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DEPARTMENT OF HOMELAND SECURITY

U.S. Customs and Border Protection

19 CFR Parts 110, 111, 141, 142 and 171

[USCBP-2026-1387; CBP Dec. 26-19]

RIN 1685-AA48

Heightened Requirements for Foreign Importers of Record

AGENCY: U.S. Customs and Border Protection, Department of Homeland Security.

ACTION: Interim final rule; request for comments.

SUMMARY: This document amends the U.S. Customs and Border Protection (CBP) regulations, consistent with Section 2 of Executive Order 14411, "Strengthening Customs Enforcement," by establishing new requirements for foreign importers of record (IORs) when making entry, and corresponding responsibilities for licensed customs brokers with regard to their clients. The new regulations also set forth consequences for foreign IORs and customs brokers who fail to comply with the new requirements.

DATES: This interim final rule is effective on [INSERT DATE 60 DAYS FROM DATE OF PUBLICATION IN THE *FEDERAL REGISTER*].

As explained in Section VII, licensed customs brokers may submit requests for delayed compliance with the changes in § 111.29 of title 19 of the Code of Federal Regulations (19 CFR 111.29) prior to [INSERT DATE 60 DAYS FROM DATE OF PUBLICATION IN THE *FEDERAL REGISTER*]. All customs brokers are expected to be in full compliance with the requirements of this rule no later than May 6, 2027.

Comment date: Comments on the rule must be received on or before [INSERT DATE 60 DAYS FROM DATE OF PUBLICATION IN THE *FEDERAL REGISTER*].

ADDRESSES: You may submit comments, identified by docket number, through the Federal eRulemaking Portal: http://www.regulations.gov. Follow the instructions for submitting comments via docket number **USCBP-2026-1387**.

Instructions: All submissions received must include the agency name and docket number for this rulemaking. All comments received will be posted without change to http://www.regulations.gov, including any personal information provided. For detailed instructions on submitting comments and additional information on the rulemaking process, see the "Public Participation" heading of the SUPPLEMENTARY INFORMATION section of this document.

Docket: For access to the docket to read background documents and submitted comments, go to http://www.regulations.gov.

FOR FURTHER INFORMATION CONTACT: Anita Rivera, Branch Chief, Revenue Enforcement Branch, Trade Modernization Division, Trade Programs Directorate, Office of Trade, at (771) 233-2939 or ForeignIOR@cbp.dhs.gov.

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IX. Signing Authority

I. Public Participation

Interested persons are invited to participate in this rulemaking by submitting written data, views, or arguments on any aspect of this rulemaking. U.S. Customs and Border Protection (CBP) also invites comments that relate to the economic or federalism effects that might result from this rule. If appropriate to a specific comment, the commenter should reference the specific portion of the rule, explain the reason for any recommended change, and include data, information, or authority that supports the recommended change.

II. Background

On June 3, 2026, the President signed Executive Order (E.O.) 14411 (Strengthening Customs Enforcement).[1] Section 1 of the E.O. emphasizes the importance of customs enforcement for purposes of national security, foreign policy, and the economy of the United States. It further states that effective customs enforcement prevents the importation of unlawful and dangerous goods, ensures importers of record (IORs) are correctly identified and held accountable for duties owed, and guarantees compliance with numerous Federal laws, including laws governing forced labor, rules of origin, origin marking, intellectual property, revenue collection, and product safety.

The E.O. calls for customs reform to remedy systemic inefficiencies, loopholes, insufficient enforcement mechanisms, and outdated processes that have created opportunities for malign actors to evade Federal law. IORs often use various arrangements and schemes to undervalue imports, withhold critical information about themselves and the goods being imported or its production process, and/or avoid payment of duties. These actions threaten

[1] 91 FR 35125 (June 10, 2026). A Fact Sheet accompanying the Executive Order, issued the same day, emphasizes the goal of comprehensive customs reform through various actions to be taken by the Department of Homeland Security (DHS) and CBP to strengthen the enforcement of U. S. customs laws and promote economic strength and national security by combatting customs fraud. *See* https://www.whitehouse.gov/fact-sheets/2026/06/fact-sheet-president-donald-j-trump-strengthens-customs-enforcement/.

national security, threaten product safety, undermine foreign relations, disadvantage domestic businesses, and harm Americans.

Sections 2(b) and (c) of E.O. 14411 direct the Secretary of the Department of Homeland Security, through the issuance or modification of relevant regulations, policy or guidance, to prohibit foreign IORs from making informal entry pursuant to 19 U.S.C. 1498 and to require foreign IORs who want to make formal entry to either be a Customs Trade Partnership Against Terrorism (CTPAT) validated participant or use a licensed customs broker who is a CTPAT validated participant. Section 10 of the E.O. provides definitions for certain terms, such as "foreign IOR" and "U.S. IOR," that are intended to assist in the enforcement of the E.O.'s directives.

One of CBP's many critical mission sets is to facilitate legitimate trade that supports economic growth while shielding the American public and businesses from illicit trade, including unsafe products, intellectual property theft, and unfair trade practices. In particular, with respect to foreign IORs, CBP faces challenges enforcing their financial obligations to the U.S. government arising from lost revenue, such as from unpaid duties and taxes. In addition, CBP cannot easily ensure that foreign IORs are complying with U.S. customs and trade laws to prevent the importation of dangerous and unlawful goods. These challenges exist primarily because foreign IORs and their assets are primarily located outside the United States.

Consistent with the E.O. and governing statutes, this rulemaking addresses the challenges presented by foreign IORs. Section 2(b) of the E.O. instructs CBP to prohibit foreign IORs from filing informal entry because, among other reasons, such IORs are not similarly situated to U.S. IORs and may be less familiar with U.S. customs laws. Foreign IORs also present challenges when CBP pursues enforcement actions against them. Similarly, Section 2(c) of the E.O. instructs CBP to prohibit foreign IORs who have not been vetted by CBP through CTPAT validation from making formal entry, unless they rely on a CTPAT validated broker to file the

entry. This is necessary to treat all IORs equally based on their individualized circumstances to protect the revenue and strengthen national security.

Through CTPAT validation of IORs, CBP is able to ensure proper vetting of foreign IORs that mitigates risks to revenue, domestic industry, American consumers, and national security – CTPAT validation allows CBP to pursue effective enforcement against foreign IORs and provides heightened visibility into their corporate structures and supply chains. Because CTPAT validation offers CBP stronger insight into foreign IORs, CBP is not prohibiting foreign IORs who are CTPAT validated from filing informal entry in this rulemaking. Similarly, CBP is not prohibiting foreign IORs from filing informal entry through a CTPAT validated broker in this rulemaking. However, as further detailed in section VI.G. below, CBP will be monitoring the informal entries filed by foreign IORs and their brokers following the effective date of the rule. If CBP determines that informal entries filed by foreign IORs present risks to the revenue, national security, or public health and safety, CBP will take action to fully prohibit foreign IORs from using informal entry to enter goods for consumption.

CBP will only allow a foreign IOR to enter goods for consumption[2] on its own behalf, *i.e.*, to serve as the IOR for the entry, whether an informal or formal entry[3], if the foreign IOR is CTPAT validated. Further, consistent with Section (2)(c) of the E.O., the only way for a foreign IOR who is not CTPAT validated to secure the entry and release of goods is by designating a CTPAT validated and licensed customs broker to make entry on the foreign IOR's behalf.

This rulemaking implements these requirements for foreign IORs when filing entries pursuant to the authority in 19 U.S.C. 1484 and 1498. This rule will assist CBP in preventing foreign parties from evading U.S. customs and trade laws and will level the playing field for U.S. IORs by holding foreign IORs to the same standards and enforcement mechanisms to which U.S.

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[2] Encompassing all entries for consumption (19 CFR 141.0a(f)), to include entries filed upon importation, and upon withdrawal from a bonded warehouse or a Foreign Trade Zone.

[3] As explained in more detail below, these requirements are applicable to merchandise for which an informal entry is required to be filed on CBP Form 3461 or 7501, or their electronic equivalents, and for which a formal entry is required to be filed.

IORs are currently held. Heightened requirements for foreign IORs will further CBP's mission to protect the American public and ensure the collection of revenue owed to the United States. With this rule, foreign IORs are prohibited from making informal entry of merchandise for consumption for which a CBP Form 3461 or 7501 must be filed unless the foreign IOR is either a CTPAT validated participant or uses a CTPAT validated and licensed customs broker. To make formal entry, a foreign IOR must also either be a CTPAT validated participant or use a CTPAT validated and licensed customs broker to enter merchandise for consumption. Foreign parties who are not CTPAT validated IORs must designate a licensed customs broker who is a CTPAT validated participant to file entry on their behalf. A designated licensed customs broker who is a CTPAT validated participant must act as the importer of record for the entry if such foreign parties are not the owner or purchaser of the merchandise being entered.

CBP is leveraging the CTPAT program to increase transparency as to foreign IORs transacting customs business in the United States and to better identify the merchandise they are importing. CTPAT validated participants have been vetted by CBP, have demonstrated that they are meeting certain security requirements, *i.e.*, the minimum security criteria (MSC), and have a known history of compliance, resulting in a higher degree of accountability and visibility into the foreign IOR's supply chain and security. Where a customs broker is acting on behalf of a foreign party, CBP is utilizing the existence of CTPAT validated and licensed brokers in the transaction to ensure transparency and accountability for a segment of the trade that presents higher risk than others.

III. Authority

Under section 66 of title 19 of the United States Code (19 U.S.C. 66), the Secretary of the Treasury[4] is authorized to prescribe regulations to be used in carrying out the provisions of laws

[4] The Homeland Security Act of 2002 generally transferred the functions of the U.S. Customs Service from the Treasury Department to the Secretary of the Department of Homeland Security. *See* Pub. L. 107–296, 116 Stat. 2142; 6 U.S.C. 203 ("there shall be transferred to the Secretary [of Homeland Security] the functions . . . of (1) the United States Customs Service of the Department of the Treasury, including the functions of the Secretary of the Treasury relating thereto"). Nevertheless, pursuant to Section 412 of the HSA, the Treasury Department retained authority related to various customs revenue functions, including those functions found in the Tariff Act of 1930

relating to raising revenue from imports or to duties on imports, or to warehousing, and give directions to CBP officers and prescribe such rules and forms to be observed by them as may be necessary for the proper execution of the law. Section 1624 of title 19 (19 U.S.C. 1624) authorizes the Secretary of the Treasury to make such rules and regulations as may be necessary to carry out the provisions of the Tariff Act of 1930, codified at 19 U.S.C. 1001 *et seq*.

Section 4320 of title 19 (19 U.S.C. 4320)[5] authorizes the Secretary of the Department of Homeland Security (DHS) to establish, among other things, a program that ensures collection of sufficient information to allow CBP to verify the existence of an IOR (19 U.S.C. 4320(b)(1)(A)), sufficient information to allow CBP to identify linkages or other affiliations between importers (19 U.S.C. 4320(b)(1)(B)), and sufficient information to allow CBP to identify changes in address and corporate structure of an importer (19 U.S.C. 4320(b)(1)(C)). Section 4321 of title 19 (19 U.S.C. 4321) authorizes the Commissioner of CBP, as part of an importer risk assessment program, to develop risk assessment guidelines for IORs, including nonresident importers,[6] and procedures to ensure increased oversight of products imported by new nonresident importers relating to the enforcement of priority trade issues.[7] *See* 19 U.S.C. 4321(a) and (b). Section 4321(c) excludes validated Tier 2 and Tier 3 CTPAT participants from the requirements of 19 U.S.C. 4321.[8]

[(Pub. L. 71-361, 46 Stat. 590, as amended (codified at 19 U.S.C. 1202 et seq.)). 6 U.S.C. 212(a)(1), (2). But the Secretary of the Treasury may delegate any such retained authority at the Treasury Secretary's discretion. 6 U.S.C. 212(a)(1). Consistent with this delegation authority, the Secretary of the Treasury issued Treasury Order 100-20 (available at https://home.treasury.gov/about/general-information/orders-and-directives/treasury-order-100-20), delegating the authorities contained in 6 U.S.C. 212 and 215 to the Secretary of Homeland Security. All further references to the "Secretary of Treasury" should be construed as referring to the Secretary of Homeland Security unless specified otherwise.

[5] On February 24, 2016, Congress enacted the Trade Facilitation and Trade Enforcement Act of 2015 (TFTEA), Public Law 114-125, 130 Stat. 122 (19 U.S.C. 4301 note). Sections 114 and 115 of TFTEA added sections 4320 (Importer of record program) and 4321 (Establishment of importer risk assessment program) to title 19 of the U.S. Code. Section 116 of TFTEA amended 19 U.S.C. 1641, adding paragraph (i) (Identification of importers).

[6] Section 4321(e)(2) defines a "nonresident importer" as an importer who is (A) an individual who is not a citizen of the United States or an alien lawfully admitted for permanent residence in the United States; or (B) a partnership, corporation, or other commercial entity that is not organized under the laws of a jurisdiction within the customs territory of the United States (as such term is defined in General Note 2 of the Harmonized Tariff Schedule of the United States) or in the Virgin Islands of the United States.

[7] Section 4322 of title 19 (19 U.S.C. 4322) established seven "priority trade issues," including import safety and revenue, and provided procedures for future changes to the list of priority trade issues.

[8] In this interim final rule, CBP is referring to the tier system of the CTPAT program only in the context of 19 U.S.C. 4321. Although initially referred to as Tier 1, Tier 2, and Tier 3 for CTPAT program participants, CBP has

Sections 1484 and 1498 of title 19 (19 U.S.C. 1484 and 1498) authorize the Secretary of the Treasury to prescribe regulations for the declaration and entry of merchandise. All merchandise imported into the customs territory of the United States is subject to entry and clearance procedures, unless excepted. *See* section 141.4(a) of title 19 of the Code of Federal Regulations (19 CFR 141.4(a)). These procedures ensure the proper appraisement, valuation, and tariff classification of the merchandise for the purpose of collecting the lawful amount of duties owed, as well as ensuring compliance with all laws and regulations administered and enforced by CBP. Sections 1484 and 1498 provide for different procedures for the entry and clearance of merchandise depending upon the aggregate value of the shipment. There are "formal entry" procedures established by 19 U.S.C. 1484 and 1485, which are generally applicable to shipments of merchandise valued in excess of $2,500. Title 19 CFR part 142 implements 19 U.S.C. 1484, as amended, and prescribes formal entry procedures.

