

SURETY ASSOCIATION OF CANADA (SAC)



SURETY
ASSOCIATION OF
CANADA

**ASSOCIATION
CANADIENNE
DE CAUTION**



SURETY
ASSOCIATION OF
CANADA

ASSOCIATION
CANADIENNE
DE CAUTION



An Introduction to Obtaining Release Prior to Payment (RPP) Bonds

April 2, 2025

Welcome!



Steve Ness
President & COO
Surety Association of Canada



Sharon Clark-Koufis
Vice President, Operations
Surety Association of Canada

Housekeeping Tips

- ★ Please ensure that you have selected either audio or call-in to listen to the session.
- ★ Attendees are in “listen-only” mode.
- ★ This session is being recorded and will be made available on the SAC website under “[Resources / CBSA/CARM](#)”.



A screenshot of the GoToWebinar audio settings panel. The panel is titled "Audio" and has a close button in the top right corner. On the left side, there is a vertical toolbar with icons for: a right-pointing arrow, a telephone handset, a video camera, a computer monitor, a mobile phone, a tablet, and a pencil. The main content area shows three radio button options: "Computer audio" (unselected), "Phone call" (selected), and "No audio" (unselected). Below these options, the dialing information is displayed: "Dial: +1 (647) 497-9385", "Access Code: 902-175-772 #", and "Audio PIN: 10149 #". There is a dropdown menu currently set to "Canada". Below the dropdown, there is a link that says "Problem dialing in?". Underneath that, it says "Talking:". At the bottom of the panel, there is a section for "Upcoming Webinar: An Introduction to Ob..." with the "Webinar ID: 790-327-331". The GoToWebinar logo and name are at the very bottom.

Disclaimer



- ★ The information presented in this session is not legal advice and should not be relied upon as such.
- ★ Those requiring legal advice should consult with an attorney.
- ★ The views and opinions expressed may not necessarily reflect the official policy or position of the Surety Association of Canada or any other agency, organization or employer.
- ★ This session is for information purposes only and is based on the information which has been made available by the Canada Border Services Agency (CBSA).
- ★ The Surety Association of Canada does not get involved in the business practices of its members; any financial amounts provided in this session are for example purposes only.

Agenda



- ★ Introduction to Surety Association of Canada
- ★ What is CARM?
- ★ What is RPP?
- ★ Changes to RPP Security
- ★ What is a Surety Bond?
- ★ Overview & How to Obtain an RPP Bond
- ★ Key Decisions for Importers & Helpful Tips
- ★ CBSA Links

Surety Association of Canada

- The Surety Association of Canada (SAC) is a non-profit national trade advocacy association representing the interests of the surety industry across Canada.
- Our members represent more than 97% of all surety premiums written in Canada and consist 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.
- Since 1992, SAC has provided a comprehensive and accessible resource centre for those seeking information and answers from the surety industry.
- SAC works on its members' behalf by engaging key decision makers (and decision "influencers") to bring about surety-friendly conditions in bonds, contracts, legislation, and regulations.



What is CARM?

CBSA Assessment and Revenue Management System

- “**CARM**” is the acronym used by the Canada Border Services Agency (CBSA) which is their new process for the collection of duties and taxes for commercial goods imported into Canada.
- CARM is a self-service tool that facilitates accounting and revenue management processes with the CBSA.
- The portal enables importers, and their customs brokers and/or trade consultants, to view their transactions and statements of account (SOA), classify goods and estimate duties and taxes.
- CARM also includes electronic commercial accounting declarations (CAD) with the ability for corrections and adjustments.
- On October 21, 2024, the CARM Client Portal (CCP) became the official system of record for imposing or levying duties and taxes.

What is RPP?

