

International Carrier Bonds – APIS requirements

January 25, 2006

SIGCo has been arranging International Carrier Bonds (ICBs) under the US Customs and Border Protection Service's AMS cargo manifest program for almost two years, and our program has been proven to be the lowest cost option, as well as a most efficient and simple process for our clients. The depth of our membership has meant that we have been able to arrange preferential terms for the SIGCo ICB program from the bond issuer, with whom we liaise electronically ensuring efficient processing of applications up to the point of issue to the US Customs and Border Protection Service.

The US Customs and Border Protection Service has recently issued a circular advising of the obligations that the vessel's Master file Crew and Passenger manifests with them via the Advanced Passenger Information System (APIS). As well as the reporting, each vessel is also required to file an ICB prior to arrival in the USA. Although this requirement was introduced in June 2005, it is only now being enforced and many of our clients may find themselves having to comply for the first time. I am pleased to advise that our existing ICB arrangements will satisfy the APIS requirement in addition to the AMS requirement, and I would encourage those members that require an ICB, but have not yet done so through SIGCo, to approach us in that regard.

Information on our ICB program can be found at our web site www.cofr.com under the "Products and Services" section. The forms required are also available for download from this web page and include i) an information sheet ii) an ICB Procurement Agreement and iii) a Special Power of Attorney. Note that the information on the web site pertains specifically to AMS bond filings, but with a few minor modifications, this information is also pertinent to APIS bond filings.

Frequently asked questions:

Q. What is the size of bond required under APIS?

A. The amount of the bond is determined by the US Customs in conjunction with the Area Port Director, and may vary from port to port. We have been advised that US Customs often requires an ICB for at least \$50,000, hence this is the minimum bond that we will issue.

Q. What is the cost of the bond?

A. A \$50,000 bond will cost \$1,000 through SIGCo. For those members wishing to satisfy both AMS and APIS requirements, one bond in the amount of \$100,000 will usually suffice, though this should be confirmed with US Customs. A \$100,000 bond through SIGCo will cost \$1,750. Please advise SIGCo clearly which bond requirement you are satisfying and what limit you require for the bond.

Q. Will I be able to increase a \$50,000 bond to \$100,000 at a later date?

A. No, a new bond is always required where a different limit is required.

Q. Do we need to have a guaranty with SIGCo in order to use SIGCo's ICB facility?

A. Yes. The SIGCo ICB program was set up specifically as a service to our members who as a result enjoy preferential pricing for this product.

Q. Who should be nominated as the "Carrier" for APIS/ICB purposes?

A. According to the regulations all vessels must file a bond. Whether this is in the name of the individual operating company or the fleet manager is at the discretion of the applicant but members should ensure that they are compliant with the regulations. Note that where the vessel is applied for in a Carrier name that is different from the COFR Operator (the SIGCo member) we will require evidence of full joint membership of the P&I Club in order to process the bond application. Note that it is unlikely that charterers will be able to apply for the bond to satisfy the APIS requirements.

Q. Is a SCAC code required?

A. Where the application is only for the APIS bond, a SCAC code is not required. Where the member is applying for an ICB for AMS purposes, a SCAC code will need to be obtained by the member.

Q. What will happen if we fail to obtain the required bond?

A. After 1st February, a vessel that does not have a valid ICB may be denied entry to US territorial waters. Consequences may also include seizure of the vessel and fines of up to \$10,000.

Please provide plenty of time for obtaining an ICB as the US Customs and Border Protection Service typically have a lead time for processing and issuing the bond number of up to 3 weeks.

Best regards

Neil Clemens,

President,

SIGCo