Section 1498 of title 19 (19 U.S.C. 1498) authorizes special rules and regulations for the entry of certain merchandise, which includes section 1498(a)(1)(A) concerning shipments of merchandise valued at $2,500 or less (referred to as "informal entries"). Such entries may be, but are not required to be, subject to the requirements for formal entry prescribed at 19 U.S.C. 1484 and 1485. Informal entry regulations are found at 19 CFR part 143, subpart C. While informal entries are "excepted" from formal entry requirements, as noted, the Secretary of the Treasury may include any formal entry requirement in the rules and regulations governing informal entry. 19 U.S.C. 1498(b). The statutory framework of 19 U.S.C. 1498 authorizes, in effect, a less stringent entry process than under 19 U.S.C. 1484, which has developed into a process with fewer forms and procedures as compared to the formal entry process. As a result, informal entry procedures are generally less burdensome and complex than the formal entry procedures. However, CBP may require formal entry for any merchandise if deemed necessary

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transitioned to using the terms "certified," "certified - validated," and "certified - exceeding" when referring to the various levels of the CTPAT program.

for purposes of admissibility, revenue protection, or the efficient conduct of customs business. 19 CFR 143.22.

Section 1641 of title 19 (19 U.S.C. 1641) authorizes the Secretary of the Treasury to prescribe such regulations relating to the customs business of customs brokers as the Secretary considers necessary to protect importers and the revenue of the United States, including regulations relating to the furnishing of information to CBP, and to carry out the provisions of 19 U.S.C. 1641.

Section 1592 of title 19 (19 U.S.C. 1592) authorizes CBP to assess civil penalties against any person who, by fraud, gross negligence or negligence, enters or introduces, or attempts to enter or introduce, merchandise into commerce of the United States by means of a material false statement or omission.

The Security and Accountability for Every (SAFE) Port Act of 2006 (Pub. L. 109-347, 120 Stat. 1884 (2006), 6 U.S.C. 961 *et seq*.) authorizes the Secretary of DHS, acting through the Commissioner of CBP, to establish a voluntary government-business initiative to build cooperative relationships that strengthen and improve overall security of the international supply chain and U.S. border security, and facilitate the movement of secure cargo through the international supply chain, known as CTPAT. *See* 6 U.S.C. 962, 964 and 965. The CTPAT program plays a crucial role in safeguarding the economic and national security of the United States by acting as a vital component of CBP's multi-layered, risk-based security strategy. By securing international supply chains, the program helps prevent the entry of terrorist weapons, narcotics, and other contraband, thereby mitigating threats to national security. The CTPAT program contributes to the nation's prosperity by ensuring the free and fair flow of legitimate trade, preventing costly disruptions, and fostering a secure trade environment. The program's commitment to customs and trade enforcement provides an essential platform to combat trade fraud and protect American consumers and industries.

CBP encourages participation in this program by providing benefits to participants meeting or exceeding the CTPAT program requirements. An individual or company[9] that wishes to participate in the CTPAT program must complete an application in the CTPAT Portal[10] demonstrating that it meets the MSC[11] to establish eligibility for the program. Once a company is accepted into the program and receives "certified" status, the CTPAT participant will undergo a validation to verify the participant's supply chain security processes. 6 U.S.C. 964. At the conclusion of a successful validation, the participant will be granted "certified - validated" status. 6 U.S.C. 965. Upon becoming a participant in the CTPAT program, an individual or company enjoys a variety of benefits, which are listed on CBP's website at https://www.cbp.gov/border-security/ports-entry/cargo-security/ctpat.[12]

IV. Challenges Relating to Foreign Importers of Record

Unlike other countries that either do not allow foreign persons to act as an IOR or have strict processes for becoming a foreign IOR,[13] in the United States, a foreign individual or entity may become an IOR and make entry in the United States solely by submitting CBP Form 5106 (Create/Update Importer Identity Form) to request a CBP-assigned number, or by using an Internal Revenue Service (IRS) Employer Identification Number (EIN), which provides only basic contact and business information to CBP. Many of the foreign individuals and entities who become IORs appear to be U.S.-based in the Automated Commercial Environment (ACE)

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[9] *See* 6 U.S.C. 962. Businesses eligible to apply for CTPAT partnership include U.S. importers of record; non-resident Canadian importers; U.S./Canada highway carriers; U.S./Mexico highway carriers; air, rail and sea carriers; licensed U.S. customs brokers; U.S. marine port authority/terminal operators; certain third-party logistics providers (3PLs); U.S. freight consolidators; ocean transportation intermediaries and non-vessel operating common carriers (NVOCCs); Mexican and Canadian manufacturers; and Mexican long-haul highway carriers. In addition, CBP is conducting a pilot (90 FR 52690), Nov. 21, 2025)) for certain types of asset-based and non-asset-based 3PLs that are currently not eligible to participate in the CTPAT program, pursuant to the Customs Trade Partnership Against Terrorism Pilot Program Act of 2023 (Pub. L. 118-98, 138 Stat. 1575).

[10] *See* trade.cbp.dhs.gov/ctpat/ctpat-portal-ui.

[11] *See* 6 U.S.C. 963. *See also* https://www.cbp.gov/border-security/ports-entry/cargo-security/ctpat-customs-trade-partnership-against-terrorism/apply/security-criteria.

[12] This list may change as benefits are updated to improve the program.

[13] For example, Mexico, Brazil, India, South Korea, Vietnam, and China do not allow foreign persons to act as IORs. The European Union (EU) allows foreign IORs, however, the importer must obtain a unique identification number and in many EU Member States must obtain a local Value-Added Tax (VAT) registration. Japan requires all non-resident importers to utilize an attorney for customs procedure when importing into Japan to ensure proper compliance with customs rules.

because they list a U.S. address, which may be the address of an agent or post office box for mail. In reality, these foreign individuals or entities have no physical presence and no assets beyond a mailing address in the United States and are considered shell companies. These shell companies obscure the real identity and corporate structure of their owner,[14] as well as ownership of the entity's assets, enabling tax evasion, financial fraud and other financial crimes. Due to the anonymity of a shell company's identity and the identity of its owner(s), it is difficult to track and verify the company's financial transactions, including customs entries, and to prevent the importation of potentially unsafe merchandise, such as counterfeit goods and precursor chemicals for the purposes of manufacturing illicit substances, into the United States. Thus, these shell companies pose a significant threat to national security, economic security, and public safety.

These shell companies may also engage in misclassification, undervaluation, or other duty evasion schemes, knowing that CBP's options for enforcement are limited when assets and individuals are located outside of the United States and that it is more difficult for CBP to detect linkages and affiliations. In such cases, when detected by CBP, these shell company IORs may be placed on live entry pursuant to 19 CFR 142.13(a)(3), which mandates the filing of an entry summary and deposit of all estimated duties, taxes, and fees owed to obtain the merchandise's release from CBP custody, and may have their immediate delivery privileges discontinued pursuant to 19 CFR 142.25(a). However, the shell company IOR may export the shipment rather than pay the estimated duties, taxes, and fees at that time, making collection efforts fruitless, and later attempt to re-enter the goods under a different shell company. Enforcement actions against shell companies are challenging because the foreign entity may simply shut down an existing shell company and begin importing as a new shell company. When an IOR is registered with

[14] While CBP Form 5106 includes a section (3J) for information regarding the beneficial owner and company officer of an entity, it is optional and frequently, an entity does not provide this information when submitting the form. For example, from July 2021 through June 2026, only 2.88% of IORs who are registered as foreign in ACE provided the company position title of a company officer, 3.17% provided the name of a beneficial owner or company officer, 1.52% provided an email and phone number of a company officer or beneficial owner, and 0.38% provided passport details of a company officer or beneficial owner.

CBP by submitting CBP Form 5106, CBP is only aware that the entity is a foreign IOR if the IOR lists its foreign address.[15] Once the IOR has begun importing and becomes liable for the payment of duties, penalties, or liquidated damages, CBP may later learn through its investigations and enforcement actions that an IOR who listed a U.S. address was in reality a shell company set up on behalf of a foreign company to avoid paying CBP debts that become due or evade other enforcement consequences. By this point, the economic damage undercutting U.S. domestic industry has already been completed.

The United States faces substantial challenges when seeking to enforce U.S. customs and trade laws against foreign IORs. One of these challenges is the enforcement of financial obligations to the U.S. government, including duties. Pursuing the collection of duties, penalties, and liquidated damages is often ineffective because these entities' operations are outside U.S. jurisdiction, and their assets and key individuals are located outside U.S. jurisdiction. While CBP can use tools such as "live entry"[16] and discontinuance of immediate delivery privileges pursuant to 19 CFR 142.13 and 142.25 to secure future obligations, amounts already owed to CBP often go uncollected if the entity is unwilling to pay. Data collected from October 2020 through the beginning of February 2026 shows that the unpaid bill amount per entry is $29.16 for foreign IORs as compared to $22.57 for U.S. IORs, which is 29% lower for U.S. IORs.[17] As of February 6, 2026, the total principal bill amount (not including interest) owed by non-CTPAT foreign IORs for uncollected bills that were opened on or after October 1, 2020, and remained unpaid, was $1.01 billion. After CBP audits uncovered $1.16 billion in lost revenue from foreign IORs between January 1, 2020, and August 27, 2026, CBP was able to recoup only $35.7

[15] Foreign individuals or entities may indicate in section 1E of CBP Form 5106 that they are requesting a CBP-assigned number because they are not a U.S. resident but are not required to do so, as the data elements in this section are optional.
[16] The term "live entry" colloquially refers to the requirement of filing of an entry summary, with payment of any estimated duties, taxes, and fees owed, as a prerequisite to obtaining the release of imported merchandise from CBP custody. 19 CFR 142.13(a).
[17] Source: CBP Office of Finance data, obtained on February 17, 2026.

million, implying a collection rate of 3.1% for the missed payments.[18] For U.S. IORs, that collection rate was 15.2%. Additionally, live entry and discontinuance of immediate delivery privileges are limited in their effectiveness where foreign IORs reconstitute their identities and create new fake companies. These new shell companies operate under a different name and exist solely to evade enforcement consequences for violations of U.S. law. While CBP's enforcement authority extends to any individual or entity importing merchandise into the United States, enforcement is often more effective against individuals and entities located within the United States. When an IOR's operations and the majority if not all of its financial assets are located outside the United States, CBP's ability to compel compliance with U.S. customs and trade laws, conduct investigations, collect owed revenue, identify linkages and affiliations, or enforce penalties is significantly reduced. Moreover, the government's ability to pursue legal action against, or collect duties from, these foreign entities is more complex because they are not subject to U.S. jurisdiction due to the revenue rule.

The revenue rule is a longstanding common law doctrine that permits the courts of one country to refuse to entertain lawsuits that are initiated by a foreign country to enforce the foreign country's revenue laws. *Her Majesty the Queen v. Gilbertson*, 597 F.2d 1161, 1164-1165 (9th Cir. 1979); *see also Holman v. Johnson*, (1775) 98 Eng. Rep. 1120-1121 (K.B. 1775) (stating that "no country ever takes notice of the revenue laws of another"). The rationale behind the rule is threefold: first, the international principle of comity precludes the courts of one nation from scrutinizing (and potentially bringing embarrassment upon) the public laws of another nation; second, one nation's utilization of another nation's court system to enforce its own revenue laws is an extension of the former nation's sovereign power, and that assertion of sovereign power within the territory of another nation violates national sovereignty principles; and third, permitting the courts of one nation to interpret the complex revenue laws of a foreign nation

[18] Source: received from CBP's Office of Trade (OT) on August 27, 2026. Obtained from Trade Regulatory Audit Management System.

would result in great administrative difficulties at great expense to the interpreting nation. *Gilbertson*, 597 F.2d at 1164 (quoting *Moore v. Mitchell*, 30 F.2d 600, 604 (2nd Cir. 1929)); *Gov't of India v. Taylor*, (1955) A.C. 491, 511-514 (H.L. 1955). Thus, the revenue rule protects the independent sovereignty of each nation and prevents the courts of one country from becoming an extension of the judicial branch of another. Lawsuits to recover U.S. customs duties, penalties, and liquidated damages are all within the jurisdiction of the federal courts. *See, e.g.,* 28 U.S.C. 1331, 1582. However, enforcement of such a judgment from a federal court in a foreign jurisdiction would likely be precluded by that jurisdiction's observance of the revenue rule, or at least time-consuming and exceedingly difficult to pursue.

Verification of the accuracy of import and entry documentation, conducting audits, or performing site visits of a foreign IOR's premises are all considerably more difficult and resource intensive for foreign IORs. CBP also faces challenges in enforcing CBP recordkeeping requirements on foreign IORs. Although all importers, foreign and U.S., are subject to recordkeeping requirements under 19 U.S.C. 1508, it is much easier and more straightforward for CBP to conduct document verification and examination of records for domestic entities. Communication barriers and lack of understanding of U.S. laws and regulations can further hamper CBP's enforcement ability and result in delays, difficulty in resolving issues, and a higher incidence of errors and non-compliance.

Generally speaking, it is inherently more complex for CBP to ensure compliance by foreign IORs, as compared to U.S. IORs. Foreign IORs may exploit U.S. customs and trade laws and refuse to pay their customs debts, knowing the challenges posed by international enforcement of domestic customs laws and regulations. Because of these challenges in holding foreign IORs accountable, there is decreased incentive for foreign IORs to comply with U.S. laws and regulations intended to ensure the safety of imported merchandise and to secure the revenue; foreign IORs avoid the consequences that U.S. IORs face, because their assets and key individuals may be beyond the reach of CBP and the U.S. courts. Principles such as the revenue

rule reinforce why it is important for the United States to impose heightened requirements on foreign IORs, who can more easily evade payment of amounts owed and other consequences for noncompliance with U.S. customs and trade laws. These challenges are unique in the context of foreign IORs.