Release Prior to Payment (RPP)

- All importers are required to create an account in the CARM Client Portal (CCP).
- Importers who have a history of importing commercial goods into Canada within the past four years will automatically be enrolled in the Release Prior to Payment (RPP) Program.
- The RPP Program allows importers who have posted financial security to:
 - obtain the release of goods from the CBSA before paying duties and taxes
 - defer accounting for goods



Changes to RPP Security

- Previously, importers or their customs broker could provide financial security in the following forms:
 - cash
 - certified cheque
 - money order
 - transferrable bond issued by the Government of Canada
 - RPP bond (i.e., customs bond)

This has changed!

- Importers must now provide **direct** financial security to continue to participate in the RPP Program.
- Importers are no longer permitted to use the financial security which may have been provided by their customs broker.



CBSA's New RPP Security Requirements

- There are **two options** for posting financial security:

Written security agreement (i.e., customs bond):

- Set at **50% of an importer's highest monthly accounts receivable** (inclusive of GST) over the previous 12 months with a minimum financial security of \$5,000 per business number import account (RM).

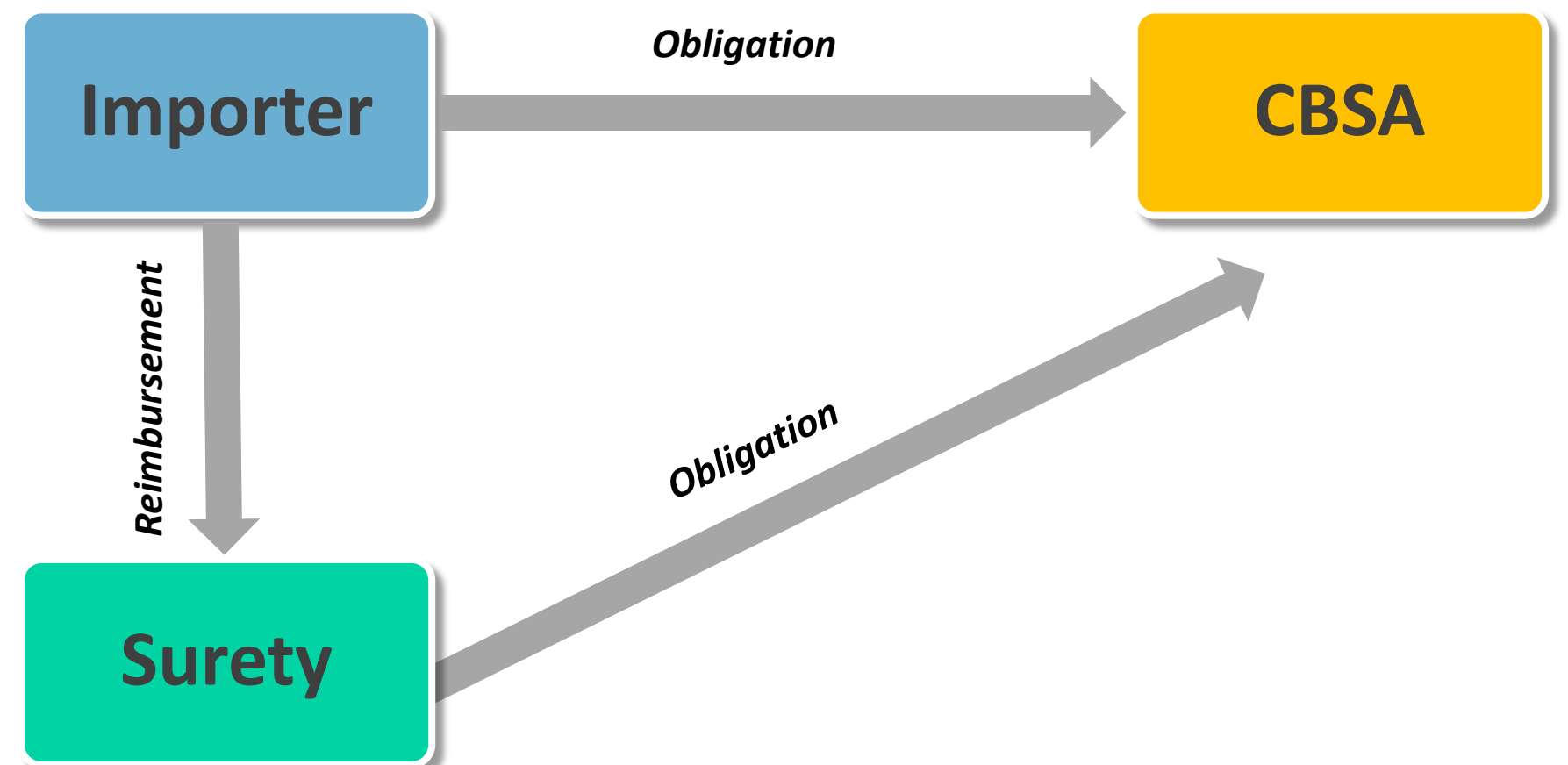
Cash security deposit:

- Set at **100% of an importer's highest monthly accounts receivable** (inclusive of GST) over the previous 12 months.



What is a “Surety” Bond?

- A surety bond is a form of credit that is used to secure the obligations of **one person to another** under a **statute or a contract**.
- The bond responds in the event the person fails to perform their contractual or statutory obligations.
- In short, it is where **one party (the surety firm)** guarantees the obligation of a **second party (the importer)** to a **third party (the CBSA)**.
- It is important to note that an Importer **continues to hold obligation** to the CBSA; the RPP/Surety Bond simply provides time for an Importer to fulfill their obligation (i.e., pay duties and taxes).



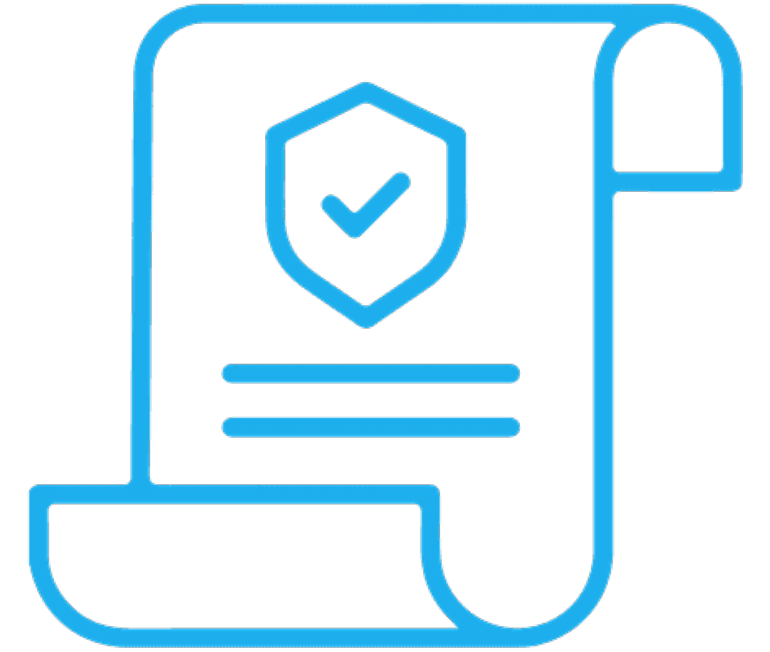
What is a “Surety” Bond?

- A surety bond is a **credit instrument**; it is not an insurance policy.

Insurance	Surety
<ul style="list-style-type: none">■ 2 party agreement; Insured & Insurer■ Premiums actuarially determined■ Losses anticipated■ No recourse against insured in the event of loss	<ul style="list-style-type: none">■ 3 party agreement; Principal, Surety & Oblige■ Premiums are only a service charge■ No losses anticipated■ Recourse against the Principal via indemnity agreement

What is a “Surety” Bond?

