

# New Mandates in Retail Compliance

Where are you with C-TPAT and 10+2?

GLOBAL DATA MINING




BPE



## Why you should care

**Penalties: \$5,000 per filing**



	Import Value	Ocean Entries	Potential Risk *
Company 1	\$2,784,000,000	10,969	\$9,140,000
Company 2	\$1,076,000,000		\$32,592,000
Company 3	\$806,000,000		\$4,617,000
Bonnie's Boutique	\$104,000,000		\$1,088,000
Company 5	\$83,000,000		\$724,000

\* 2 months of penalties (Jan 26 thru Mar 25, 2010)

# Best-Practices Model

## Steps for 10+2 Readiness



### Proven path

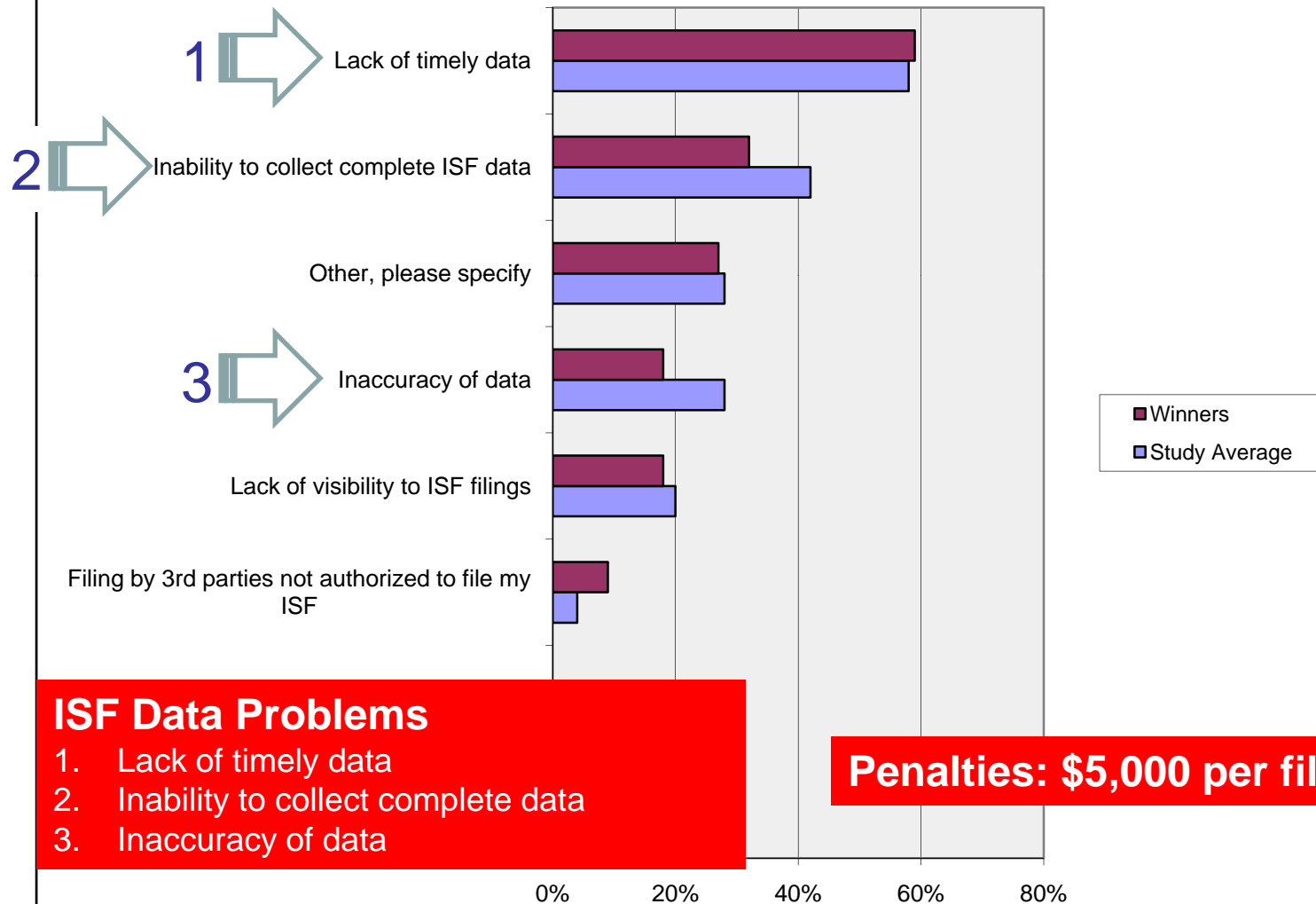
1. Know the regulation
2. Design enterprise-wide data strategy
3. Identify a software solution
4. Create project plan
5. Implement

- 1. Improved supply chain speed**
- 2. Reducing compliance costs**
- 3. Competitive advantage**

# Enterprise-wide Data Solution

## Data Issues with 10+2

### Common Challenges With ISF Compliance



### ISF Data Problems

1. Lack of timely data
2. Inability to collect complete data
3. Inaccuracy of data

**Penalties: \$5,000 per filing**

# Enterprise-wide Data Solution

## Data Management

1. Disparate data systems
2. Multiple business units
3. Non-standard data structure
4. Poor documentation of classification decisions
5. Excel spreadsheets