V. Addressing the Challenges Relating to Foreign Importers of Record

It is critical that CBP be able to counter the challenges discussed above through meaningful and effective enforcement actions. Thus, pursuant to the authorities set forth above, and consistent with E.O. 14411, CBP is implementing additional requirements for foreign IORs to make entry. This rule will require foreign IORs to be CTPAT validated, or to use a CTPAT validated and licensed customs broker to make entry. These new requirements will promote compliance and accountability. Licensed customs brokers will have new responsibilities corresponding with the new foreign IOR requirements to verify and declare that their client meets the qualifications to be considered a U.S. IOR before reporting as a U.S. IOR. Lastly, this rule will impose a new requirement on U.S. IORs to declare their qualification as a U.S. IOR.

To implement these new requirements, CBP is establishing a new part 110 (Importers of Record) in title 19 of the CFR. This new part contains two sections laying out the qualifications to be considered a "U.S. importer of record," or "foreign importer of record," as well as a new definitions section defining the terms "beneficial owner," and "physical domestic assets." This new part 110 provides predictability and standardization for trade members which previously did not exist.

First, CBP establishes the requirements that must be met to be considered a U.S. IOR in new 19 CFR 110.2(a), to allow CBP, IORs, and customs brokers to know who qualifies as a U.S. IOR and who does not. Pursuant to this new provision, a U.S. IOR is an individual who is a United States citizen or lawful permanent resident, or an entity that is organized under the laws of the United States, is located in the United States, and maintains at all times: (i) at least 51% of beneficial owner(s) who are United States citizens or lawful permanent residents and have

control of the entity; or (ii) direct ownership of a significant amount of unencumbered real property in the United States. With respect to real property ownership, the property can be subject to some encumberment, but the net unencumbered value of the real property must be of a significant amount. Whether an individual or entity qualifies as a U.S. IOR is subject to verification by CBP as set forth in a new § 110.2(b). A foreign IOR is defined as an IOR who does not meet the criteria of a U.S. IOR, pursuant to §110.3.

In the new § 110.2(b), CBP has set forth a verification process for confirming that a party meets the requirements to be considered a U.S. IOR. The determination of whether an entity qualifies as a U.S. IOR or a foreign IOR will vary depending upon the circumstances in each instance. To verify that an entity is located in the United States for qualification as a U.S. importer of record, CBP will take into account, among other considerations, the size and scale of the overall operations of the entity and whether it is an instrumentality of a foreign manufacturer without a substantial presence in the United States. Criteria which CBP may consider in its discretion and to the extent relevant, include, but are not limited to, whether: (1) the entity's principal place of business is in the United States; (2) the entity has a physical presence in the United States where substantial business transactions are conducted, such as paying employees, generating revenue, or operating retail locations; (3) the entity maintains sufficient unencumbered physical domestic assets, as defined in § 110.1; (4) the entity directly owns a sufficient amount of unencumbered real property in the United States; (5) the entity's gross sales generally exceed its cost of goods sold and the entity is structured in a manner that it is anticipated to generate its own profit; and (6) the entity is sufficiently capitalized. As good governance, CBP is providing this non-exhaustive list of criteria that CBP will consider when verifying the identity and status of an IOR. These criteria are flexible as CBP cannot predict all possible circumstances that may be relevant for verification purposes. Having the newly created criteria available will allow CBP to verify that an entity's declaration meets the requirements

under § 110.2, which in turn increases supply chain security, revenue protection, and compliance with the customs law of the United States.

In its verification, CBP may review records, such as, proof of citizenship or lawful permanent residence, corporate charters, financial statements and records, purchase receipts, or documents of title, provided at the request of CBP. Pursuant to 19 U.S.C. 1508, an IOR, or other party who imports merchandise into the customs territory of the United States, or an agent of an IOR or person whose activities require the filing of a declaration or entry, or both, must make, keep, and render for examination and inspection records which pertain to any such activity and are normally kept in the ordinary course of business.[19] To ensure CBP can adequately verify the status of IORs, the IOR must, pursuant to 19 U.S.C. 1508, comply with statutory recordkeeping and production requirements, and CBP retains the authority to request proof from the IOR as to its qualification as a U.S. IOR.

CBP is taking a comprehensive approach to distinguish the level of risk associated with foreign and U.S. IORs, to establish requirements commensurate with that risk, thus putting all importers (including nonresident importers as described in 19 U.S.C. 4321) on equal footing. These new regulatory provisions require consideration of both substance (such as ownership, physical presence, and U.S.-based assets) and form (such as place of incorporation or organization and address) as indicators of whether an individual or entity is a U.S. or foreign IOR. The existing references to a "nonresident importer" in CBP regulations (found in subparts B and C of part 141) capture importers who are not U.S. citizens or lawful permanent residents or not entities organized under the laws of the United States or its territories; that is, importers who have met a low threshold to qualify as nonresident importers. A nonresident importer could simply be an importer who is not incorporated within the customs territory of the United States (§ 141.18), whereas a foreign IOR is an individual or entity who has not satisfied a variety of

[19] *See* also 19 CFR part 163 for the recordkeeping requirements applicable to IORs, among other persons, listed in § 163.2.

specific criteria, such as at least 51% beneficial ownership or direct ownership of a significant amount of unencumbered real property in the United States. The existing references to a "nonresident importer" within CBP regulations are not in conflict with the new regulations for U.S. IORs and foreign IORs, as these new regulations create additional requirements for importers. The regulatory changes implemented by this rule that distinguish a U.S. IOR from a foreign IOR present a clearer framework for importers and a higher threshold to qualify as a U.S. IOR. Central to these new definitions is ensuring that physical assets of the importer are located in the United States, increasing the likelihood that CBP can collect revenue owed from all IORs and enabling CBP to better identify potential linkages and affiliations when an importer's assets are transferred.

In support of § 110.2(a)(2)(iii)(A) regarding U.S. IORs, CBP is defining the term "beneficial owner" in new § 110.1. CBP is including the "beneficial owner" condition in the requirements for a U.S. IOR because illicit actors often use corporate structures, such as shell companies, to conceal their identities, which undermines U.S. national security and threatens the domestic economy. Shell companies can shield identities of the beneficial owners, enabling them to transact business in the United States without facing legal consequences and evading enforcement mechanisms, creating an uneven playing field for U.S. businesses engaged in legitimate trade. Including a definition of "beneficial owner" enables CBP to identify the true individual or individuals exercising control over the entity responsible for the importation of goods. Also, by defining "beneficial owner," CBP is providing clarity and transparency to trade members as to CBP's understanding of who qualifies as a beneficial owner. At the same time, CBP is facilitating compliance and revenue collection as a clear definition will reduce the ability of bad actors to use shell companies to evade duties and other customs and trade law requirements.

The term "beneficial owner" means, with respect to an entity, an individual who is a natural person, and directly or indirectly, through any contract, arrangement, understanding,

relationship, or otherwise, either exercises substantial control over the entity, or owns or controls not less than 25 percent of the ownership interests of the entity. The "beneficial owner" definition includes circumstances where multiple layers of entity ownership exist between the natural person and the entity, such as a corporation that is owned by another corporation that is owned by a natural person, in which case the natural person is the beneficial owner despite the layers of entity ownership. The definition specifically excludes: (1) a minor child, as defined in the State in which the entity is formed, or in the case of an entity that was not formed in the United States an individual who has not yet attained the age of 18, if the parent or guardian of the minor child meets the definition of a beneficial owner; (2) an individual acting as a nominee, intermediary, custodian, or agent on behalf of another individual; (3) an individual acting solely as an employee of a corporation, limited liability company, or other similar entity and whose control over or economic benefits from such entity are derived solely from the employment status of the person, provided that such a person is not a senior officer; (4) an individual whose only interest in a corporation, limited liability company, or other similar entity is through a right of inheritance; or (5) a creditor of a corporation, limited liability company, or other similar entity, unless the creditor meets the requirements of an individual who, directly or indirectly, through any contract, arrangement, understanding, relationship or otherwise exercises substantial control over the entity or owns or controls not less than 25 percent of the ownership interests of the entity. For purposes of this definition, an individual might be a beneficial owner through substantial control, ownership interest, or both. Substantial control can be exercised by an individual who is either a senior officer (*e.g.*, the entity's president, or chief executive officer), has the authority to appoint or remove certain officers of the entity, or is an important decision-maker regarding the entity's business, finances and structure. Ownership interests that establish ownership rights in the entity include shares of equity, stock voting rights, or any other mechanism used to establish ownership. As all entities are substantially controlled by one or more individual(s), every entity must have at least one beneficial owner for purposes of

determining as to whether an entity is a U.S. IOR. An entity may have multiple beneficial owners and there is no maximum number of beneficial owners.

To develop this definition, CBP reviewed a preexisting Financial Crimes Enforcement Network (FinCEN) definition (31 CFR 1010.380(d)), established by statute[20] to provide further consistency for the overall understanding of "beneficial owner" and expectations for trade members. This definition expands on the FinCEN definition by adding a paragraph to account for instances where an entity is incorporated/formed in the United States and is owned entirely by one or more other entities that are also incorporated/formed in the United States, but the natural persons who ultimately own the various layers of entities are not U.S. citizens or lawful permanent residents. This additional language is intended to clarify that natural persons must be identified as the beneficial owners, even where multiple layers of entity ownership exist and that such multiple layers of entity ownership do not diminish the obligation to report the natural person beneficial owners. It is noteworthy that "beneficial owner" is defined in this document for the purpose of this rulemaking and CBP is not bound by FinCEN's interpretation of that term in other contexts, nor are these regulations impacted by whether FinCEN requires submission of beneficial ownership information.

Lastly, CBP is adding a definition of "physical domestic assets," which becomes relevant when CBP verifies whether an IOR qualifies as a U.S. IOR pursuant to new § 110.2(b)(3). "Physical domestic assets" are defined as cash deposited in a U.S. bank account, U.S. Treasury bonds, and real property, inventory, machinery, and/or equipment that is physically located in the United States. It is important to note that CBP did not use the term "tangible" in this context as tangible assets may include accounts receivable which CBP purposefully excluded from this definition. Assets identified as physical domestic assets in CBP's definition are more readily

[20] The Corporate Transparency Act, title LXIV of the William M. (Mac) Thornberry National Defense Authorization Act for Fiscal Year 2021, Public Law 116-283 (Jan. 1, 2021), established a definition for "beneficial owner" as part of the reporting requirement to FinCEN for U.S. and foreign entities, which was implemented in the regulation at 31 CFR 1010.380(d).

capable of being traced and seized, which increases the likelihood of successful collection of customs debts. The physical nature of the assets is important for serving the purpose of these regulations. Valuation of intangible assets is often speculative and subject to manipulation, particularly in the context of IORs who may be structured as a separate entity from a retailer ultimately selling the product to the public. Additionally, receivables may be due from foreign parties, creating the potential for manipulation of their valuation and diminishing the likelihood of collection.

This definition of "physical domestic assets" covers a limited universe of assets that are relevant for the purpose of determining affiliations of entities. CBP needs to understand affiliations because foreign IORs can easily evade CBP requirements and verifications by creating new companies. By considering the types of assets covered under this definition, CBP is better able to identify shell companies that foreign actors use to evade U.S. customs laws. In addition, CBP's ability to pursue collection from successor companies, alter egos[21] or other parties when piercing the corporate veil[22] is increased, potentially reaching physical domestic assets improperly transferred to individuals tied to the shell company, such as corporate officers or shareholders.

CBP is adding two new sections to subpart B of part 141 (§ 141.21 and § 141.22), pertaining to the right to make entry and declarations on entry. Pursuant to paragraph (a) of new § 141.21, a foreign IOR, as defined in § 110.3, may not enter merchandise for consumption unless specific requirements are met. This restriction is applicable to merchandise entered for consumption (§ 141.0a(f)) for which a formal entry is required to be filed or, if an informal entry

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[21] *See* Black's Law Dictionary (12th ed. 2024) (defining "*alter ego*" as "A corporation used by an individual or a subservient corporation in conducting personal business, the result being that a court may impose liability on the individual or subservient corporation by piercing the corporate veil when someone dealing with the corporation is a victim of fraud, illegality, or injustice.").

[22] *See* Black's Law Dictionary (12th ed. 2024) (defining "*piercing the corporate veil*" as "the judicial act of imposing personal liability on otherwise immune corporate officers, directors, or shareholders for the corporation's wrongful acts."). This doctrine disregards the corporate entity's separate legal existence, treating corporate officers, directors, or shareholders as liable for corporate debts.

is filed, for which an informal entry is required to be filed on CBP Form 3461 and/or CBP Form 7501, or their electronic equivalents. [23]

Pursuant to § 141.21(b)(1), if the foreign IOR is CTPAT validated and has the right to make entry pursuant to § 143.26 for informal entry or 19 U.S.C. 1484(a)(2)(B) for formal entry, the foreign IOR may enter merchandise for consumption or designate a customs broker to make entry. A CTPAT validated foreign IOR choosing to hire a customs broker may elect to hire a CTPAT validated broker, or a non-CTPAT validated broker.

Pursuant to § 141.21(b)(2), a foreign IOR who is not CTPAT validated must designate a customs broker licensed under 19 U.S.C. 1641 who is validated through the CTPAT program to either make entry or to act as the importer of record on the entry.[24] . If a customs broker acts as the importer of record for the entry on behalf of a principal on the power of attorney (§ 141.46) who is not an importer of record, and that principal would qualify as a foreign importer of record pursuant to § 110.3 of this chapter, the broker must also be validated through the CTPAT program. The designated customs broker who is validated through the CTPAT program must act as the IOR for the entry if the principal on the power of attorney (§ 141.46) is not the owner or purchaser of the merchandise

It is important to note that, upon the effective date of this rule ([INSERT DATE 60 DAYS FROM DATE OF PUBLICATION IN THE *FEDERAL REGISTER*]), being a licensed customs broker alone is not sufficient to file entry on behalf of a foreign IOR or a foreign principal on a broker's power of attorney, unless that foreign IOR is itself a CTPAT validated IOR. CBP has limited visibility into the information pertaining to a foreign party when a customs broker is filing the entries on behalf of the foreign party. A CTPAT validated broker has demonstrated to CBP that it has controls in place to give the broker insight into its client and

[23] Operationally, this new requirement is applicable to informal entry types 11, 12, and 13, and all formal entry types. For more information on entry types, please see https://www.cbp.gov/trade/automated/catair.
[24] Use of a CTPAT validated broker does not confer CTPAT benefits on the IOR or the principal on the broker's power of attorney.

the client's supply chain. As a result, CBP is requiring that a customs broker acting on behalf of a non-CTPAT validated foreign IOR be CTPAT validated, to ensure that a trusted party is filing the entry and entry summary. This places CBP in a better position to protect the revenue, ensure supply chain security, and guarantee the safety of the American public.

