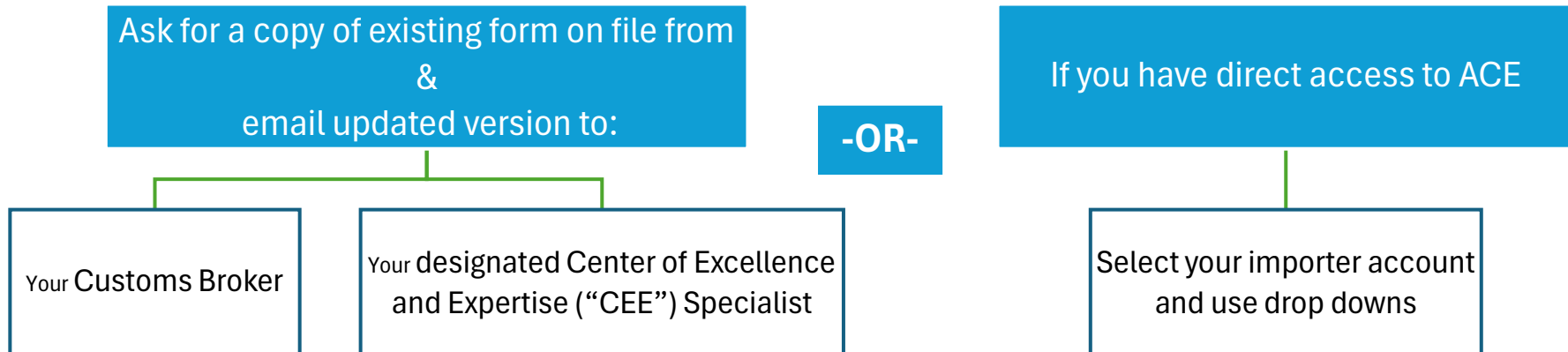
- Immediate voiding of the IOR number
- Inability to enter merchandise
- Penalties for customs brokers
- Exposure to liability under the False Claims Act

CBP will verify the following information:

- Physical address — must be the actual business location
- Email address — must belong to the IOR
- Phone number — must belong to the IOR
- EIN/SSN and other identifying data

**While Company Structure/Beneficial Ownership/Company Officers information is CURRENTLY still an optional datapoint, providing false information in these sections could lead to fraud investigations and broker penalties.*

HOW TO REVIEW & UPDATE FORM 5106



WHAT IS A FOREIGN IMPORTER OF RECORD NOT A “US IMPORTER OF RECORD”



UNDER THE CBP ENFORCEMENT EXECUTIVE ORDER
Strengthening Enforcement of U.S. Customs Laws and Protecting American Industry



US IMPORTER OF RECORD

For an entity: organized under the laws of the U.S., located in the U.S., and has at all times controlling beneficial owner(s) who are U.S. citizens or lawful permanent residents;
OR owns a significant amount of real property in the U.S.



ORGANIZED UNDER U.S. LAW

The entity is organized under the laws of the United States.



CONTROLLING BENEFICIAL OWNERS

Located in the U.S. and has at all times controlling beneficial owner(s) who are U.S. citizens or lawful permanent residents.

OR



SIGNIFICANT U.S. REAL PROPERTY

Owns a significant amount of real property in the United States.



“LOCATED IN THE UNITED STATES” MEANS:

1



ITS PRINCIPAL PLACE OF BUSINESS IN THE U.S.

The entity's principal place of business is in the U.S.

2



A PHYSICAL U.S. PRESENCE WHERE SIGNIFICANT BUSINESS ACTIVITY IS CONDUCTED

The entity has a physical U.S. presence where significant business activity is conducted.

3



SUFFICIENT TANGIBLE U.S. ASSETS

The entity has sufficient tangible U.S. assets, taking into account the size and scale of the overall operations of the company (e.g., instrumentality of a foreign manufacturer without a substantial U.S. presence).



KEY TAKEAWAY

A Foreign Importer of Record is an importer that does **NOT** meet the definition of a US Importer of Record above.

This definition is critical for determining responsibilities under U.S. customs laws.



FOREIGN IMPORTER CONSEQUENCES

EO 14411 prescribes significant new restrictions for foreign importers, including:

Loss of eligibility for informal entry procedures unless following conditions are met:

- Sufficient customs bond covering heightened evaluation and risk thresholds.
- Must be a CTPAT participant; or
- Entries must be filed by a CTPAT-validated licensed U.S. Customs Broker.

Restrictions on the use of a continuous customs bond (unless CTPAT)

Heightened CBP scrutiny of ownership, operations, and import activity

Greater potential for supply-chain disruption and financial exposure

CBP has not yet published implementation guidance yet.