**Bonnie's Challenges**

## ISF Data Problems

1. Lack of timely data
2. Inability to collect complete data
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# Enterprise-wide Data Solution

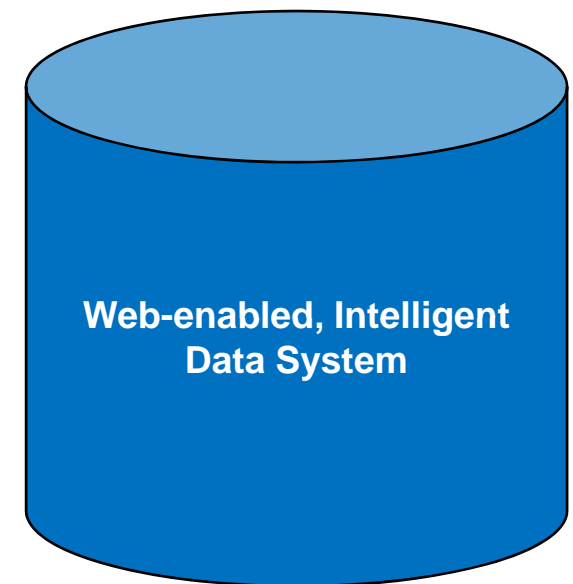


## Single version of the Truth

1. Worldwide access
2. Customized data fields
3. Integrate & standardize data across the company
4. Attach supporting document
5. Easier to use than Excel

## ISF Data Problems

1. Lack of timely data
2. Inability to collect complete data
3. Inaccuracy of data



# Enterprise-wide Data Solution

## Process Management

1. Sourcing and Trade Compliance working in silos
2. Divisions working in silos
3. No corporate visibility or oversight
4. Inconsistent standards across divisions

## ISF Data Problems

1. Lack of timely data
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**Bonnie's Challenges**

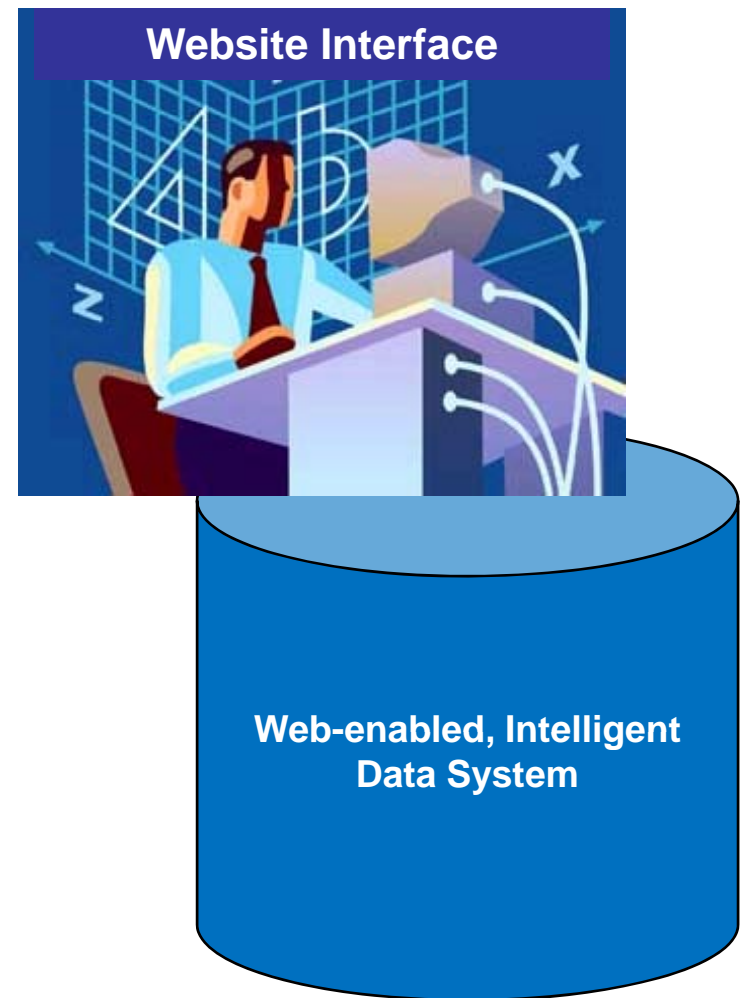
# Enterprise-wide Data Solution

## Website Interface

1. Workflow controls
2. Manage user access
3. Assign user responsibilities
4. Control end-to-end work flow
5. Automatic electronic audit trail

## ISF Data Problems

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# Enterprise-wide Data Solution

## Caveman Syndrome

1. Lack of strategy for continuous process improvement
2. Process optimization was based on:
  - a. individual initiative
  - b. Individual skill sets
  - c. Individual goals and vision
  - d. Individual resources
  - e. Luck