CTPAT is highly effective in securing international supply chains by requiring its participants to implement stringent security measures for their cargo, personnel, and facilities. This program encourages companies to proactively identify and mitigate risks such as terrorism, smuggling, and other illicit activities within their supply chains. By partnering with the private sector, CTPAT enables CBP to enhance cargo security and streamline legitimate trade, allowing enforcement resources to focus on higher-risk shipments. CTPAT's primary focus is on security and trade compliance, and its operational model inherently promotes transparency. The program requires participants to submit detailed security profiles and engage in a rigorous validation process with CBP to confirm compliance with established MSC, fostering a clear understanding of security practices between the government and the trade community. In addition, CBP is more likely to collect debt from CTPAT validated participants than from non-CTPAT participants. The analysis in section VIII.B. below shows that, on average, the uncollected bill amount per entry summary for CTPAT validated foreign IORs is much lower than for non-CTPAT foreign IORs, who more easily evade payment of outstanding bills, penalties, or claims for liquidated damages.

New § 141.22 regulates entry by a U.S. IOR and addresses the declaration requirement for U.S. IORs, including verification of the declaration by CBP. Pursuant to paragraph (a), a party who has the right to make entry and meets the requirements to be considered a U.S. IOR, as defined in § 110.2, may continue to enter merchandise without the need for CTPAT validation, subject to the existing requirements and applicable procedures for formal entry and informal entry in 19 CFR parts 142 and 143. U.S. IORs may also elect to designate a customs broker who is not CTPAT validated. At the time of filing an entry (§ 141.0a(a)) and entry

summary (§ 141.0a(b)), qualification as a U.S. IOR must be declared. Before filing, the IOR, or the broker on behalf of the IOR, must review the requirements in § 110.2, as well as the definitions for "beneficial owner," and "physical domestic assets," and assess whether all the criteria of a U.S. IOR are met. If the party satisfies the criteria, the IOR or the broker on behalf of the IOR must select the checkbox[25] on CBP Forms 3461 and 7501, declaring the qualification as a U.S. IOR. CBP updated CBP Forms 3461 and 7501, and their electronic equivalents, by adding a checkbox for IORs (or customs brokers filing an entry on their behalf) to declare that the IOR or principal on the power of attorney (§ 141.46) meets the criteria of a U.S. IOR. Foreign IORs and principals who do not meet the requirements to be considered a U.S. IOR under § 110.2 should leave this checkbox blank, to indicate that they are instead covered by § 110.3. Beginning [INSERT DATE 60 DAYS FROM DATE OF PUBLICATION IN THE *FEDERAL REGISTER*] these updated forms, and their electronic equivalents, must be used for each entry and entry summary filing.

If a designated customs broker who is not CTPAT validated acts as the IOR for the entry on behalf of a client, § 141.22(a)(2) requires that the customs broker identify the principal on the power of attorney at the time of filing an entry (§ 141.0a(a)) and entry summary (§ 141.0a(b)). As a result, the principal must have a CBP Form 5106 on file with CBP. On the updated CBP Forms 3461 and 7501, and their electronic equivalents, the customs broker will select the checkbox indicating that the broker is acting as the IOR on behalf of a principal, and provide the principal's IOR number, if applicable, or other identifier linked to the CBP Form 5106 on file, if no IOR number exists. If the broker is not making entry on behalf of a principal and is instead identified as the IOR to make entry on their own behalf, no principal need be identified.

New § 141.22(b) states that for purposes of a verification conducted under § 110.2(b), the decision as to whether an individual or entity qualifies as a U.S. IOR will be made by the

[25] In the electronic versions of CBP Form 3461 and CBP Form 7501, the filer will not make this declaration using a checkbox, but will instead indicate "Yes" or "No" to declare whether the IOR is a U.S. IOR. For simplicity in this document, CBP will refer to this as a checkbox as it appears on CBP Form 3461 and CBP Form 7501.

appropriate Center of Excellence and Expertise (Center) Director.[26] The appropriate Center is the importer's assigned Center, or if an importer has not yet been assigned to a Center, the appropriate Center is the Center that most closely aligns with the Harmonized Tariff Schedule of the United States classification of the highest in total value commodity imported by that importer.

In addition to these new provisions, CBP is also updating § 141.46, regarding the requirement to obtain an executed power of attorney before transacting customs business on behalf of a principal. CBP is amending § 141.46 to clarify that a power of attorney must be executed whenever a customs broker is transacting customs business on behalf of a client, even when the broker is acting as the IOR for an entry.[27]

CBP is also updating § 142.13 which sets forth the conditions under which CBP may require live entry and § 142.25 which sets forth the conditions under which CBP may discontinue immediate delivery privileges. Live entry conditions the release of merchandise upon the filing of an entry summary with a deposit of all estimated duties, taxes, and fees – release thus cannot occur until payment is tendered. Section 142.13 currently lists various conditions when CBP may require live entry, and § 142.25 currently lists various conditions when CBP may discontinue immediate delivery privileges. In this interim final rule, CBP is adding another condition for when live entry may be required and when immediate delivery privileges may be discontinued: when the IOR, including a broker acting as the IOR on behalf of a principal on the power of attorney, inaccurately declares to CBP its qualification as a U.S. IOR as required under § 141.22. *See* new § 142.13(a)(5) and § 142.25(a)(5). If the IOR inaccurately declares that it qualifies as a U.S. IOR, CBP now has the ability to require live entry and discontinue immediate delivery privileges. In addition to the changes in §§ 142.13(a) and

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[26] *See* https://www.cbp.gov/trade/centers-excellence-and-expertise-information/cee-directory.

[27] This amendment revokes by operation of law any prior ruling issued by CBP to the extent that it conflicts with this new requirement. *See* 19 CFR 177.12(d)(1). For example, this amendment revokes the holding in Headquarters Ruling Letter 223772, dated August 6, 1992, that "[n[o power of attorney is required . . . [when b]rokers will make entry in [their] own name as the importer of record."

142.25(a), CBP is also adding a new paragraph (e) to § 142.13 and a new paragraph (c) to § 142.25 that state that CBP may impose the requirement of live entry and discontinue immediate delivery privileges pursuant to §§ 142.13(a) and 142.25(a) on importers making formal and informal entry under the provisions of either part 142 or part 143.

Finally, CBP is making changes to regulations in part 111 and in Appendix B to part 171 pertaining to a customs broker's responsibilities with respect to its clients and the consequences for failing to meet those responsibilities. Current § 111.29(a) sets forth a customs broker's responsibility to exercise due diligence in making financial settlements and answering correspondence, among other responsibilities. CBP is adding a new § 111.29(a)(2) to include the responsibility of a customs broker to verify that a client meets the qualifications to be considered a U.S. IOR, after redesignating existing paragraph (a) as paragraph (a)(1). A customs broker, prior to filing a declaration on behalf of a client pursuant to § 141.22, must verify that the client qualifies as a U.S. IOR. Verification requires a customs broker to request and review client records establishing that the criteria specified in the definition of U.S. IOR are met. As mentioned above, the client records may include, but are not limited to, proof of citizenship or lawful permanent residence, corporate charters, financial statements and records, purchase receipts, or documents of title. If a customs broker determines during the review of the client records that the client is not a U.S. IOR, the broker must cease filing entries on behalf of the client if the broker is not CTPAT validated. CBP has also updated § 111.21(a) and 111.23, to require that the broker maintain records related to the broker's verification for five years from the date of the verification.

These new provisions are in line with the statutory mandate of section 116 of TFTEA (19 U.S.C. 1641(i)). Brokers must ensure that they are filing accurate information on behalf of their clients, and that their clients are who they say they are. CBP recommends, as a good business practice, that customs brokers obtain information from their client at the time of obtaining a

power of attorney, to allow sufficient time for the broker to complete the verification process before filing entry.

For verification purposes under § 141.22, CBP must have the ability to request proof from the broker that the broker has verified that the client is in fact a U.S. IOR, and the customs broker must comply with the recordkeeping and production requirements in 19 U.S.C. 1508, as discussed above.

Additionally, CBP is revising paragraph (K) in Appendix B to part 171 which contains guidelines for the imposition and mitigation of penalties for violations of 19 U.S.C. 1592. These guidelines are used by CBP in arriving at a just and reasonable assessment and disposition of liabilities arising under 19 U.S.C. 1592 within the stated limitations. Paragraph (K) states that if a customs broker commits a section 1592 violation and the violation involves fraud, or the customs broker commits a grossly negligent or negligent violation and shares in the benefits of the violation to an extent over and above customary brokerage fees, the customs broker will be subject to the mitigation guidelines of Appendix B. However, if the broker commits either a grossly negligent or negligent violation of section 1592 (without sharing in the benefits of the violation as described above), CBP may proceed against the customs broker pursuant to the limited remedies provided under 19 U.S.C. 1641 (monetary penalty, suspension or revocation of a license or permit). CBP is updating this language to state that subject to CBP's discretion, if a customs broker commits a violation of 19 U.S.C. 1592, the customs broker may be subject to penalties under 19 U.S.C. 1592 or any other enforcement actions available under the law, including 19 U.S.C. 1641.

Economic security is national security, and customs law enforcement is essential to protect the economy of the United States and the health and safety of the American people. Customs law enforcement requires the ability to assess stringent penalties to ensure an adequate deterrent effect on customs brokers that fail to comply with the law. Historically, CBP has penalized brokers pursuant to 19 U.S.C. 1641, which sets a maximum monetary penalty

amount of $30,000 for violations. Moreover, pursuant to existing paragraph (K) in Appendix B to part 171, CBP has assessed penalties against customs brokers pursuant to 19 U.S.C. 1592 only in those cases where the broker was involved in a violation with a culpability level of fraud or where the agency could demonstrate the broker benefited from the violation. Although penalties up to $30,000 are available under 19 U.S.C. 1641, customs brokers still commit violations and repeatedly represent foreign IORs who fail to comply with U.S. laws. With this amendment to paragraph (K), CBP is enhancing its enforcement options against brokers to include broader applicability of penalties under 19 U.S.C. 1592, for which a maximum penalty may be assessed at the domestic value of the merchandise. As such, CBP envisions that higher penalties will have a greater deterrent effect on customs brokers that fail to comply with the law.

VI. Explanation of Amendments to the CBP Regulations

A. Amendments to Part 110

CBP is creating a new part 110 in title 19 of the CFR, and adding subparts A and B. In new § 110.1, CBP has added new definitions for the terms "beneficial owner," and "physical domestic assets." In new § 110.2, CBP has laid out the requirements to be considered a U.S. importer of record, and the verification requirements associated with that status. In new § 110.3, CBP has explained that any IOR not qualified to be considered a U.S. IOR is considered a foreign IOR. Subpart B is reserved.

B. Amendments to Part 111

CBP is amending part 111, in accordance with the requirements discussed above. Specifically, CBP is amending §§ 111.21 and 111.23 by adding the requirement that brokers maintain records related to verifying that the client meets the threshold for a U.S. IOR under § 110.2. CBP is also amending § 111.29 by redesignating paragraph (a) as a new paragraph (a)(1) and adding a new paragraph (a)(2) to include a customs broker's responsibility for verifying a client's qualification as a U.S. IOR.

C. Amendments to Part 141

CBP is amending part 141, in accordance with the requirements discussed above. Specifically, CBP is adding two new sections (§ 141.21 and § 141.22). New § 141.21 states that a foreign IOR may not enter merchandise for consumption unless it is a CTPAT validated IOR or designates a customs broker who is CTPAT validated, and lays out associated requirements. New § 141.22 states that a U.S. IOR must submit a declaration as to its qualification as a U.S. IOR at the time of filing an entry and entry summary. CBP has also amended § 141.46 to clarify that a power of attorney is required even when the broker is acting as the IOR for an entry. In addition, the general authority citation for part 141 is revised to include 19 U.S.C. 4320 and 4321.

D. Amendments to Part 142

CBP is amending part 142, in accordance with the requirements discussed above. Specifically, CBP is amending § 142.13 by adding a new paragraph (a)(5) that states that CBP may impose a live entry requirement if the importer inaccurately declares to CBP its qualification as U.S. IOR pursuant to § 141.22. CBP is also adding a new § 142.13(e) to clarify that CBP may impose a live entry requirement on formal and informal entries under the provisions of part 142 and part 143.

E. Amendments to Part 171

CBP is amending Appendix B to part 171, which sets forth guidelines for the imposition and mitigation of penalties for violations under 19 U.S.C. 1592. Specifically, CBP is revising paragraph (K) in Appendix B, as discussed above.

F. Severability

CBP intends for the provisions contained in this rulemaking to be severable from each other and to be given effect to the maximum extent possible, such that if a court holds that any provision is invalid or unenforceable—whether in its entirety or as to a particular person or circumstance—the other provisions will remain in effect as to any other person or

circumstance.[28] The various provisions in this IFR are designed to function sensibly without the others, and CBP intends for them to be severable so that each can operate independently.

G. Alternative and Request for Comments

As noted in Section II, above, although Section 2(b) of the E.O. directs CBP to prohibit foreign IORs from filing informal entry, CBP has not implemented that prohibition in this interim final rule. However, CBP will continue to monitor informal entries for consumption filed by CTPAT validated foreign IORs and CTPAT validated brokers on behalf of foreign IORs. If CBP determines that requiring that informal entries for foreign IORs be filed by a CTPAT validated party is insufficient to protect the revenue, national security, and the health and safety of the American people, CBP may prohibit informal entries for consumption filed by a foreign IOR or a broker acting on their behalf. CBP welcomes public comment on this alternative, in addition to the approach implemented by this interim final rule.