- Surety bonds are underwritten like other types of credit.
- The Surety firm evaluates the creditworthiness of the applicant (importer) and decides whether to issue the surety bond to the applicant (importer).
- The Surety firm typically obtains an indemnity from the applicant (importer) by which the applicant (importer) agrees to repay the Surety firm in the event a claim is made (by the CBSA) against the surety bond.
- Claims are placed against the surety bond when an application (importer) has not fulfilled their obligation (i.e., paid duties and taxes).
- The Surety firm charges a nominal fee, called a premium, for issuing the surety bond to the applicant (importer).



What is an RPP Bond?

- An RPP bond is a type of surety bond.
- An RPP bond guarantees payment of the importer's duties, taxes and other amounts owed to the CBSA for goods it imports into Canada.
- In the event the importer fails to pay the amount due, the CBSA will ultimately make a claim under the importer's RPP bond for payment of the overdue duties and taxes.
- The Surety will then request the importer to reimburse (indemnify) the Surety for its loss under the RPP bond.
- In the event of a claim made by the CBSA against a bond, SAC is to understand that they will explore all other options to collect unpaid funds; this would include, but not be limited to, outreach to the Canada Revenue Agency (CRA).

Why Use an RPP Bond?

- An RPP bond is a user-friendly and cost-effective form of security:
 - Sureties typically **do not require collateral security to issue an RPP bond**, just an indemnity (i.e., agreement) from the importer.
 - An RPP bond **does not tie up the importer's cash**.
 - The annual cost of the RPP bond is modest, much less than other forms of credit (i.e., letter of credit).

RPP Security Amount: Maximum/Minimum

	Amount
Minimum RPP Bond Security:	\$5,000
Maximum RPP Bond Security:	\$10,000,000
Minimum Cash Security:	No minimum amount
Maximum Cash Security:	\$10,000,000
<i>Note: Refer to the CBSA's Memorandum D17-1-8: Release Prior to Payment Privilege for more details pertaining to the above amounts. The CBSA does not restrict any importer from providing additional security in excess of these amounts.</i>	

What is the Cost of an RPP Bond?

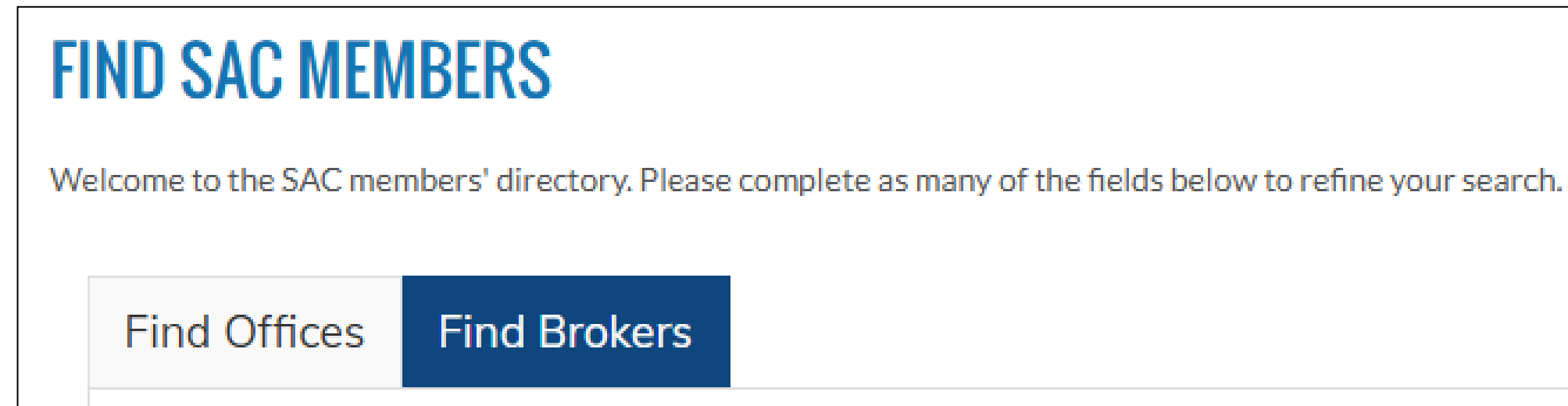
- Every Surety firm **charges a premium** for an RPP bond.
- Each Surety firm decides what premium to charge for the RPP bond and the **cost of an RPP bond can vary** from Surety firm to Surety firm.
- The cost of the bond is calculated by multiplying the bond amount by a percentage, subject to a minimum premium.
- Surety firms have shared that premiums are typically a small fraction of a percentage point of the bond amount; however, there may be a flat premium fee for the lower bond amounts (i.e., for a \$5,000 RPP Bond).
- If the RPP bond amount increases or decreases, so does the premium.