## ISF Data Problems

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**Bonnie's Challenges**

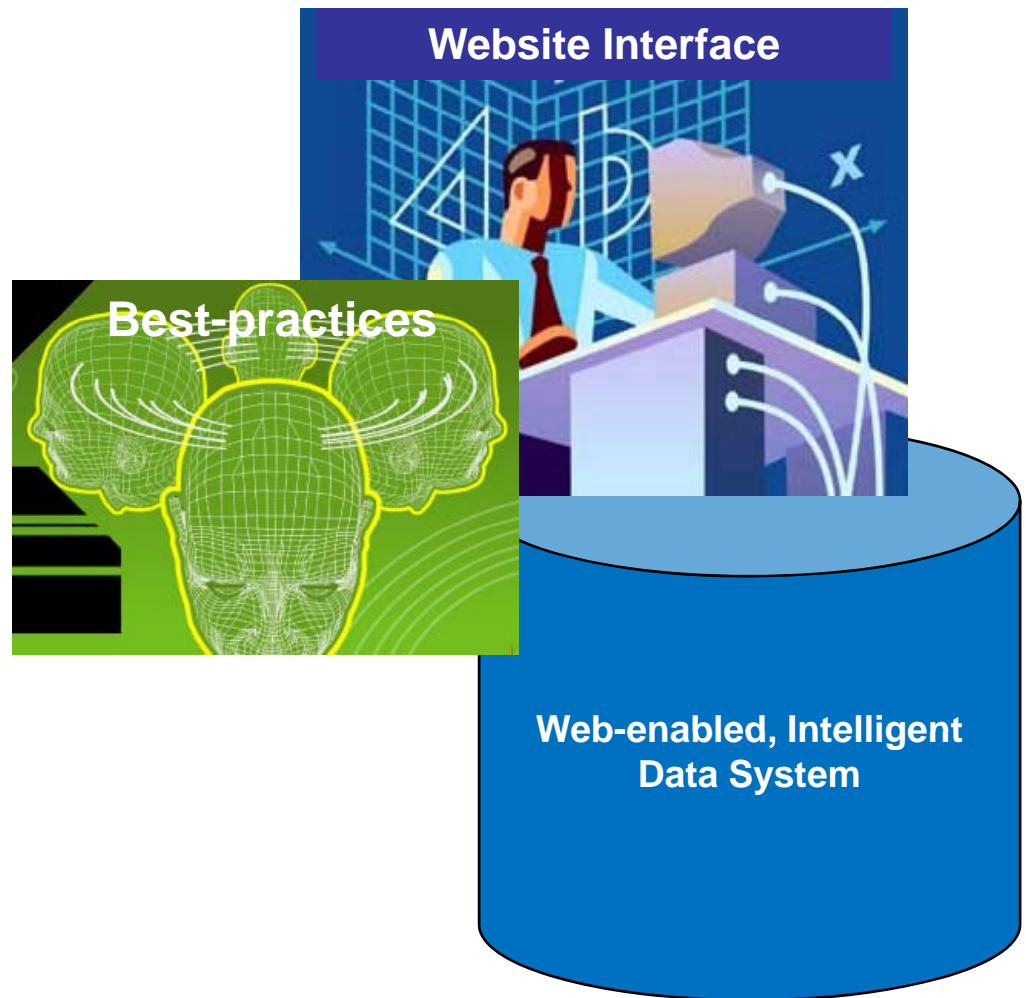
# Enterprise-wide Data Solution

## Best-practices

1. Key-stroke elimination
2. Global uploads
3. Global updates
4. Global approvals
5. Auto-updates for tariff changes
6. Data integration with ISF solution

## ISF Data Problems

1. Lack of timely data
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# Enterprise-wide Application Solutions

## Several Application Solutions Available

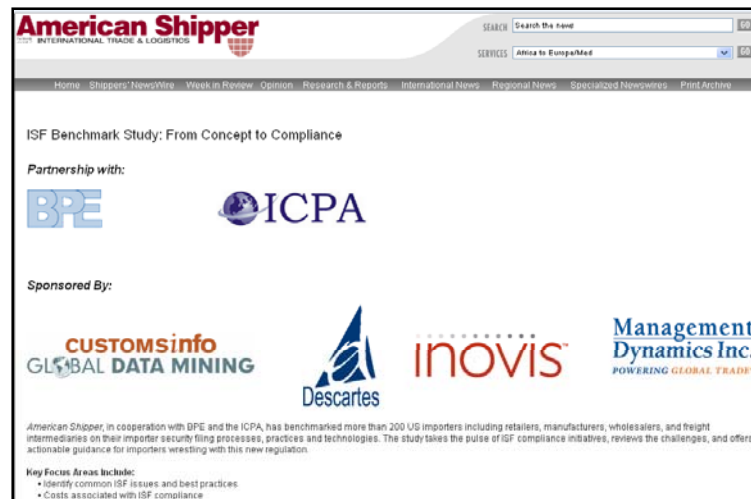
### 1. Utilize ISF filer's system

- Outsource your ISF filing
  - Per transaction fee \$15-100
  - Monthly service charge
- Provide agents with access to your data via web-based portals
- Create EDI/XML messages to your filer

