



## ACTIVATION PROCESS

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- Activation is the approval by the Port Director and the grantee for the zone to begin operations.
- It also includes resumption of operations of a previously deactivated zone under a new operator.



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## CBP ACTIVATION PROCESS INITIATION PROCEDURE

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- Written application
- May be a request for all or any portion of the zone approved by the board.
- The request shall include
  - A description of all the zone sites covered by the application for activation
  - Any operation to be conducted therein
  - A statement of the general character of the merchandise to be admitted



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## ACTIVATION PROCESS

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- Activation request letter sent to CBP includes
  - Blueprint of the approved areas showing the area to be activated including all buildings, openings, inlets, outlets, pipelines to tanks or storage of liquid products
  - Gauge tables showing the capacity in the appropriate unit of any tank, as applicable
  - A procedures manual in English
  - Written concurrence from the grantee
  - FTZ Operators Bond



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## CBP ACTIVATION PROCESS

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- CBP will not activate a zone until all the prior requirements have been met and
  - The background investigations are complete
  - The zone security has been approved
  - The FTZ operators bond is in place



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## INITIAL MEETING

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- Purposes of the meeting
  - Gain an understanding of the zone project
  - Meet the people involved with the zone
  - Explain the CBP role, policies, and procedures
  - Conduct a preliminary security check
  - Begin background checks
  - Begin the procedures for establishing the Operator's Bond amount



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## BACKGROUND INVESTIGATION

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- Port Director will have a background investigation made of the operator, key management and employees who have access to or could change the ICRS
- Background investigations should be started during the application process due to length of time required



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## BACKGROUND INVESTIGATION

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- Any information disclosed in this inquiry is confidential and will not be disclosed.
- An employer may wish to obtain a Privacy Act waiver, which would allow disclosure of information from CBP.



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## BACKGROUND INVESTIGATION

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- If the background investigation reveals any derogatory information concerning the operator or employees who have access to or could change the inventory and record keeping system the Executive Secretary will be advised to the extent permitted under the Freedom of Information and Privacy Acts.



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## BACKGROUND INVESTIGATION

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- Derogatory information includes
  - Fraud or misstatement of a material fact in the application
  - Failure to furnish, upon request, a complete and accurate list of person as specified in 19 CFR 146.7(g)



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## BACKGROUND INVESTIGATION

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- Managers who have been convicted of a felony or misdemeanor involving theft, smuggling, fraud or similar property crime
- Employment of people convicted of crimes that would jeopardize the security of the merchandise



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## BACKGROUND INVESTIGATION

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- The application will not be provisionally approved pending the completion of the background investigation.



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## PROCEDURES MANUAL

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- A copy of zone procedures manual (to facilitate Compliance Reviews and audits) must be included with activation request
  - Describes methodology of all zone transactions
  - Must provide sufficient detail of zone operations for CBP understanding



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## PROCEDURES MANUAL

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- Identifies the location of and activities conducted in the zone
- Includes transportation and admission to the zone, activity in the zone, transfer of merchandise from the zone
- Describes the process for preparing required periodic reports



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## PROCEDURES MANUAL

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- Receipt of the manual by CBP does not constitute approval or certification of the procedures manual.
- Approval of the manual is NOT allowed
- The PD may advise the operator of any apparent failure(s) in the system.



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## PROCEDURES MANUAL

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- Neither the PD's reading, courtesy advice or approval of the application for activation constitutes any representation by CBP that the system does or does not meet the criteria of 19 CFR Part 146, Subpart B.



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## PROCEDURES MANUAL

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- CBP will take at face value that the recordkeeping system presented in the procedures manual meets the requirements of subpart B.
- The operator must update the CBP copy of the procedures manual.
- CBP officers will maintain the procedures manual confidentiality.



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## SECURITY

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- Port Director will conduct a security check
- Guidelines for security are found in:
  - FTZ Manual, Chapters 4 and 8
  - Treasury Decision 72-56/“Standards for Cargo Security” booklet
    - Apply standards in broad context, taking into consideration that modern technology is more effective for the protection of records and merchandise



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## ACTIVATION

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- The PD will notify the applicant in writing of the decision to approve or deny the application to activate the zone.
- If denied the grounds for denial will be stated in the letter.



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## BOND

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- Submitted on CBPF 301 by the Operator
- Port Director will request a bond amount sufficient to cover the type of merchandise admitted and the risk incurred by CBP in the processes authorized by the FTZB
- Minimum bond amount is \$50,000



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## NEW BOND

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- The PD may require, with 30 days notice, a new operators bond.
  - The activated zone is substantially altered
  - The merchandise admitted or the operations performed have substantially changed.
  - The existing bond lacks sufficient coverage
  - Other reasons substantially affecting liability of the operator





## GRANTEE/OPERATOR AGREEMENT

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- Terms and conditions for operating the zone
- Between grantee, operator, and/or user
- Does not involve CBP



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## ADDITIONAL ACTIVATION ELEMENTS

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- Requests for activation often contain request for procedures such as:
  - Direct delivery (of in-bond merchandise)
  - Break & affix CBP seals
  - Time extensions
- CBPF 216 for manufacturing or manipulation operations must be approved prior to commencement of such activities



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## ALTERATION

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- A change in the boundaries of an activated zone or subzone.
  - Operator must make written application
  - PD must complete another security check



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## BONDED WAREHOUSE WITHIN A FTZ

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- Any portion of an approved GP or subzone that is not activated may be utilized as a CBP bonded warehouse, container freight station or examination station upon approval of the application and appropriate bond.
- The PD shall designate the means for effective separation of the bonded warehouse from the rest of the facility



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## DEACTIVATION

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- The voluntary discontinuation of the activation of an entire zone or subzone by the operator or grantee.
  - Make application in writing
  - PD will not approve unless all merchandise has been removed at the risk and expense of the operator or a consumption entry has been filed for the merchandise.



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## REACTIVATION

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- The resumption of the activated status of an entire area that was previously deactivated without any change in the operator or the area boundaries.



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## NEW ZONE OPERATOR

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- The Grantee will make written application to the PD for approval of a new operator.
  - New background investigation
  - New bond
  - Letter from the operator stating that the ICRS meets the requirement of CFR 146 Subpart B
  - PD will notify the grantee in writing of his/her decision



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## FILE REQUIREMENTS

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- PD's will keep copies of activation, alteration, deactivation and reactivation applications for new operators and the current FTZ operator's bond in an updated permanent file.



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