VII. Delayed Compliance Date

In consideration of the business process changes needed for licensed customs brokers to verify whether a client meets the requirements to be considered a U.S. IOR, CBP will accept requests from brokers to delay compliance with the new verification requirement for customs brokers in § 111.29. Brokers who are currently subject to any of the following enforcement actions are ineligible for delayed compliance: removal from the CTPAT program, revocation of CBP Form 5106 filing privileges, suspension or debarment by a Federal agency and identified with an exclusion record in the System for Award Management Exclusions List on SAM.gov, entry filer code suspension, or broker license revocation proceedings. Such requests must be submitted by [INSERT DATE 60 DAYS FROM DATE OF PUBLICATION IN THE *FEDERAL REGISTER*] and must include an explanation of the need for delayed compliance. For additional

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28 Courts have uniformly held that the Administrative Procedure Act (APA), 5 U.S.C. 551 *et seq.*, 5 U.S.C. 706(2), authorizes courts to sever and set aside "only the offending parts of the rule." *Carlson* v. *Postal Regulatory Comm'n,* 938 F.3d 337, 351 (D.C. Cir. 2019); *see, e.g., K Mart Corp.* v. *Cartier, Inc.,* 486 U.S. 281, 294 (1988).

details on how to submit a request for delayed compliance, see www.cbp.gov/trade/strengthening-customs-enforcement/delayed-compliance. If delayed compliance is approved, customs brokers must continue to make satisfactory progress toward compliance by demonstrating a good faith effort to comply with this rule to the extent of the broker's current ability during the compliance period. All customs brokers are expected to be in full compliance with the requirements of this rule no later than May 6, 2027.

VIII. Statutory and Regulatory Requirements

A. Administrative Procedure Act

The Administrative Procedure Act (APA), 5 U.S.C. 551 *et seq.*, generally requires agencies to publish a notice of proposed rulemaking in the *Federal Register*, and to provide interested persons the opportunity to submit comments prior to issuance of a final rule. As an initial matter, the requirements of the APA do not apply to the extent that the rulemaking involves a foreign affairs function of the United States. 5 U.S.C. 553(a)(1).[29]

This interim final rule addresses challenges resulting from importations by foreign IORs. Securing America's borders, regulating and vetting foreign actors, and protecting its citizens from external threats is a foreign affairs function of the United States. Importations into the United States across America's borders can pose threats to U.S. citizens, including threats from contraband and harmful materials that can flow across the border, as well as narcotics trafficking and other destabilizing or unlawful activities, including the flow of dangerous drugs, weapons, and technology. Further, ensuring foreign parties abide by U.S. trade law is a core foreign affairs function. Unchecked importations by foreign actors into the United States can undermine domestic markets and supply chains—for instance, foreign government assistance and subsidies, such as tax breaks to foreign manufacturers, enable them to sell cheaper goods and disadvantage domestic companies. In response, the U.S. may establish antidumping and/or countervailing

[29] *Mast Indus., Inc. v. Regan*, 96 F.Supp. 1567, 1582 (finding the foreign affairs exception applies when the regulation is "clearly and directly" involved in a foreign affairs function).

duties to counteract foreign government assistance and subsidies. Tracking and vetting foreign importers is critical to counteracting bad actors in the trade space, preventing evasion of U.S. trade law, and upholding the integrity of domestic markets and supply chains. If customs and trade laws cannot be adequately enforced against foreign importers of record, it leaves American citizens vulnerable to foreign actors and foreign governments. Accordingly, this rule is clearly and directly involved in a core foreign affairs function.[30] Moreover, proceeding without notice and comment will allow the Department to timely address sensitive foreign-policy and national-security matters that affect relations with foreign governments. This rule directly impacts foreign actors, including foreign importers, manufacturers, and businesses. Foreign governments, especially those whose citizens and businesses this rule most affect, may seek to retaliate against the United States or United States exporters. Bypassing notice and comment will reduce the risk the United States suffers retaliation from foreign governments based on this rule. Therefore, this interim final rule involves the foreign affairs function of the United States and is not subject to notice and comment under the APA.[31]

Further, as discussed above, the revenue rule permits a court of one country to refuse to allow lawsuits initiated by another country to enforce the foreign country's revenue laws, absent an agreement between the two countries to enforce the collection of a foreign IOR's debt. The revenue rule is a means to avoid interfering with foreign relations and a country's national sovereignty by preventing another country from enforcing its own laws within the borders of another country. Therefore, this interim final rule involves the foreign affairs function of the United States.

Further, the APA provides an exception to advance notice and comment requirements "when the agency for good cause finds (and incorporates the finding and a brief statement of

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[30] *Id*.

[31] *See Am. Ass'n of Exps. & Imps.-Textile & Apparel Grp. v. United States,* 751 F.2d 1239, 1249 (Fed. Cir. 1985) (noting that foreign affairs exception covers agency actions "linked intimately with the Government's overall political agenda concerning relations with another country").

reasons therefor in the rules issued) that notice and public comment thereon are impracticable, unnecessary, or contrary to the public interest." 5 U.S.C. 553(b)(B). The good cause exception "excuses notice and comment in emergency situations … or where delay could result in serious harm."[32]

Notice and comment is impracticable when the due and required execution of agency functions would be unavoidably prevented by undertaking public rulemaking proceedings.[33] Impracticability can occur when there is an imminent hazard to persons or property within the United States, or when immediate implementation of a rule might directly affect public safety.[34]

The public interest prong of the good cause exception applies when ordinary procedures of notice and comment, generally presumed to serve the public interest, would actually harm the public interest.[35] These interests include public safety and public health.[36] This prong is distinct from the need for immediacy under the impracticability prong and is "appropriately invoked when the timing and disclosure requirements of the usual procedures would defeat the purpose of the proposal."[37]

CBP finds that good cause exists to issue this rule as an interim final rule. Delaying the publication of this interim final rule for purposes of providing public notice and comment would be impracticable. As mentioned above, non-CTPAT foreign IORs are importing goods that may be dangerous to the American public, such as narcotics and counterfeits. In the past, CBP has seized unsafe merchandise for failure to meet Consumer Product Safety Commission standards, unsafe merchandise that is not compliant with the Food and Drug Administration's regulations, and other imports such as counterfeit merchandise that threatens public safety. Data ranging

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[32] *Jifry v. FAA*, 370 F.3d 1174, 1179 (D.C. Cir. 2004) (citations omitted).
[33] *See* S. Doc. No. 248, 79th Cong., 2d Sess. 200 (1946).
[34] *See Jifry v. FAA*, 370 F.3d 1174, 1179 (D.C. Cir. 2004); *NRDC v. Nat'l Highway Traffic Safety Admin.*, 894 F.3d 95, 114 (2d Cir. 2018).
[35] *Mack Trucks, Inc. v. EPA*, 682 F.3d 87, 95 (D.C. Cir. 2012);
[36] See *United States* v. *Dean,* 604 F.3d 1275, 1279 (11th Cir. 2010) (to delay regulations would harm the public interest because it would delay the registration of sex offenders who would evade registration requirements during the notice and comment period, putting the public's safety at risk).
[37] *See Mack Trucks, Inc. v. EPA*, 682 F.3d 87, 95 (D.C. Cir. 2012).

from October 2020 through the beginning of February 2026 shows that the rate of seizure incidents is higher for non-CTPAT foreign IORs, which have 6.38 seizures per million entry summaries, than for CTPAT validated foreign IORs, which have 1.14 seizures per million entry summaries, as discussed in the analysis below. In recent years, CBP has seen an increase in the number of seizures of violative goods attempted to be imported by foreign IORs. Thus, CBP must act now to avoid further harm to persons and property in the United States.

Furthermore, under the "contrary to public interest" prong, advance notice of new requirements would significantly increase the incentive on the part of foreign IORs to "flood the market" by importing high volumes of illicit merchandise during a notice and comment period before the rule takes effect, thereby compounding the very challenges that CBP is addressing with this interim final rule. IOR accounts are being created with false or incomplete information, likely by shell companies who are attempting to disguise their identity. CBP's records show that between March 2019 and the end of September 2025, individuals and entities created approximately 55,000 accounts with fake phone numbers, such as 123456789, and 45,000 accounts with fake email addresses, such as emails beginning with "noemail," or abc@abc.com, etc., hindering CBP's ability to contact an IOR for validation of entry information and enforcement and revenue collection purposes. If CBP provides notice and comment before implementing these new requirements, CBP anticipates a significant increase in new IOR accounts created with false information, further complicating CBP's enforcement efforts against IORs that are disguising their identity as a foreign IOR and attempting to import illicit merchandise prior to a final rule taking effect.

CBP is only able to identify IORs as foreign if they list a foreign address on CBP Form 5106, but there are likely many more foreign persons and entities using incorrect U.S. addresses or shell companies to import goods, preventing CBP from knowing the true importer's identity and location. Recently, CBP discovered over 870 unique CBP Form 5106 accounts sharing a single physical address, most of which were found to be linked to foreign entities. Because

foreign IORs cannot be held accountable through the same mechanisms as U.S. IORs, CBP's debt collection and enforcement efforts can be frustrated as foreign IORs have less incentive to comply with U.S. law. If CBP provides advance notice of new requirements for foreign IORs, those foreign importers may create shell companies, and already existing shell companies may create new shell companies, to evade U.S. laws and the new requirements established by this interim final rule. Due to technological advances pertaining to duty collection and targeting, enforcement, and processing, CBP is now equipped to address the challenges relating to foreign IORs. Waiting to counter the above-mentioned challenges would harm CBP's ability to collect lawful revenue owed and take effective enforcement action to address violations of U.S. customs and trade laws, disadvantage the domestic industry, and would allow a gap that invites the importation of illegal and dangerous merchandise into the United States.

As discussed above, this interim final rule establishes new requirements for foreign IORs and U.S. IORs when making entry in the United States. Requiring CTPAT validated status of foreign IORs and customs brokers lowers the risk associated with foreign IORs as CBP has more visibility into CTPAT validated participants and assurances regarding the security of their supply chains compared to foreign IORs and customs brokers who are not CTPAT validated participants. These new requirements will allow CBP to more effectively focus its efforts on higher risk importers to interdict illicit drugs, intellectual property violative goods, misclassified merchandise, and other goods that pose risks to public safety. The new requirements will also enable CBP to better ensure the collection of duties, taxes, and fees from foreign IORs. Data ranging from October 2020 through the beginning of February 2026 shows, on average, that CTPAT foreign IORs owe CBP $1.21 in uncollected bills per entry summary, compared to non-CTPAT foreign IORs who owe $34.08 per entry summary. A prolonged rulemaking process would create uncertainty that would undermine the credibility and effectiveness of CBP's actions to limit entry by foreign IORs to CTPAT validated participants.

However, CBP recognizes that IORs and customs brokers need time to make adjustments to comply with this rule. Therefore, CBP is publishing this interim final rule with a 60-day delayed effective date to give IORs and brokers time to modify the relevant business processes that are affected by this interim final rule. Customs brokers are provided additional time to comply with the new due diligence responsibility of verifying a client's qualification as a U.S. IOR and maintaining the associated records. CBP is also soliciting public comments on this interim final rule and will consider all timely submitted comments in determining whether and how to revise the rule in a subsequent final rule. Given the public safety and revenue implications of continued imports by foreign IORs into the United States, CBP has attempted to strike a balance between its need to address these urgent requirements while still providing sufficient time for IORs and customs brokers to comply with the regulatory changes involved in this rulemaking, as well as providing for an opportunity to comment. For the reasons discussed above, this rule is exempt from the prior public notice and comment requirements of the APA under both the foreign affairs exception and the good cause exception.

B. Executive Orders 12866, 13563, and 14192

Executive Orders 12866 (Regulatory Planning and Review) and 13563 (Improving Regulation and Regulatory Review) direct agencies to assess the costs and benefits of available regulatory alternatives and, if regulation is necessary, to select regulatory approaches that maximize net benefits. Executive Order 13563 emphasizes the importance of quantifying both costs and benefits, of reducing costs, of harmonizing rules, and of promoting flexibility. Executive Order 14192 (Unleashing Prosperity Through Deregulation) directs agencies to significantly reduce the private expenditures required to comply with Federal regulations and provides that "any new incremental costs associated with new regulations shall, to the extent permitted by law, be offset by the elimination of existing costs associated with at least 10 prior regulations."

The Office of Management and Budget (OMB) has designated this rule a "significant regulatory action" under section 3(f) of Executive Order 12866, although not economically significant under section 3(f)(1). Accordingly, the rule has been reviewed by the Office of Management and Budget.

This rule is not an Executive Order 14192 regulatory action because it is being issued with respect to a national security or homeland security function of the United States. The benefit-cost analysis demonstrates that the regulation is anticipated to improve national or homeland security as its primary direct benefit or is issued with respect to foreign affairs related functions of the United States and OIRA and the promulgating agency agree the regulation qualifies for a 'good cause' exception under 5 U.S.C. 553(b)(B). See OMB Memorandum M-25-20, "Guidance Implementing Section 3 of Executive Order 14192, titled 'Unleashing Prosperity Through Deregulation'" (Mar. 26, 2025). Additionally, this proposed rule is exempt from Executive Order 14192 under section 5(c) of Executive Order 14192. Table 1 shows an accounting statement for the effects of the rule.

Table 1: A-4 Accounting Statement for the Rule

Category	**Annualized Estimate (in 2026 USD) over 2027 to 2036**	
Benefits	**3% Discount Rate**	**7% Discount Rate**
Monetized benefits	None	None
Quantified, non-monetized benefits	None	None
Qualitative (unquantified) benefits	Stricter enforcement of duties, penalties, and liquidated damages, stronger protections against prohibited goods such as illicit drugs, and safer supply chains resulting from increased CTPAT participation or use of CTPAT brokers by foreign IORs.	
Costs	**3% Discount Rate**	**7% Discount Rate**
Monetized costs	$1,233,253 resulting from programming changes, the cost to CBP of increased CTPAT participation, and the burdens of submitting and processing brokers' delayed compliance requests.	$1,257,478 resulting from programming changes, the cost to CBP of increased CTPAT participation, and the burdens of submitting and processing brokers' delayed compliance requests.
Quantified, non-monetized costs	None	None

Qualitative (unquantified) costs	Costs to brokers and foreign IORs of increased CTPAT applications and participation. Cost to brokers and U.S. IORs of gathering documentation and maintaining records of U.S. IOR status. Cost to some foreign IORs of switching to CTPAT validated brokers.