### 2. Become a self-filer

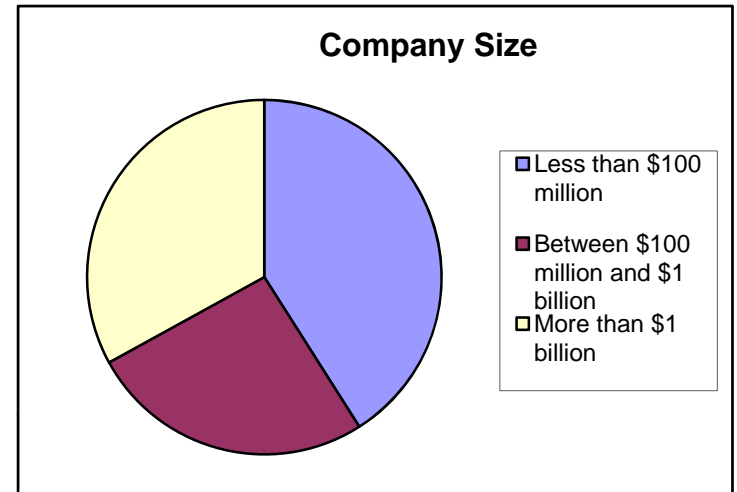
- ABI/AMS solutions
  - Purchase software
- ISF web-based solutions
  - Pay as you go \$2-50

# ISF Benchmark Study /Real Business Stories

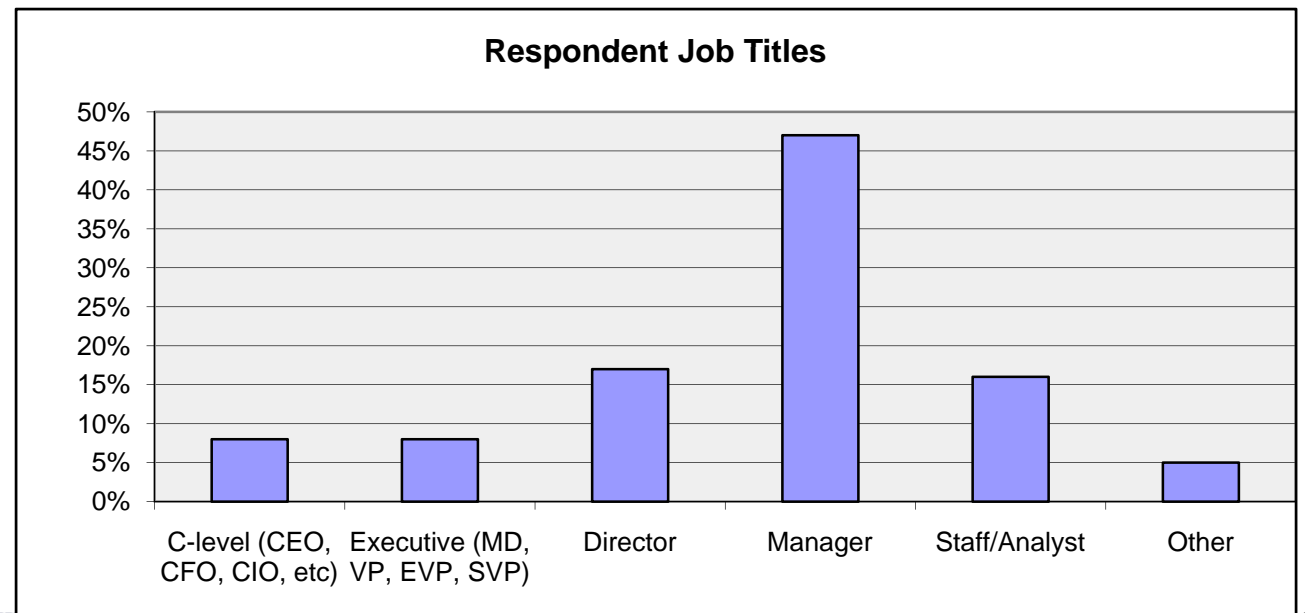
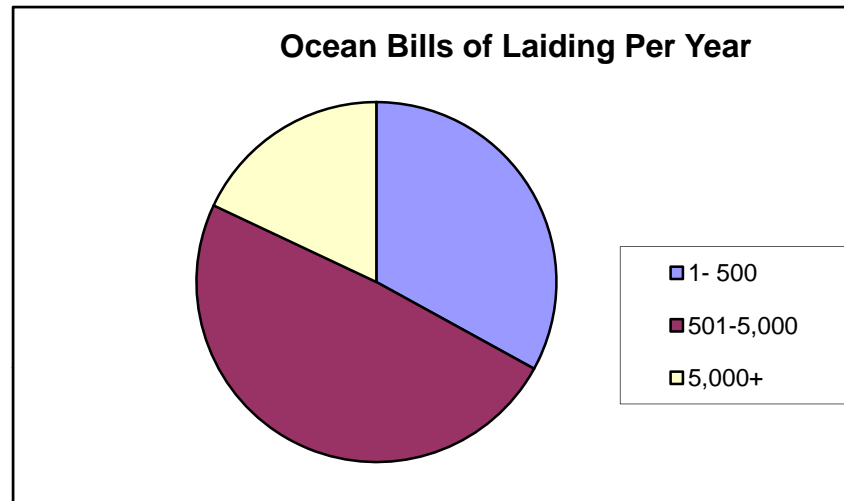


# The Basics

- 220 companies
  - 34% Retail/wholesale
  - 25% Freight intermediaries
  - 13% Process manufacturers
  - 20% Discrete manufacturers
- 23 questions
  - The status of ISF compliance
  - Challenges importers face in becoming compliant
  - Impact of ISF compliance including costs
  - Best practices for ISF compliance management



