



OCT 10 2003

CUSTOMS MEMORANDUM ORDER

NO. 22-2003

**SUBJECT: Quarterly Accreditation of Surety Companies
and Renewal of Accreditation**

1. OBJECTIVES

- 1.1 To ensure that only those surety companies in good standing shall be authorized to underwrite bonds as guarantee for the performance of various obligations of the importer, as allowed under the law, rules and regulations
- 1.2 To ensure that the interests of the government are amply protected with the bonds issued by said surety companies
- 1.3 To provide a mechanism for surety companies to settle their outstanding accountabilities

2. SCOPE

This Order shall cover the procedure and documentary requirements in the quarterly accreditation of surety companies and the renewal of such accreditation.

3. GENERAL PROVISIONS

- 3.1 Only surety companies in good standing with the Bureau of Customs (BOC) shall qualify for accreditation in accordance with this Order.
- 3.2 To be in good standing, a surety company:
 - 3.2.1 must have an authority from the Office of the President to engage in surety business;
 - 3.2.2 must be a holder of a Certificate of Authority duly issued by the Insurance Commission, which must be valid and effective at the time of application/renewal and for the duration of the period applied for;

3.2.3 must not have, as an entity by itself, any due and demandable liabilities with BOC at the time of the application/renewal;

3.2.4 must have settled at least 70% of its outstanding obligations as a surety company of persons/entities having transactions with BOC, if any, as of the first day of the immediately preceding quarter (e.g., as of July 1 for application for accreditation for the 4th Quarter).

3.3 The accreditation of the surety company shall be good and effective for a period of one quarter, renewable every quarter thereafter in accordance with this Order. For this purpose, a calendar year is divided as follows: 1st Quarter, January-March; 2nd Quarter, April-June; 3rd Quarter, July-September; 4th Quarter, October-December.

3.4 Applications for accreditation of surety companies shall be filed with and processed by the Bonds Division of the Port where the surety companies wish to be accredited, reviewed by the Collection Service, and upon the latter's recommendation shall be approved by the District Collector concerned.

3.5 No bonds shall be honored or accepted by any port unless issued by a surety company accredited in accordance with this Order, covering transactions falling within the jurisdiction of the collection district of the port where it is accredited, and within the period covered by its accreditation.

4. Application/Renewal of Accreditation

4.1 At the Bonds Division

4.1.1 The surety company shall submit a written application/request for renewal not later than 15 days prior to the onset of the quarter applied for.

4.1.2 The application must be accompanied and supported by, in the original or duly authenticated copy, of the following:

4.1.2.1 Administrative Order issued by the Office of the President granting authority to the firm to engage in surety business;

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- 4.1.2.2 Certificate of Authority issued by the Insurance Commission, indicating among others, its validity at the time of the application/renewal and for the duration of the quarter being applied for;
 - 4.1.2.3 Copy of the latest audited annual financial statement of the surety company, but not exceeding one year at the time of the application/renewal;
 - 4.1.2.4 Certification of the Corporate Secretary of the surety firm indicating and attesting to the authority of the officer authorized to sign the bond, and exhibiting the authorized official's three (3) specimen signatures, initials, and impressions on the right and left hands thumbprints;
 - 4.1.2.5 Statement under oath by the Corporate Secretary stating that as an entity by itself, it has no outstanding obligation with BOC, and that as a surety company, out of its total outstanding obligation in terms of the amount of the bonds issued in the past to BOC, the remaining unsettled obligations falls within the 30% threshold, as of the first day of the immediately preceding quarter.
- 4.1.3 In the computation of the 30% threshold of unsettled obligations, all accounts on bonds of a surety firm shall be considered up to the extent of the amount unpaid or unsettled, including but not limited to accounts on bonds:
- 4.1.3.1 That are subject of existing compromise or staggered payment arrangements;
 - 4.1.3.2 That are subject of pending court litigation;
 - 4.1.3.3 That have been sequestered from bond principals, importers or consignees;
 - 4.1.3.4 That have been issued involving valuation and classification issues/cases.

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4.1.4 For purposes of computing the 30% threshold, the Bonds Division shall prepare the Outstanding Account Worksheet which shall disclose the following information about outstanding accounts of the applicant surety company as of the first day of the immediately preceding quarter:

- 4.1.4.1 Kind of Bond
- 4.1.4.2 Bond Number
- 4.1.4.3 Amount of Bond
- 4.1.4.4 Name of Principal/Importer/Consignee
- 4.1.4.5 Import Surety Number
- 4.1.4.6 Amount of charges

4.1.5 The Outstanding Account Worksheet shall be certified true and correct by the Chief, Bonds Division, and a copy thereof shall be furnished to the applicant surety company; Chief, Liquidation and Billing Division; concerned warehouse operating divisions; and other concerned offices.

4.1.6 On the bases of the above submissions, the application shall be processed and completed by the Bonds Division within seven (7) days from receipt of application with the above required supporting documents, by indorsing the same to the Collection Service for review/appropriate action, with a covering summary of its findings as to the authenticity and validity of all required supporting documents, attaching thereto an Outstanding Account Worksheet, showing the current accountability of the applicant surety company that the same is within the 30% threshold as of the first day of the immediately preceding quarter.

4.2 At the Collection Service

4.2.1 Upon receipt of the indorsement from the Bonds Division, the Collection Service shall review all submissions, particularly with respect to the authenticity and veracity of the documents submitted and the compliance with the 30% threshold rule; the review process shall be completed within seven (7) days.

4.2.2 In the conduct of the review, the Collection Service may verify with the concerned offices, such as, the Liquidation and Billing Divisions, Tax Exempt Division, warehousing operations divisions, as well as with the various ports to ensure that all outstanding obligations of the applicant surety company are taken into account.



4.2.3 As part of the review process, the Chief, Collection Service, may recommend a course of action that would achieve a balanced liquidation of the outstanding accounts from previous years' accountabilities with the more recent ones.

4.2.4 If in order, the Chief, Collection Service, shall forward the application/renewal to the concerned District Collector for approval, otherwise, it shall advise the applicant surety company of its action on the matter accordingly, copy furnished the Chief, Bonds Division and the Office of the Commissioner.

4.3 At the Office of the District Collector

4.3.1 Upon receipt of the indorsement of the Chief, Collection Service, the District Collector shall, within seven (7) days, act accordingly on the application.

4.3.2 If in order, the District Collector shall approve the application, specifying the quarter the accreditation is effective and such other conditions, if any.

4.3.3 In case the application is disapproved, or for such other action, the District Collector shall advise the applicant surety company accordingly, copy furnished the Chief, Collection Service and Bonds Division.

5. ACCOUNTABILITIES

5.1 The District Collector and the Chief, Collection Service shall be responsible for the smooth, proper and effective implementation of this Order in all cases, under his/her jurisdiction, where it applies

5.2 The concerned Customs officers and personnel are directed to perform their responsibilities as required herein.

5.3 All signatories to any certificate/report required under this Order shall be liable for any flaw/defect found therein.

6. REPEAL CLAUSE

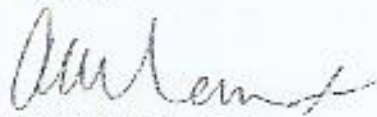
All customs orders, rules, regulations or parts thereof that are inconsistent with this Order are hereby repealed or modified accordingly.

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7. **EFFECTIVITY CLAUSE**

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This Order takes effect immediately upon signing.



ANTONIO M. BERNARDO
Commissioner

Date Signed _____