Cost Savings	**3% Discount Rate**	**7% Discount Rate**
Monetized cost savings	None	None
Quantified, non-monetized cost savings	None	None
Qualitative (unquantified) cost savings	None	None
Transfers	**3% Discount Rate**	**7% Discount Rate**
Monetized budgetary transfers	None	None
Other monetized transfers	None	None
Unquantified transfers	Transfers from foreign IORs to U.S. government resulting from improved collection rates of duties, penalties, and liquidated damages. Transfers from non-CTPAT validated brokers to CTPAT validated brokers.	
Distributional Effects	**3% Discount Rate**	**7% Discount Rate**
Effects on State, local, and/or tribal governments	Not anticipated	Not anticipated
Effects on small businesses	Because a general notice of proposed rulemaking was not necessary for this rule, CBP did not prepare a regulatory flexibility analysis to analyze the effects on small businesses.	
Effects on wages	Not anticipated	Not anticipated
Effects on growth	Not anticipated	Not anticipated

Background

To fulfill its mission, CBP must ensure that importers of record (IORs) pay the applicable duties, taxes, and fees for their imports as well as any monetary penalties issued by CBP. Sometimes, CBP discovers that an IOR underpaid its duties through misrepresentations such as undervaluation, false country of origin, transshipment, misclassification, or false invoices. Other times, an IOR will simply refuse to pay any duties in the first place. Upon discovery of underpayment, CBP can issue a penalty to the IOR, but the IOR may not cooperate in paying.

CBP can collect on the basic importation and entry bond, but sometimes the bond saturates, meaning that it does not cover the full amount owed. In that case, CBP can try to seize the IOR's assets. This option can be difficult when the IOR is foreign, as a foreign IOR may have few if any real assets in the United States, and whatever assets the foreign IOR has in its home country may be unreachable to the U.S. government. CBP can require the IOR to file live entry and suspend immediate delivery privileges for all future importations until that IOR makes any outstanding payments to CBP, but foreign IORs may be able to evade these requirements through creation of shell companies. When an IOR is based outside the United States, CBP has less visibility into the IOR's operations and assets than it does with U.S. IORs, making it easier for the foreign IOR to conceal its identity and harder for CBP to hold the IOR and its affiliates accountable. As a result, foreign IORs that receive or anticipate enforcement or collection actions by CBP will sometimes switch to a new name to evade consequences for past actions. Foreign IORs can therefore avoid payments to CBP and other consequences more easily than U.S. IORs can, giving the former an unfair advantage.

While CBP has limited visibility into many foreign IORs' operations, IORs that are CTPAT validated are generally more transparent and trustworthy in their transactions and dealings with CBP. The CTPAT program ensures that participants meet minimum security criteria and abide by best practices. It also creates more visibility into the participants' supply chain and operations because the CTPAT participant must be in communication with its contact in CBP to show that it is continuing to meet the requisite standards. The CTPAT participant must also have visibility into the operations of businesses that it interacts with to ensure the supply chain is secure, as represented to CBP upon validation. Hence, if an IOR is not CTPAT validated, but uses a CTPAT validated broker, that broker will have obtained more information about the IOR's business than a non-CTPAT validated broker would have, and CBP will be better able to obtain information regarding the IOR from the broker if necessary. Requiring foreign IORs to be CTPAT validated or use CTPAT validated brokers will therefore strengthen

CBP's ability to enforce collections on foreign IORs by increasing transparency into the foreign IORs' business and supply chain practices.

Purpose of the Rule

CBP faces challenges in enforcing collection of duties, penalties, and liquidated damages against foreign IORs because these IORs often have few, if any, physical assets in the United States and their bond does not fully cover amounts lawfully owed to CBP. This rule requires foreign IORs to either be CTPAT validated or to use a CTPAT validated broker so that the foreign IORs meet stricter standards of security and transparency. CTPAT validated brokers have more information about their clients' supply chains, and this information could improve CBP's ability to collect payments from the foreign IOR and identify other non-compliance with U.S. customs and trade laws. Furthermore, foreign entities will have more incentive to avoid exporting prohibited goods to the United States or otherwise violate CBP requirements if they are trying to maintain their CTPAT validated status. U.S. IORs will also have to provide documentation proving that they are a U.S. IOR at CBP's request, which will help CBP to determine which IORs claiming to be U.S. IORs are in fact foreign shell companies.

Baseline for the Rule

In this regulatory impact assessment (RIA), CBP analyzes the effects of the rule by comparing a baseline and an alternative scenario. Currently, foreign IORs import shipments into the United States without being CTPAT validated or using a CTPAT validated broker. Under this rule, foreign IORs would have to be CTPAT validated or use CTPAT validated brokers to enter merchandise into the United States. The effects of the rule are therefore the differences between the world under the current baseline and the world under this rule.

Population Affected

For the purposes of this analysis, CBP assessed whether IORs were foreign or U.S. based on the physical address provided on CBP Form 5106. However, there could be IORs that listed a U.S. address but who would more accurately be classified as foreign. Some of these IORs might

be foreign shell companies being intentionally dishonest, while others might be self-labeling as U.S. IORs in good faith but not meet the standard to be considered a U.S. IOR that is laid out in this rule. As a result, this analysis may underestimate the true number of foreign IORs. There could also be some businesses that have given CBP a foreign address but could meet the standard to be considered a U.S. entity under the rule. To the extent that the number of foreign IORs differs from the estimates below, the true effects of the rule would differ from CBP's estimates. If more IORs are foreign than CBP estimates, then the true benefits and costs of the rule will both be higher than expected. The benefits would be higher than CBP's estimate because CBP would be strengthening its enforcement capabilities for an even greater number of IORs than estimated, while the costs would be higher because a greater number of non-CTPAT validated foreign IORs would be disallowed from using a non-CTPAT validated broker than estimated.

IORs and brokers will be the main entities affected by the rule. Table 2 shows the number of IORs who made an entry summary between October 1, 2020, and February 6, 2026. Of those IORs, 16% were foreign, and 84% were U.S. IORs. CTPAT validated IORs are a small percentage of both foreign and U.S. IORs. Only 0.4% of foreign IORs are CTPAT validated, but, as shown in Table 3, 68% of foreign IORs already use CTPAT validated brokers. The remaining 32% of foreign IORs will not be able to continue importing into the United States unless they switch brokers or become CTPAT validated themselves.

Table 2: Number of Active IORs

	Count
Non-CTPAT validated foreign IORs	187,127
CTPAT validated foreign IORs	744
Non-CTPAT validated U.S. IORs	995,389
CTPAT validated U.S. IORs	4,549
Total	**1,187,809**

*Importers were counted as active if they made any entry summaries between October 1, 2020, and February 6, 2026. Source: Based on trade data from October 1, 2020, to February 6, 2026, from the CBP Automated Commercial Environment (ACE), obtained on February 17, 2026.

Table 3: Active Foreign IORs That Are CTPAT Validated or Using CTPAT Validated Brokers

	Count	**Share of All Foreign IORs**

Foreign IORs that are CTPAT validated	744	0.40%
Foreign IORs that used a CTPAT validated broker	127,691	67.97%
Foreign IORs that are CTPAT validated and/or used a CTPAT validated broker	127,724	67.98%

*Importers were counted as active if they made any entry summaries between October 1, 2020, and February 6, 2026. Source: Based on trade data from October 1, 2020, to February 6, 2026, from ACE, obtained on February 17, 2026. Note: the figures in the bottom row are less than the sum of the upper rows because some foreign IORs both have CTPAT validation and use a CTPAT validated broker.

Table 4 shows the number of active brokers, of which 21% are CTPAT validated, 1% are CTPAT certified, and 78% are not CTPAT validated. About two-thirds of brokers have submitted an entry summary for a foreign IOR.

Table 4: Number of Active Brokers

	Number of active* brokers		**Number of active* brokers that filed entries for foreign IORs**	
	Count	Share of Total	Count	Share of Total
Validated	643	21%	622	30%
Certified	29	1%	28	1%
Non-CTPAT	2,428	78%	1,401	68%
Total	**3,100**	**100%**	**2,051**	**100%**

*Brokers were counted as active if they submitted any entry summaries between October 1, 2020, and February 6, 2026. Source: Based on trade data from October 1, 2020, to February 6, 2026, from ACE, obtained on February 17, 2026.

As shown in Table 4, there were 3,100 brokers that filed entry summaries between October 1, 2020, and February 6, 2026. CBP uses this number as its estimate for the number of brokers that will make entry and be affected by the rule in the 5 years following the rule's effective date. The number of currently permitted brokers, as of October 2, 2026, is 2,600, but this figure underestimates the number of brokers who will be affected by the rule because it does not include brokers who are not yet permitted but will be in the future.[38] For the purposes of estimating the number of submissions of the Broker Delayed Compliance Request Form, however, CBP uses the number of currently permitted brokers, 2,600, because that form will only be accepted for a limited time.

[38] Source for number of permitted brokers: CBP Office of Trade, October 2, 2026.

Benefits

Under the rule, CBP will be better equipped to enforce payments for duties, penalties, and liquidated damages from foreign IORs, and CBP will have more knowledge of which IORs are foreign or domestic. One of CBP's many critical mission sets is to facilitate legitimate trade that supports economic growth while shielding the American public and businesses from illicit trade, including unsafe products, intellectual property theft, and unfair trade practices. However, CBP cannot easily ensure that foreign IORs are complying with U.S. customs and trade laws to prevent the importation of dangerous and unlawful goods, potentially unsafe merchandise, such as counterfeit goods and precursor chemicals for the purposes of manufacturing illicit substances, into the United States. This program encourages companies to proactively identify and mitigate these risks within their supply chains, and these new requirements will allow CBP to more effectively focus its efforts on higher risk importers to interdict illicit drugs, intellectual property violative goods, misclassified merchandise, and other goods that pose risks to public safety.

CBP

The rule will aid CBP in enforcing duty payments by foreign IORs. At present, foreign IORs are difficult to collect payments from, as a foreign IOR may have no physical offices, bank accounts, or assets in the United States that CBP can seize. Moreover, without a physical presence in the country, a foreign shell company may import merchandise and disappear--before a demand for payment is even issued. Therefore, when CBP discovers unpaid duties, fees, penalties, and liquidated damages, it is typically more successful at collecting from U.S. IORs than foreign IORs. From January 1, 2020, to August 27, 2026, CBP audits uncovered a loss of revenue from U.S. IORs totaling $4.3 billion and from foreign IORs totaling $1.16 billion.[39] The loss of revenue was higher for U.S. IORs because U.S. IORs imported roughly 10 times more by

[39] Source: received from OT on August 27, 2026. Obtained from Trade Regulatory Audit Management System.

value than foreign IORs over that period.[40] Thus, proportionally, the loss of revenue as compared to total value of imports was 0.06% for foreign IORs, as compared to 0.02% for U.S. IORs.[41] Moreover, as discussed below, in terms of CBP's ability to collect, the gap becomes even wider. After identifying unpaid duties and other unpaid amounts owed to CBP, CBP was able to collect a portion of what the IORs owed. As shown in Table 4, CBP collected $654 million from U.S. IORs after identifying the loss of revenue, implying a collection rate of 15.2% for what had gone unpaid. For foreign IORs, CBP collected $35.7 million, a collection rate of only 3.1%.

Table 4: Total Identified Loss of Revenue and Subsequent Collections, January 2020 - July 2026

IOR Type	Amount Reported	Discovered Loss of Revenue	Collected Amount	Percent Collected
Domestic	Total	$4.3 billion	$654 million	15.2%
Foreign	Total	$1.16 billion	$35.7 million	3.1%
Domestic	Average annual	$645.6 million	$98.2 million	15.2%
Foreign	Average annual	$174.2 million	$5.4 million	3.1%

Note: CBP identified all audits of IORs from January 1, 2020, to August 27, 2026, and compiled the total identified loss of revenue and collections stemming from those audits.
Note: The top two rows of figures show the total amounts that accumulated over the full time period. The bottom two rows show the average annual amounts implied by the upper rows.
Source: received from OT on August 27, 2026. Obtained from Trade Regulatory Audit Management System.

Open bill statistics show that foreign IORs that are CTPAT validated are much more likely to pay what they owe. Many IORs have open bills with CBP, meaning that they have unpaid duties, taxes, and fees that are past due. Some of these IORs may be slow and untimely in making payments, while others have no intention of ever paying. Open bills are a more common problem for entries made by non-CTPAT validated IORs than by CTPAT validated IORs, possibly because CBP has more leverage and information when dealing with CTPAT validated IORs. By requiring non-CTPAT validated foreign IORs to either become CTPAT

[40] Source: based on trade data from October 1, 2020, to February 6, 2026, from ACE and open bill data from Office of Finance, obtained on February 17, 2026.
[41] CBP scaled the total import values from October 1, 2020, to February 6, 2026 by 2,431/1,955 to estimate the total import values from January 1, 2020, to August 27, 2026, so that CBP could compare the total import values with the total loss of revenue over the same time period.

validated or use a CTPAT validated broker, the rule will increase visibility into the foreign IORs' supply chains and thereby help CBP enforce payment. The transparency gained through this interim final rule concerning an IOR's foreign IOR status is also anticipated to assist with CBP's identification and enforcement against shell companies and to enhance CBP's understanding of linkages and affiliations among foreign IORs, and shell companies. Moreover, stricter penalty enforcement by CBP could motivate foreign IORs to give more accurate information, including classification and valuation, for their imports in the first place, reducing the need for CBP to issue penalties.

CTPAT validated foreign IORs are much more compliant in making payments to CBP than non-CTPAT validated foreign IORs are, as shown by open bill statistics. To calculate the amount owed by different categories of IORs, CBP looked at bills that were opened between October 1, 2020, and February 6, 2026, and that were still open on February 6, 2026.[42] As of February 6, 2026, the total amount owed by non-CTPAT validated foreign IORs for open bills was $1,015,627,712. CBP excluded interest when calculating the amount owed for the open bills. To compare CTPAT validated and non-CTPAT validated foreign IORs, CBP divided each group's total uncollected bill amount by the number of entry summaries made during that same period to calculate the average uncollected bill amount per entry summary. On average, CTPAT validated foreign IORs owe CBP $1.21 in uncollected bills per entry summary, while non-CTPAT validated foreign IORs owe $34.08 per entry summary. A comparison of non-CTPAT validated and CTPAT validated U.S. IORs yields similar results, shown in Table 5.

Table 5: Average Uncollected Bill Amount per Entry Summary

CTPAT Status of IOR	Foreign IORs	U.S. IORs	All IORs
Non-CTPAT validated	$34.08	$29.83	$30.55
CTPAT validated	$1.21	$3.48	$3.29

Calculated by dividing total uncollected bill amount by entry summary count for each category.
Source: Based on trade data from October 1, 2020, to February 6, 2026, from ACE and open bill data from Office of Finance, obtained on February 17, 2026.