# Survey Demographics



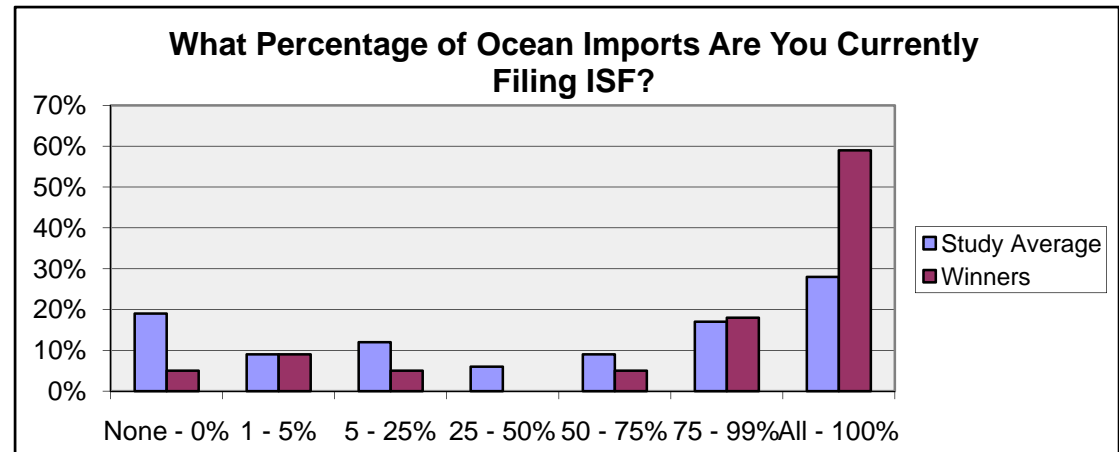
# Winners

- File ISF for 100% of their U.S. imports by the January 26, 2010 deadline
- Pay \$50 or less in fees per ISF filing
- Express a high level of confidence in the accuracy, completeness, and timeliness of their ISF filings
- Make amendments to their service agreements to incorporate ISF compliance



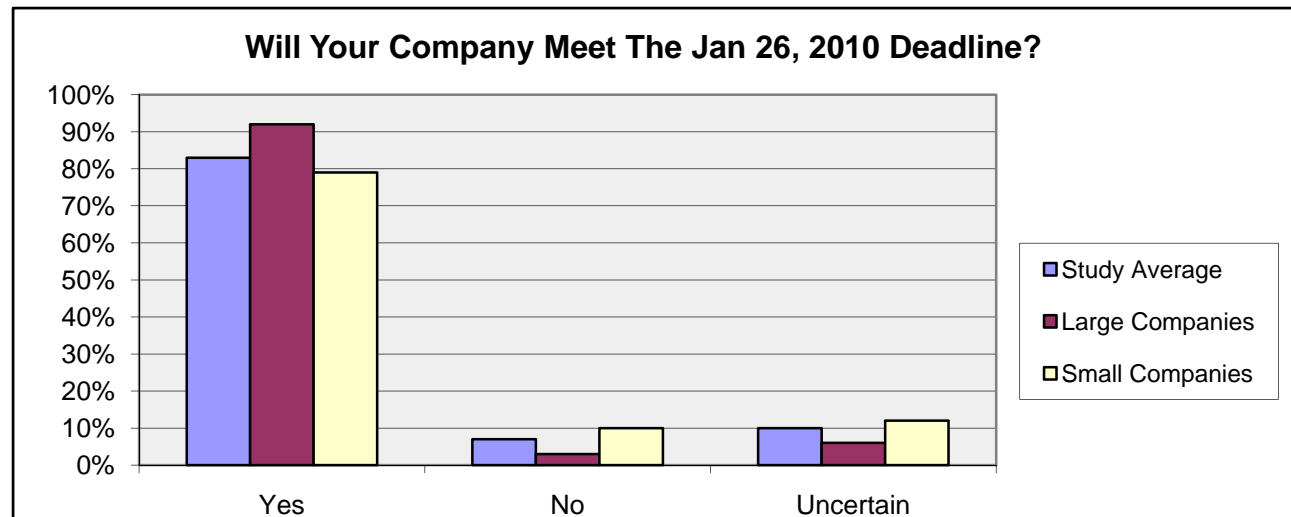
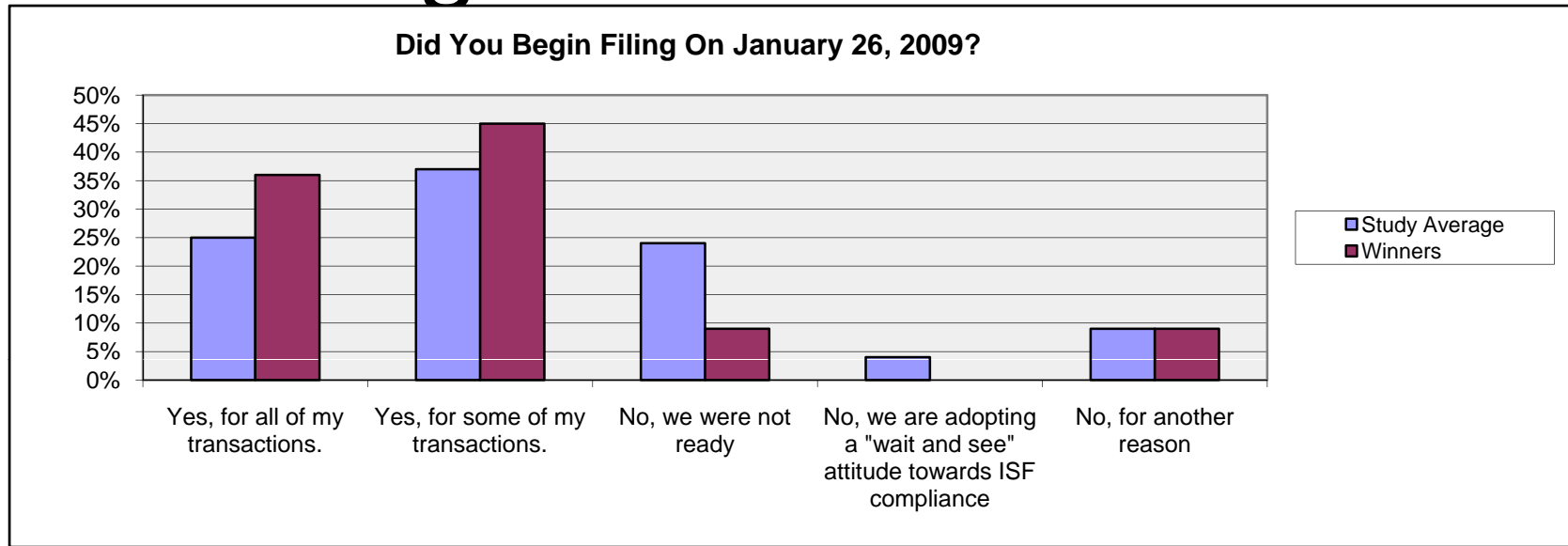
# A Long Way To Go