How to Obtain an RPP Bond

- RPP bonds are obtained through a **Surety Broker**.
- The role of a Surety Broker is to help guide importers through the bonding process and to assist them in establishing a business relationship with a Surety firm.
- Most Surety Brokers specialize in surety bonding for commercial surety (i.e., RPP Bonds), and work with Insurance Firms.
- Surety firms **must** be **licensed** to issue surety bonds through the Office of the Superintendent of Financial Institutions (OSFI) or through a provincial/territorial regulator (note: visit the SAC website under [Surety Bonds / Licensing Requirements](#)).

How to Obtain an RPP Bond

- SAC has an **on-line surety broker directory** available at www.suretycanada.com; then click on the icon ***“Looking for a Broker”*** on the home page:



FIND SAC MEMBERS

Welcome to the SAC members' directory. Please complete as many of the fields below to refine your search.

Find Offices Find Brokers

- You can refine your search by choosing “city” or “province”, or you can sort your results by “firm”.

Other Ways to Obtain an RPP Bond

- Contact your company's **licensed insurance broker** to ask if they are able to assist in providing you with an RPP bond from an **authorized Surety firm**.
- Contact your **Canadian customs broker** as they may also be able to assist in arranging an RPP bond from an authorized Surety firm.

Information Required For RPP Bond?

- To obtain an RPP bond, the Surety firm *may* require:
 - Application completed by the importer
 - Indemnity agreement (*importer to reimburse the Surety firm in the event of a claim against the bond*)
 - Importer's financial statement
- Obtaining the minimum RPP bond may require less information and Surety firms have advised us that these can often be completed through a "**Quick Write**" process.

Is Cash Security More Expensive?

- Each importer will need to decide what type of security to provide to the CBSA:
 - **Written Security Agreement** (i.e., RPP bond)
 - **Cash Security Deposit**
- The cost of security will be one of the factors in each importer's decision.
- When considering the cost of cash security, importers need to include:
 - ***Borrowing cost***
 - ***Business impact cost (i.e., tying up working capital and/or borrowing power)***

Cost of Cash Security

- Assume an importer is required to provide **\$10,000 of RPP security** to the CBSA:

- Cash Security: \$10,000*

- RPP Bond: \$5,000**

**100% of an importer's highest monthly A/R, the full amount is required.*

***50% of an importer's highest monthly A/R, only a premium of this amount is charged.*

- Based on the current borrowing rates (note: refer to Bank of Canada), if the importer does not have the cash on hand, they would likely need to borrow money from a financial institution. The cost of obtaining cash security would be at least **4.95% (prime + 1%) annually**.
- SAC does not get involved in the business practices of our members (Surety brokers and Surety firms), however, from the information we have been provided, the cost of a \$5,000 RPP bond would likely be at a fixed premium ranging between **\$100 to \$300 annually**, which would not tie up an importer's cash or borrowing power.

Cost of Cash Security

- The importer also must consider the business impact of providing cash security to the CBSA.
- Cash is a scarce resource; most companies constantly look for ways to maximize their cash and access to cash; hence, providing \$10,000 as cash security would mean that *less cash is available to the company* to finance its operations or to grow its business.
- This is the business impact and opportunity cost each importer must take into account when determining which type of security to provide to the CBSA.