[42] An open bill is created when an entry liquidates for an increase, and an open bill is considered delinquent at 31 days old and unpaid. If a bill is only partially paid, it remains open and delinquent until the remaining amount is paid in full or otherwise resolved.

The difference between CTPAT validated and non-CTPAT validated foreign IORs' average uncollected bill amount per entry can be decomposed into the difference between the average amount owed on an open bill and the number of open bills per entry summary. These different components are shown in Table 6. One can see that the number of open bills per 10,000 entry summaries[43] is only slightly higher for non-CTPAT validated foreign IORs, but the average open bill is much larger for non-CTPAT validated foreign IORs ($68,763) than for CTPAT validated foreign IORs ($2,501).

Table 6: Decomposition of Foreign IORs' Uncollected Bill Amount per Entry Summary

CTPAT Status	Total Uncollected Bill Amount/Entry Summaries	Total Uncollected Bill Amount/Open Bill	Open Bills/10,000 Entry Summaries
Non-CTPAT validated	$34.08	$68,763	4.96
CTPAT validated	$1.21	$2,501	4.85

Source: Based on trade data from October 1, 2020, to February 6, 2026, from ACE and open bill data from Office of Finance, obtained on February 17, 2026.

The above tables focus on the average open bill amount per entry summary. One could instead look at the average open bill amount per IOR. Dividing the total uncollected bill amount by the number of IORs in each category reveals that CTPAT validated foreign IORs actually have a larger uncollected bill amount per IOR than non-CTPAT validated foreign IORs do. To understand why, CBP decomposed the open bill amount per IOR into two statistics: 1) the open bill amount per IOR with an open bill and 2) the share of IORs with open bills. Table 7 shows that non-CTPAT validated foreign IORs with open bills have an open bill amount of $978,447, which is larger than CTPAT validated foreign IORs' average of $192,979. However, dividing the total number of open bills by the number of IORs, one sees that CTPAT validated foreign IORs have more open bills (4.44 per 100 IORs) than non-CTPAT validated foreign IORs (0.55 per 100 IORs).

[43] The number of open bills per entry summary is a very low number, and so CBP reports the number of open bills per 10,000 entry summaries for readability, even though the total uncollected bill amount per entry summary equals the total uncollected bill amount per open bill times the number of open bills per entry summary, not per 10,000 entry summaries.

Table 7: Decomposition of Foreign IORs' Uncollected Bill Amount per Foreign IOR

CTPAT Status	Total Uncollected Bill Amount/All IORs	Total Uncollected Bill Amount/IORs with Open Bills	Open Bills/100 IORs
Non-CTPAT validated	$5,427	$978,447	0.55
CTPAT validated	$8,560	$192,979	4.44

Source: Based on trade data from October 1, 2020, to February 6, 2026, from ACE and open bill data from Office of Finance, obtained on February 17, 2026.

One likely reason that CTPAT validated foreign IORs have more open bills than non-CTPAT validated foreign IORs is that CTPAT validated foreign IORs make many more entries. Between October 1, 2020, and February 6, 2026, the average CTPAT validated foreign IOR made 7,053 entry summaries, while the average non-CTPAT validated foreign IOR made 159 entry summaries. It is reasonable for CTPAT validated foreign IORs to have 8 times more open bills per IOR than non-CTPAT validated foreign IORs when the CTPAT validated foreign IORs also make 44 times more entry summaries per IOR than the non-CTPAT validated foreign IORs. Therefore, open bills per entry summary are a more reliable indicator of CBP's collection difficulties than open bills per IOR when comparing different categories of IORs. Once again, the average open bill per entry summary is starkly higher for non-CTPAT validated IORs ($34.08) than CTPAT validated IORs ($1.21).

Table 8: Foreign IORs' Entry Summaries per IOR

CTPAT Status	Entry Summaries per IOR
Non-CTPAT validated	159
CTPAT validated	7,053

Source: Based on trade data from October 1, 2020, to February 6, 2026, from ACE, obtained on February 17, 2026.

Not only is there a clear correlation between open bills and CTPAT validation, but there are also reasons why CTPAT validation actually causes IORs to have lower open bills. Most importantly, one of the requirements for CTPAT validation is that the importer "maintain no evidence of financial debt to CBP for which the responsible party has exhausted all administrative and judicial remedies for relief, a final judgment or administrative disposition has

been rendered, and the final bill or debt remains unpaid at the time of the initial application or annual renewal."[44] Moreover, participation in the CTPAT program gives CBP more visibility into the IOR's business, helping CBP to contact and enforce collections from the CTPAT validated IOR. Meeting the security requirements of CTPAT may also prevent the IOR from doing something (such as undervaluing imports) that would lead to a large duty increase in the first place.

CBP expects to collect more revenue under the rule as a result of stricter enforcement of duties, penalties, and liquidated damages. CBP cannot estimate the revenue increase because CBP cannot assume that the rule will lead to a 100% collection rate or that the foreign IORs that switch to using CTPAT validated brokers under the rule will become exactly as compliant as CTPAT validated IORs. Whatever the increase in revenue, part of that revenue will be a benefit of the rule, and part will be a transfer. While the increased revenue collected by the U.S. government would come directly from foreign IORs, those foreign IORs could pass on some share of the burden to U.S. individuals through price adjustments. To the extent that the revenue ultimately comes from U.S. individuals, the revenue is a transfer, not a benefit of the rule, as the gain to the U.S. government would equal the loss to the individuals. To the extent that the foreign IORs themselves bear the burden of increased payments to CBP, that share of the increased revenue is a benefit of the rule, as it entails a transfer from foreign entities to the U.S. government. However, revenue aside, the fact that CBP will be more strictly enforcing payments is a benefit in itself. Some IORs are already cooperative in paying what they owe, while other IORs try to avoid paying duties and other obligations. Hence, without strict enforcement, the cooperative IORs are at a disadvantage, especially against foreign IORs with no assets in the United States that try to evade payments. By helping CBP compel foreign IORs to

[44] Source: U.S. Customs and Border Protection, *Importers,* accessed August 20, 2025. Available at: https://www.cbp.gov/border-security/ports-entry/cargo-security/ctpat/importers

pay duties, penalties, and liquidated damages, the rule will make the playing field more level between U.S. and foreign IORs.

The rule will help CBP with the collection of payments from foreign IORs because more foreign IORs will be using CTPAT validated brokers, who are more knowledgeable about their clients than non-CTPAT validated brokers are.[45] Foreign shell companies are particularly difficult for CBP to collect revenue from because they can disappear and reappear later with a new name and contact information. However, CTPAT validated brokers have additional information on their clients besides the bare contact information, as the CTPAT minimum security criteria require CTPAT validated brokers to screen new business partners and monitor current partners. The minimum security criteria suggest the following to CTPAT validated brokers as vetting elements that can help determine if a company is legitimate: verifying the company's business address and how long it has been at that address; conducting research on the internet on both the company and its principals; checking business references; and requesting a credit report.[46] CBP could request this information from the brokers if the foreign IOR gave it to them. Alternatively, if the foreign IOR refuses to give any information to CTPAT validated brokers for screening purposes, then the brokers may refuse to do business with the foreign IOR, which, under the rule, would prevent the foreign IOR from importing.

Besides increasing CBP's collection of revenue, the rule could also help prevent the shipment of prohibited goods to the United States. The number of seizures per million entries is over five times larger for non-CTPAT validated foreign IORs (6.38) than CTPAT validated foreign IORs (1.14). By requiring foreign IORs to either become CTPAT validated or use a

[45] Some foreign IORs will become CTPAT validated themselves, which would also help with revenue collection, but this effect will be limited to a fraction of Canadian IORs, who are the only foreign IORs eligible for CTPAT validation.

[46] Source: U.S. Customs and Border Protection, *Minimum Security Criteria – U.S. Customers Brokers,* accessed August 20, 2025. Available at: https://www.cbp.gov/sites/default/files/assets/documents/2022-May/CTPAT%20U.S.%20Customs%20Brokers%20MSC%20October%202021%20%28508%29.pdf

CTPAT validated broker, the rule will increase transparency into foreign IORs' operations, making it more difficult for bad actors to export prohibited goods to the United States.

Table 9: Foreign IORs' Seizures per Million Entry Summaries

CTPAT Status	Seizures per Million Entry Summaries
Non-CTPAT validated	6.38
CTPAT validated	1.14

Source: Based on trade data from October 1, 2020, to February 6, 2026, from ACE and seizure data from SEACATS, obtained on February 17, 2026.

The rule will also help to keep the supply chain safer from terrorist threats. Under the rule, more brokers will choose to become CTPAT validated so that they can continue serving non-CTPAT validated foreign IORs, and some foreign IORs may choose to become CTPAT validated so that they are not required to hire a CTPAT validated broker, though only foreign IORs that are Canadian are currently eligible for CTPAT validation. The increase in CTPAT validated entities will make the supply chain safer because an entity seeking CTPAT validation must work with CBP to identify security gaps and implement specific security measures and best practices. If the entity does not meet the minimum security criteria, CBP will recommend that the company address specific weaknesses as a condition to obtain CTPAT validation. The entity must also develop an internal validation process that preserves the security measures documented in its supply chain security profile. Therefore, entities that become CTPAT validated will make their supply chains less vulnerable to intrusion by terrorists or terrorist organizations. Besides increasing the number of CTPAT validated entities, the rule will also make the supply chain more secure by causing more non-CTPAT foreign IORs to use CTPAT validated brokers. One of the minimum security criteria for CTPAT validated customs brokers is that personnel "must review the information included in import/export documents to identify or recognize suspicious cargo shipments." CTPAT validated brokers are therefore more vigilant than non-CTPAT validated brokers with regard to the cargo that their clients are importing.

Costs

CBP

The increased participation in CTPAT under the rule will result in costs to CBP. When a company applies for CTPAT validation, CBP must review the company's application and security profile. If CBP certifies the company, CBP then conducts a validation to verify that the company's stated security measures are implemented. This process may include interviews, document review, and site visits to domestic or foreign locations. During a site visit, CBP supply chain security specialists (SCSS) review in detail the entity's import supply chain security procedures to determine whether the security procedures in place meet CTPAT standards. The SCSS later document their findings from the visit in a validation report. Even after a company receives CTPAT validation, CBP continues to incur costs from the company's CTPAT participation, such as the costs of revalidation. CBP estimates that the increase in CTPAT participation will result in costs to CBP totaling $10.9 million, including the costs of additional staffing, travel, equipment, and automation.[47] For this analysis, CBP assumes that the $10.9 million will be spread evenly across the regulatory period, implying an annual cost of $1.09 million per year.

The rule will also result in programming costs for CBP. Under the rule, CBP Forms 3461 and 7501 and their electronic equivalents will need to be updated to include two checkboxes. One checkbox would be checked if the broker is acting as the IOR on behalf of the principal on the power of attorney, with a field for identifying the principal by IOR number or other identifier tied to CBP Form 5106. The second checkbox would be checked if the IOR (or principal, if the broker is acting as the IOR on behalf of the principal) is a U.S. IOR. CBP estimates that making these updates will result in programming costs of $1,222,871 for the government.[48] For this analysis, CBP assumes that the programming costs will be incurred in the first year of the

[47] Source: cost estimate obtained from CBP Office of Field Operations on August 24, 2026.
[48] Source: obtained from CBP Trade Transformation Office on August 27, 2026.

regulatory period, 2027. Combining the programming costs with the costs of increased CTPAT participation, the total costs to CBP under the rule will equal an estimated $12,122,871. Under a discount rate of 3%, the annualized costs to CBP are $1,229,182 per year. In addition to these quantified costs, CBP will also incur time costs from enforcing the rule. When investigating a particular IOR claiming to be a U.S. IOR, CBP may ask the broker to supply documentation from the IOR to prove the IOR is a U.S. IOR. Obtaining and verifying this documentation will carry a time burden for CBP.

Finally, CBP will incur costs from processing brokers' delayed compliance requests in the first year of the rule. When the rule is published, brokers will have 60 days after the publishing date to verify that their clients claiming to be U.S. IORs are indeed U.S. IORs. Brokers that expect to have difficulty meeting this deadline may submit a Broker Delayed Compliance Request Form, containing the broker's identifying information along with the reason the broker is requesting an extension. If CBP approves the form, the broker will have 6 months instead of 60 days after the publication date to verify its clients and thereby come into compliance with the rule. CBP expects that all 2,600 currently permitted brokers will submit a form and that the average time burden for CBP to process a form will be 0.5 minutes. Hence, the total time burden for CBP to process Broker Delayed Compliance Request Forms will be 21.67 hours. The average hourly wage of a CBP Trade and Revenue employee is $95.34.[49] Therefore, the cost of CBP's time burden of processing the forms would be $2,066.

Brokers

Non-CTPAT validated Brokers

Under the rule, brokers that are not CTPAT validated will no longer be allowed to make entry for foreign IORs that are not CTPAT validated. This restriction will lead to a decrease in customers for those brokers, but CBP does not count those brokers' loss of business as a cost to

[49] CBP bases this wage on the FY 2025 salary and benefits of the national average of CBP Revenue Positions. Source: Email correspondence with CBP's Office of Finance on June 11, 2026

society. CBP assumes non-CTPAT validated foreign IORs will switch to using CTPAT validated brokers and that the non-CTPAT validated brokers' loss will therefore equal the CTPAT validated brokers' gain. Thus, from a societal perspective, the shift in clients from some brokers to others is a transfer, not a cost, of the rule. CBP discusses this effect further in the Transfers section below.

Under the rule some non-CTPAT validated brokers will seek to become CTPAT validated and will incur costs in doing so. The costs of CTPAT validation do not come in the form of any fees that the applicants have to pay to CBP, but rather in the additional labor hours it takes for the applicants to complete the validation process and to meet and maintain the high standards of security required of CTPAT validated companies. Becoming and remaining CTPAT validated generally requires a company to apply to CBP's CTPAT program, implement the applicable minimum security criteria, complete a security profile, train personnel, maintain program eligibility and participate in CBP validation and revalidation activities.