- 28% filing 100% of the ISF's
- 19% not filing at all
- Winners were twice as likely to be filing ISF's for 100% of their ocean imports
- Study average 4 times as likely to be filing no ISFs at all
- 37% have a high or very high degree of confidence that their ISF filings are timely, complete and accurate





# ISF Filing Status



# Size Matters

- Smaller companies ...
  - higher confidence level in the timeliness, accuracy and completeness of their filings
  - but... small companies are less certain about their ability to meet the January 2010 deadline
- Larger companies...
  - less satisfied (or completely dissatisfied) with their current ISF filing
  - yet, are more certain about meeting the January 2010 deadline

# C-TPAT Matters

- The top ISF importers are C-TPAT members.
- CBP is communicating directly with C-TPAT members regarding ISF filing.
- ISF filing also enables CBP to give your cargo C-TPAT status earlier in the process, for example in regards to targeting decisions such as no-load messages, the ISF allows CBP to take C-TPAT status into consideration.
- ISF reports will be delivered directly to C-TPAT Tier 3 members.

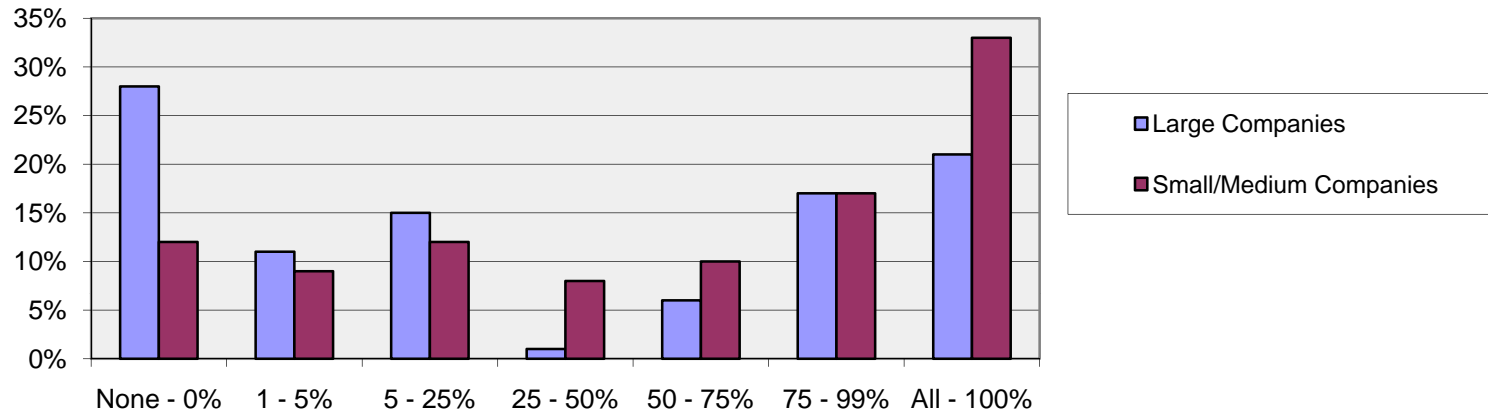
# D-Day 2010

- Only 83% anticipate being able to file their ISFs by January 2010
- To avoid liquidated damages of \$5,000.00 per ISF **filing**
  - Timely
  - Complete
  - Accurate
- Financial losses would be staggering if enforcement began today