What Has Happened to my Existing RPP Bond?

- Some importers may have already provided an RPP bond to the CBSA via a “legacy/paper” bond.
- The CBSA has advised that “legacy/paper” bonds have been scanned and input into the CARM Client Portal.
- Note that since these bond amounts were determined by the previous regulations, the bond amounts may be required to change.
- For changes to “legacy/paper” bonds, Surety firms would need to issue an endorsement to either increase it or decrease it to the amount required as of October 21, 2024, or to replace the bond in its entirety with a new bond. It is recommended to contact your Surety Broker to discuss.

How is an RPP Bond Posted?

- There are **two options** available for an RPP Bond to be posted in the CARM Client Portal:
 1. A Surety Broker will work with a Surety Firm to **transmit the required RPP Bond information via a Bond Application Programming Interface (API)**, which is used to directly connect a Surety Firm's bond issuance platform with the CARM Client Portal.
 2. A Surety Broker will work with a Surety Firm to issue an **RPP Bond which will then be provided to an Importer so that the Importer can enter certain fields from the RPP Bond into the CARM Client Portal**; once entered, a notification would be sent to the Surety Firm to review and accept (or deny) the bond information that the importer has submitted.

What Happens if an Importer Does Not Enroll in RPP?

- Importers who choose not to participate in the RPP Program must submit their Commercial Accounting Declaration (CAD) and pay duties and taxes in full to obtain release of goods (*note: this is referred to as a C-type entry*).
- It is important to note that ALL importers **MUST** register on the CARM Client Portal (CCP).



Key Decisions for Importers

- Each importer has two key decisions to make:
 1. Provide **cash security** to the CBSA or an **RPP bond** to participate in the RPP program.
 2. **Not participate in the RPP program** and pay duties and taxes in full to obtain release of goods.

Cash Security vs. RPP Bond:

- How important is cash to your company? Is the best use of cash to provide it to a creditor (CBSA) or use it for another corporate purpose, such as paying down debt or investing in the growth of your business?
- Most companies do not have enough cash. Even if they do, providing cash to creditors is usually seen as an unproductive use of cash; companies usually have much more important uses of cash than giving to their creditors as security.
- Each importer will have to decide how important their cash is, and whether they can justify providing cash to the CBSA.


Helpful Tips to Obtain RPP Security

- ✓ Register to attend an upcoming CARM Client Portal Onboarding webinar through the CBSA or view a past webinar available on their website.
- ✓ Obtain your business number from the CBSA and open one (or more) import-export business RM accounts.
- ✓ Set up your CARM Client Portal user account.
- ✓ Appoint an employee(s) as your business account manager and your program account manager (*note: this could also be your customs broker who can provide continued support and assistance*).
- ✓ Speak with your customs broker for assistance with obtaining RPP security; **or**,
- ✓ Speak with your insurance broker for information about obtaining RPP bonds; **or**,
- ✓ Visit the SAC on-line Surety Broker directory to contact a Surety Broker who can help guide importers through the bonding process.

Useful CBSA Links

- [User Guide - Enrol in the Importer program](#)
- [User Guide - Create and view a promise to pay arrangement](#)
- [User Guide - Financial information, payment processing and tariff tools in the CARM Client Portal](#)
- [User Guide - Post financial security bonds and cash for other bonded programs](#)
- [User Guide - Post financial security for Release Prior to Payment privileges](#)
- [User Guide - View your Release Prior to Payment financial security information](#)
- [User Guide - View your Statement of Account](#)

- [All CBSA User Guides](#)



**CARM: Did You Know?
Release Prior to Payment
(RPP) Privilege and CARM**

With the CARM Stakeholder
Engagement Team

Canada

1

(Click image above to view recording)

CONTACT US

(905) 677-1353

surety@suretycanada.com

www.suretycanada.com



SURETY
ASSOCIATION OF
CANADA

ASSOCIATION
CANADIENNE
DE CAUTION