



**SURETY**  
ASSOCIATION OF  
CANADA

**ASSOCIATION**  
CANADIENNE  
DE CAUTION

YOUR BONDING RESOURCE

VOTRE RÉFÉRENCE EN CAUTIONNEMENT

April 8, 2024

**SENT BY EMAIL**

The Honourable Judy A. Sgro  
Chair, Standing Committee on International Trade  
Sixth Floor, 131 Queen Street  
House of Commons  
Ottawa ON K1A 0A6

Dear Ms. Sgro,

I am reaching out to you on behalf of the Surety Association of Canada (SAC), the national trade advocacy association that represents the interests of the surety industry across Canada, following my letter sent to the committee on February 15, 2024. As previously mentioned, our members represent more than 97% of all surety premiums written in Canada and consists of primary surety firms, surety reinsurers, surety/insurance brokers, and other organizations that provide related and complementary services to the surety industry such as legal firms and consultants.

Our association has been closely following the committee's study regarding the CBSA Assessment and Revenue Management System (CARM). Throughout these proceedings, we have noticed that there seems to be some confusion that has led to misunderstandings around the role of financial security in general, and in particular surrounding surety bonds. We have been seeing the same issues through our discussion with the CBSA and Trade Chain Partners, and would like to take this opportunity to set the record straight on the following comments:

**1. Comments regarding the "Administrative Burden":**

*Bonds are too difficult to obtain, and surety companies take too long to issue them.*

**The Facts:**

The administrative requirements for obtaining a customs surety bond are quite simple and straightforward. An importer applicant will be asked to complete a simple application form including and sometimes providing rudimentary financial information in the form of a financial statement or an internally prepared financial summary.

As to the timing, the issuance of a "non-cash bond" (surety/customs bond) is actually very quick, in fact, if an importer provides the necessary information in a timely manner, the bond can typically be issued within one to three days.



For lower bond amounts, some sureties have also advised that they do not even require any underwriter intervention; hence, the bond may be produced as a “quick write” and provided instantaneously.

SAC has been advised that the apparent logjam with the processing of surety instruments is largely due to the length of time that CBSA has been taking to process paper bonds given the significant spike in the number of bonds being issued as the R2 launch date gets closer.

In any event, importers are advised to secure the services of a professional surety broker who can assist with the application requirements and expedite the process. SAC can assist with references to qualified brokers and a list of SAC member brokers is available on our website.

## 2. Comments regarding “Bonds being too expensive”:

*A requirement for bonds or other forms of security will be an added financial burden for importers, particularly for smaller businesses.*

### **The Facts:**

The vast majority of importers registered under CARM will be small to medium sized enterprises (SMEs), most of whom will be required to post the minimum bond amount, that is, if they choose to provide a bond at all. Our surety members inform us that at this level, the cost for such a surety instrument would fall into the minimum premium bracket which ranges from \$250.00 to \$400.00 per year.

For larger importers with higher monthly amounts of duties and taxes, sureties have indicated that the cost for a bond will range between 0.4% and 1.5 %. For example, if a \$50,000 surety/customs bond is required, the premium to be paid to a surety would be approximately \$750.

It’s worth noting that that *any* alternative form of security agreement will come at a cost that will typically be higher than that incurred for a surety bond. For example, a “security agreement” provided by a lending institution will likely be subject to the current interest rates charged to the client under its credit facility.

More importantly, this says nothing of the opportunity cost to an importer who secures their customs duties and taxes by means other than a surety bond. A “liquid security agreement” provided by a lending institution (i.e., bank letter of credit), or a cash deposit will mean that the importer’s borrowing line and/or cash will now be unavailable for use by the importer in its day-to-day operations. Surety bonds do not tie up this access to cash, instead making those companies more liquid in their day-to-day operations.



### 3. Comments regarding the “Financial Burden”:

*If I post a surety bond in the amount of \$5,000, I will need to set that amount aside as collateral to secure the surety’s support.*

#### **The Facts:**

This is completely false. As discussed above, a bond provided by a surety company is the only financial security instrument that is “non-intrusive” meaning that it doesn’t require the importer client to tie up its working capital and/or borrowing power, thus freeing up the cash to be used in the operation of its business.

Indeed, this is probably the most significant benefit of using the surety approach, particularly for SMEs who may not have the surplus cash or borrowing capacity available to tie up as security for payment of duties/taxes.

### 4. Comments regarding the “Need for Customs Brokers”:

*With all the changes taking place with the implementation of CARM including importer-direct security, importers will no longer need the services provided by a customs broker.*

#### **The Facts:**

This is false! Customs brokers provide an essential service to importers to assist with managing and clearing their shipments into Canada; they will continue to be a critical partner for importers going forward.

It is important to note that sureties will also be an important partner as they will work with an importer and their customs broker to provide a “non-cash bond” (surety/customs bond), should an importer decide to engage that option (note: a “cash bond” option will also be available for importers).

Again, the vast majority of importers are SMEs who may for business reasons find that the posting of a customs (non-cash) bond or any security agreement is just not feasible. In particular, the “one-off” users or businesses that import low value shipments infrequently, will in all likelihood forego the posting of a customs (non-cash) bond in favour of a simple credit card transaction (cash bond).

With systems becoming more automated, the credit processing as well as the collection of delinquent amounts will be more streamlined, likely leading to a spike in customs bond claim activity and an increase in surety intervention. Even when the surety doesn’t ultimately have to pay under the customs bond itself, this will increase the administrative expenses associated with this class of business.



We would also like you to note that we have previously shared these comments with the Office of the Minister of Public Safety and on multiple occasions with the CBSA.

We would like to express our thanks and appreciation for your time in reviewing this letter. We hope to see some of this information reflected in the committee report being prepared and would be available to come to testify in front of the committee and answer members' questions if you deem it necessary.

Please do not hesitate to contact us directly if you have any questions.

Sincerely,

Steven D. Ness  
President & Chief Operating Officer

Cc:

- Kyle Seeback, CIIT, Vice-Chair and MP, Dufferin—Caledon, Ontario
- Simon-Pierre Savard-Tremblay, CIIT, Vice-Chair and MP, Saint-Hyacinthe—Bagot, Quebec
- Chandra Arya, CIIT, Member and MP, Nepean, Ontario
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- Terry Sheehan, CIIT, Member and MP, Sault Ste. Marie, Ontario
- Maninder Sidhu, CIIT, Member and MP, Brampton East, Ontario
- Sharon Clark-Koufis, Vice President, Operations, Surety Association of Canada