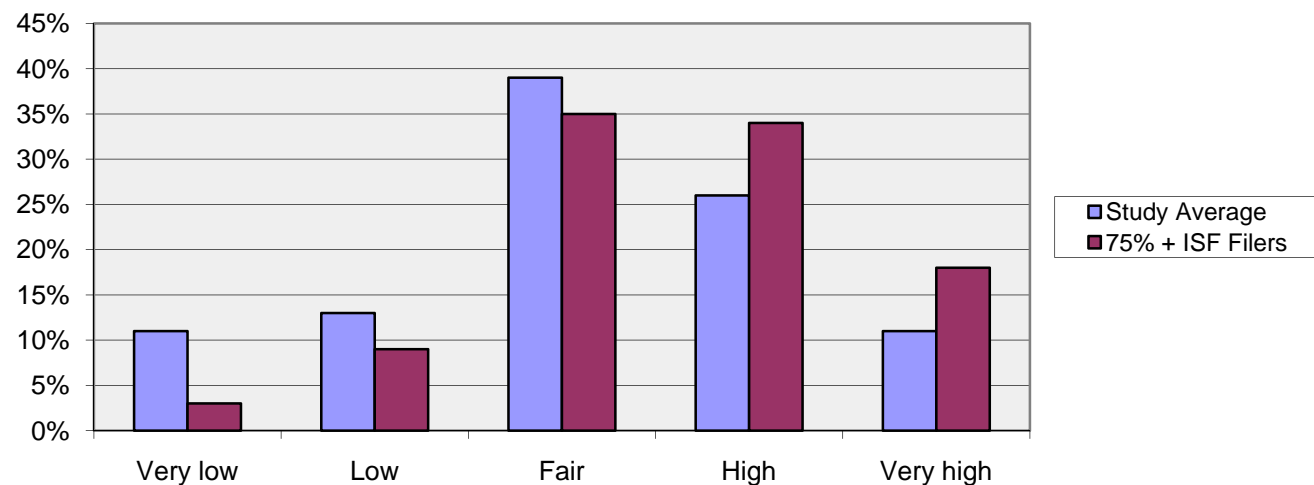
**Companies Cannot Afford to Wait**

# File Now – Refine Later

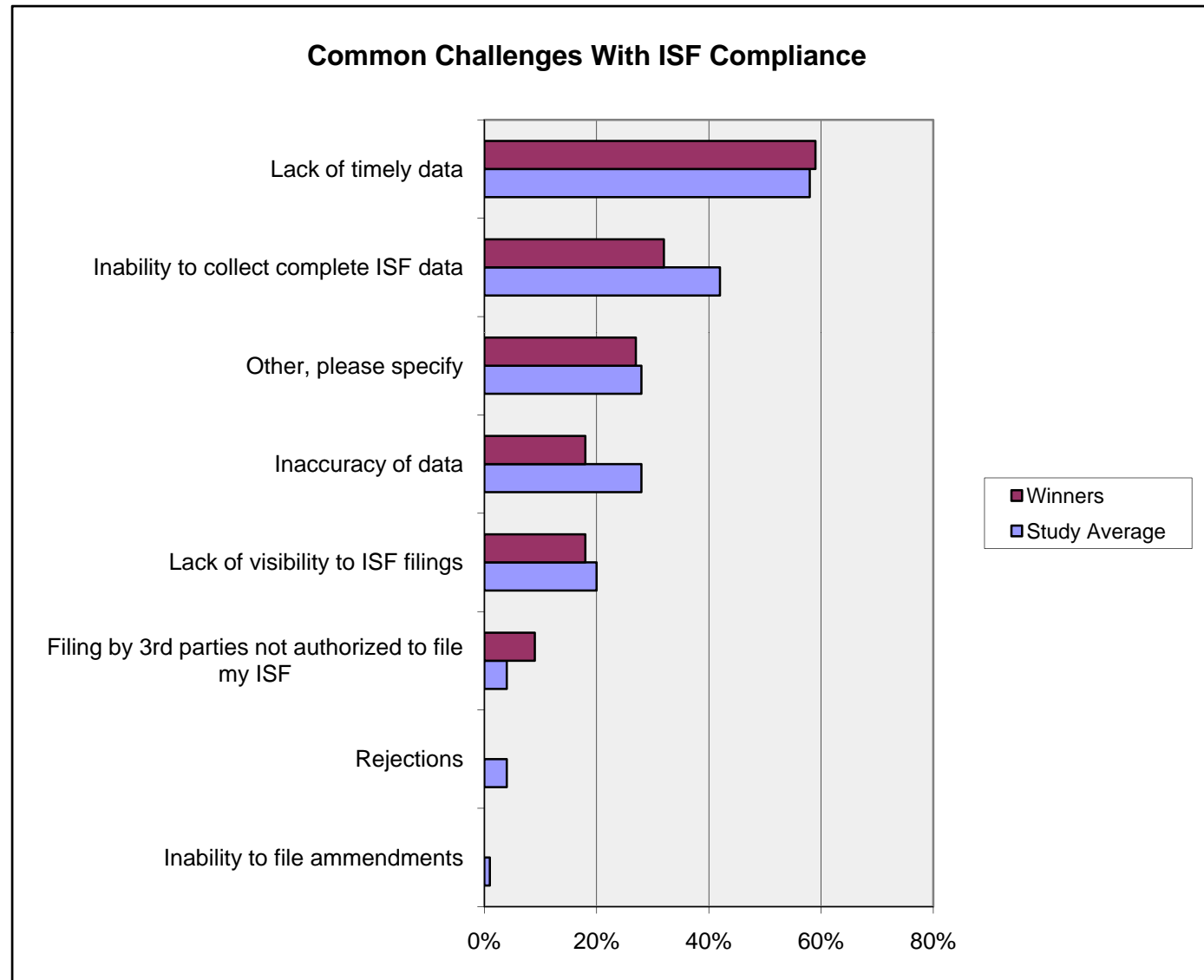
Percentage of Ocean Imports Currently Filing ISF for By Company Size



Confidence in Accuracy, Timeliness and Completeness of ISF Study  
Average vs. 75% + ISF Filers



# ISF Issues



# Other Issues With ISF

- Lack of availability of the B/L data
- No match to the B/L and the duplicate ISF filing errors
- Concerns with the timing of filing of the ISF by the importer and the timing of the carrier's filing of the manifest through AMS
- Issues with technology
- Concerns with additional cost of compliance

# Costs

- CBP issued their Fiscal Year in Review
  - Year end analysis of CBP data shows entry counts and revenue collections of just under 31 million entries with \$32.5 billion in revenue collections
- Impossible to calculate the total number of ISFs that should be filed
- Bold, Unscientific Estimation
  - 40% of entries filed are ocean
  - 6% reduction in global trade for 2009
  - 72% of the customs entries that were filed in FY08 (adjusted to reflect ocean shipments in 2009) = 8.3 million entries
  - This could potentially represent \$41.9 billion in penalties



# Important Dates

- January 26, 2009 – ISF filing is required.
- June 1, 2009 – Comments due on the requirements in section 149.2(b) regarding the timing of transmission for 6 of the 10 Importer Security Filing elements and section 149.2(f) regarding the flexible requirements for 4 of the elements are adopted as an interim final rule.
- January 26, 2010 – Compliance date, ISF full enforcement begins.

Penalties (potential annual exposure)

Importer with 500 annual entries = \$2,500,000

One of our clients has 23,000 containers imported/year = \$125,000,000

# ISF Penalty Calculator



	Import Value	Ocean Entries	Potential Risk
Your company here	Total dollars	Number of Entries	\$5,000 per entry

# Why you should care



World Bank Predicts  
Rough Economic

Dire Forecast for Global Economy and Trade

Three unlikely catalysts  
have been driving the  
U.S. economy off a cliff.

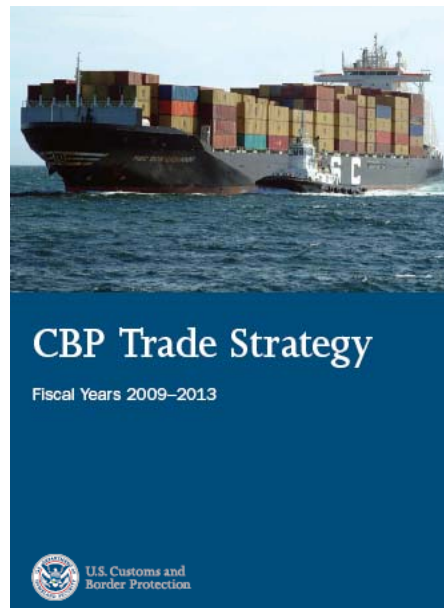
## CBP Strategy

**“enforce US trade laws  
and collect accurate  
revenue” as its number  
two strategic goal...**

**actually ahead of  
“advance national and  
economic security.”**

How long will the U.S. economy  
suffer before it recovers?

That sound you hear...  
it's millions of  
Americans cracking  
their nest eggs.



**CBP Trade  
Strategy**

# 10 + 2 Readiness

Be a winner!!



**January 26, 2010**  
only 190 days to go

## Proven path

1. Know the regulation
2. Design enterprise-wide data strategy
3. Identify a software solution
4. Create project plan
5. Implement



# 10 + 2 Readiness

Be a winner!!



**January 26, 2010**  
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## Collateral benefits

1. Improve supply chain planning
2. Improved supply chain speed
3. Reduced inventory requirements
4. Improved visibility and controls
5. Competitive advantage

1. **Avoid delays**
2. **Improve compliance**
3. **Reduce expenses**



# Take Action!!!



**January 26, 2010**  
only 190 days to go

## Next steps

1. Understand your risk
2. Understand your challenge
3. Review your internal systems
4. Select a filing option
5. Select an a technology platform

- 1. Avoid delays**
- 2. Improve compliance**
- 3. Reduce expenses**

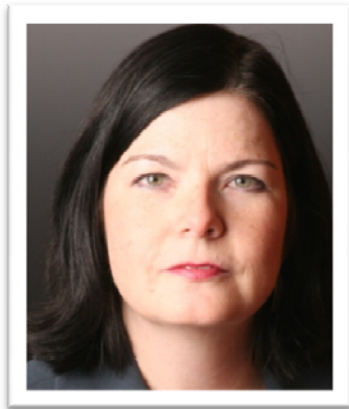






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# Questions?



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