Broadly, the minimum security criteria for CTPAT validation require a company to assess security risks across its international supply chain, including business partners, facilities, conveyances, cargo handling, personnel, cybersecurity, and procedural controls. To manage these risks, the company must vet and monitor relevant supply chain partners and encourage or require appropriate security practices. The company must keep its security profile current, address identified weaknesses, and cooperate with CBP reviews, validations, and revalidations. To ensure that its business practices will continue to meet the minimum security criteria, the company must maintain a documented supply chain security program aligned to CTPAT minimum security criteria for its business type.

After reviewing the minimum security criteria, an applicant for CTPAT validation must submit an application through the CTPAT portal and provide required company and supply chain information. The applicant then completes and submits a detailed security profile describing how the company meets CTPAT criteria. CBP reviews the application and security profile. If

accepted, the company may receive certified status before validation, depending on the business type and CBP review. CBP then conducts a validation to verify that the company's stated security measures are implemented. This process may include interviews, document review, and site visits to domestic or foreign locations. If CBP identifies gaps, the company must take corrective action within required timeframes. To maintain CTPAT validation, the company must update its profile as operations change, perform periodic reviews, maintain records, and participate in CBP revalidation, typically on a recurring cycle.

CBP does not currently charge a direct application or membership fee for CTPAT participation. However, companies seeking CTPAT validation should expect indirect costs, which may include: staff time to prepare the application, security profile, risk assessments, and documentation; security upgrades, such as facility access controls, seals, cargo tracking, lighting, fencing, CCTV, cybersecurity controls, or personnel screening procedures; training for employees and relevant business partners; travel or hosting costs associated with validation or revalidation visits; consultant or third-party support costs, if the company chooses to use outside assistance; and ongoing program management costs to monitor partners, update procedures, maintain documentation, and respond to CBP findings. The companies that will choose to seek CTPAT validation under the rule will include foreign IORs and U.S. brokers.

CTPAT validation is not a one-time event but an ongoing supply chain security commitment. Therefore, being CTPAT validated entails both the upfront cost to become CTPAT validated and the recurring cost to maintain the high security standards. CBP estimates that the average time burden of applying for CTPAT validation is 20 hours.[50] Based on an hourly wage of $38.88,[51] CBP estimates that the average cost of this time burden equals $777.60.

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[50] U.S. Customs and Border Protection. *Supporting Statement for Paperwork Reduction Act Submission OMB Number 1651-0077: Customs-Trade Partnership against Terrorism (CTPAT) and Trade Compliance.*

[51] To calculate this loaded wage rate CBP multiplied the Bureau of Labor Statistics' (BLS) 2025 median hourly wage rate for Cargo and Freight Agents ($25.13), which CBP assumes best represents the wage for brokers, by the ratio of BLS' Q4 2025 total compensation to wages and salaries for Office and Administrative Support occupations (1.497), the assumed occupational group for brokers, to account for non-salary employee benefits, ($37.62 in 2025 dollars). To adjust to 2026 dollars, CBP assumes an annual increase of 3.36% based on the December 2025 12-month percent change in the Employment Cost Index. Source of median wage rate: U.S. Bureau of Labor Statistics.

Though CBP can estimate the average application cost, it cannot quantify the total cost of CTPAT validation applications under the rule because CBP cannot predict the number of applications that would be made. Regarding post-application costs, CBP is unable to quantify the costs of maintaining high security standards after the application but believes these costs could be significant for the brokers that choose to become CTPAT validated. Some brokers have more clients or deal with more complex supply chains than others, and these differences could create significant differences across brokers in the amount of labor required to maintain high security standards, which makes quantification difficult. Brokers may recover some of these costs from their clients in the form of higher fees for services. Hence, the rule could lead to higher broker fees as newly validated CTPAT brokers pass at least a portion of the costs on to their clients.

The number of non-CTPAT validated brokers is shown in Table 10. From October 1, 2020, to February 6, 2026, 1,401 non-CTPAT brokers served a foreign IOR. Some of those brokers may be motivated to become CTPAT validated as a result of this rule. There are also 28 brokers that are CTPAT certified but not CTPAT validated, and the additional cost of becoming CTPAT validated for them is probably much smaller than for the non-CTPAT brokers.

Table 10: Number of Active Brokers

CTPAT Status	Number of Active* Brokers	Number of Active* Brokers That Filed Entries for Foreign IOR
Validated	643	622
Certified	29	28
Non-CTPAT	2,428	1,401
Non-CTPAT validated's share	79%	70%

Occupational Employment and Wage Statistics, 2025 National Occupational Employment and Wage Estimates United States, OCC_code 43-5011. Updated May 15, 2026. Available at https://www.bls.gov/oes/special-requests/oesm25nat.zip. Accessed May 21, 2026. The total compensation to wages and salaries ratio is equal to the total compensation cost per hour worked for Office and Administrative Support occupations ($37.47) divided by the wages and salaries cost per hour worked for the same occupation category ($25.03). See "Table 2. Employer Costs for Employee Compensation for civilian workers by occupational and industry group." Bureau of Labor Statistics, "Employer Costs for Employee Compensation – December 2025." Released March 20, 2026. Available at https://www.bls.gov/news.release/archives/ecec_03202026.pdf. Accessed May 21, 2026. Source of Employment Cost Index: Bureau of Labor Statistics "Employment Cost Index, Continuous data." Data used was for civilian workers, total compensation for all industries all occupations current dollar index number. December 2025 Index (173.64), December 2024 Index (168.0). CBP estimates a 3.36% (173.64/168.0)-1) increase in 2025. Updated April 30, 2026. Available at https://www.bls.gov/eci/tables.htm. Accessed May 21, 2026.

*Brokers were counted as active if they submitted any entry summaries between October 1, 2020, and February 6, 2026.
Source: Based on trade data from October 1, 2020, to February 6, 2026, from ACE, obtained on February 17, 2026.

Brokers Who Serve U.S. IORs

All brokers, both CTPAT validated and non-CTPAT validated, who serve U.S. IORs will incur additional costs under the rule because those brokers will need to obtain records from the U.S. IORs to confirm their domestic status. Such records may include, but are not limited to, proof of citizenship or lawful permanent residence, corporate charters, financial statements, purchase receipts, or documents of title. If circumstances suggest the IOR may be orchestrating U.S. assets simply for purposes of attaining U.S. IOR status without an intention for those assets to remain in the United States, then the broker should ask additional follow-up questions and request additional information. Ultimately, if the broker's concerns are not allayed, it should refuse to certify or re-certify the IOR as a U.S. IOR. The brokers will also need to present the documentation they obtain from U.S. IORs to CBP upon request. Therefore, brokers will be required to retain the documents for 5 years from the date the verification is conducted so that the information will be accessible to CBP when debt arises. All brokers are U.S.-based, per CBP regulations.[52]

As shown in Table 11, almost 1 million U.S. IORs were active between October 1, 2020, and February 6, 2026. These U.S. IORs made up the majority of IORs and were responsible for the majority of entries. Table 12 shows that there are 323 U.S. IORs per broker, meaning that the average broker will have to obtain documentation for about 323 IORs as a result of the rule. CBP cannot estimate the cost of collecting and maintaining this documentation but believes these costs could be substantial. The precise cost is difficult to quantify because there will be large variation in how long it takes brokers to verify that their U.S. IOR clients are U.S. IORs. An IOR can qualify as a U.S. IOR based either on its beneficial owners' status or on the IOR's U.S. assets, and some IORs will have more complex corporate structures or asset holdings than others.

[52] *See* 19 CFR part 111.

Therefore, providing documentation of one's status as a U.S. IOR to a broker will be straightforward for some IORs and laborious for others.

As discussed above, brokers will be required to verify their U.S. clients' status as U.S. IORs within 60 days of the rule's publication date, but they may submit a Broker Delayed Compliance Request Form to request an extension. If CBP approves the request, the broker will have 6 months after the rule's publication date to verify its clients. CBP estimates that the average time burden to submit the form will be 20 minutes and that all 2,600 currently permitted brokers will submit a form.[53] The total time burden will therefore be 866.67 hours. At an average hourly wage of $38.88, the cost of this time burden will equal $33,696.

Finally, two checkboxes and a field to provide the IOR number of the principal, if applicable, will be added to CBP Form 3461, CBP Form 7501, and their electronic equivalents. However, CBP expects the cost of simply checking the boxes and entering the IOR number of the principal to be negligible, as discussed in the PRA section below.

Table 11: Entry Summary Statistics for U.S. IORs

	IORs	Entry Summaries	Entry Summary Value
Amount	999,938	202,395,488	$16,122,143,579,287
% of all IORs	84.2%	85.2%	91.3%

Based on trade data from October 1, 2020, to February 6, 2026, from ACE, obtained on February 17, 2026.

Table 12: U.S. IORs per Broker

	Count
U.S. IORs	999,938
Brokers	3,100
U.S. IORs/broker	323

Source: Based on trade data from October 1, 2020, to February 6, 2026, from ACE, obtained on February 17, 2026.

Importers of Record

All IORs Who Use Brokers

[53] Source: obtained from CBP Office of Trade on October 2, 2026.

The rule could increase the workload for CTPAT validated brokers, since some foreign IORs will need to switch from their current non-CTPAT validated broker to a CTPAT validated broker. If CTPAT validated brokers struggle to take on so many new clients in a short period of time, then IORs of all kinds could be negatively affected. CBP therefore examined whether CTPAT validated brokers are likely to have the capacity to handle the additional workload under the rule. Based on entry summary statistics, CBP expects that CTPAT validated brokers will be able to accommodate the new demand for their services, even in the short term, because foreign IORs make up a relatively small portion of the overall trade volume. The top row of Table 13 shows the number of non-CTPAT validated foreign IORs who did not use a CTPAT validated broker, as well as the number and value of entry summaries made by those IORs. The next two rows show those figures as a percentage of all foreign IORs and as a percentage of all IORs, respectively. About a third of foreign IORs are non-CTPAT validated IORs who use non-CTPAT validated brokers, meaning the rule will affect a significant share of foreign IORs. However, only 16% of IORs are foreign. Therefore, the share of all IORs who are non-CTPAT validated participants and use non-CTPAT validated brokers is much smaller than a third. As shown in the bottom row, these IORs make up only 5.4% of the total market and are responsible for 2.6% of entry summaries. Table 14 shows the number and share of IORs who used CTPAT validated brokers, as well as the number and value of the entry summaries. Using the numbers in these two tables, CBP estimated the percentage increase in broker services for CTPAT validated brokers if all of the non-CTPAT validated foreign IORs that currently use non-CTPAT validated brokers switch to CTPAT validated brokers under the rule. In that scenario, CTPAT validated brokers would see a 9.3% increase in clients and a 3.1% increase in the number of entries. If this increase in the quantity demanded for broker services were to be distributed evenly across all CTPAT validated brokers, CBP expects that the brokers would not have much difficulty handling the increase in business. Therefore, the overall broker market will probably be able to provide the same total amount of broker services under the rule as in the baseline. The relative

increase in revenue for CTPAT validated brokers will most likely be close to the relative increase in entries handled by them, which is an estimated 3.1%. All brokers that do U.S. customs business are U.S.-based.

Table 13: Entry Summary Statistics for Non-CTPAT validated Foreign IORs Using Non-CTPAT Validated Brokers

	IORs	Entry Summaries	Entry Summary Value
Count	63,577	6,113,277	$293,340,970,604
Share of all foreign IORs	33.8%	17.4%	26.9%
Share of all IORs	5.4%	2.6%	2.3%

Source: Based on trade data from October 1, 2020, to February 6, 2026, from ACE, obtained on February 17 and March 25, 2026.

Table 14: Entry Summary Statistics for IORs Facilitated by CTPAT Validated Brokers

	IORs	Entry Summaries	Entry Summary Value
Amount	680,928	196,594,700	$12,942,269,979,145
Share of all IORs	76.2%	82.1%	80.9%

Source: Based on trade data from October 1, 2020, to February 6, 2026, from ACE, obtained on February 17 and March 25, 2026.

Table 15: Estimated Increase in Business for CTPAT Validated Brokers

IORs	Entry Summaries	Entry Summary Value
9.3%	3.1%	3.2%

Source: Based on trade data from October 1, 2020, to February 6, 2026, from ACE, obtained on February 17 and March 25, 2026.

Non-CTPAT Validated Foreign IORs Using Non-CTPAT Validated Brokers

CBP expects that non-CTPAT validated foreign IORs using non-CTPAT validated brokers in the baseline will switch to a CTPAT validated broker under the rule. While there are plenty of CTPAT validated brokers available, this switch will not be frictionless. Each IOR will probably research different CTPAT validated brokers and perhaps contact several of them to get quotes for services. This process of searching for a new broker will take time. Moreover, these CTPAT validated brokers will have stricter information requirements for their customers than

non-CTPAT validated brokers do, on average. CBP assumes that some if not most of the cost of the extra work done by the CTPAT validated brokers to maintain CTPAT compliance is passed on to the customers in the form of higher broker fees. Therefore, most of the cost of the extra work will fall on the IORs, and these costs will equal the difference between the new rates charged by the CTPAT validated brokers and the old rates charged by the non-CTPAT validated brokers, though CBP lacks an estimate for this rate difference.

There may also be foreign IORs under the rule that decide to apply for CTPAT validation so that they are not required to hire a CTPAT-validated broker, though only foreign IORs that are Canadian are currently eligible for CTPAT validation. Becoming and remaining CTPAT validated generally requires a company to apply to CBP's CTPAT program, implement the applicable minimum security criteria, complete a security profile, and participate in CBP validation and revalidation activities. While there is no fee charged for participation in the CTPAT program, obtaining CTPAT validation entails many indirect costs, which are discussed in more detail above in the subsection regarding the costs of the rule to non-CTPAT validated brokers. Per the discussion above, the cost of the average time burden of applying for CTPAT validation is $777.60,[54] but CTPAT validation entails post-application time burdens of maintaining high security standards as well.

U.S. IORs

Just as the brokers for U.S. IORs will incur the cost of obtaining documentation from U.S. IORs proving their U.S. residence, the U.S. IORs will incur the cost of gathering and providing the documentation to the brokers and keeping records afterward. While CBP is unable to estimate this cost, it could be substantial on aggregate. From October 1, 2020, to February 6, 2026, there were almost 1 million U.S. IORs who made entry. These IORs were 84.2% of IORs and responsible for 85.2% of entry summaries, as shown in the table below.

[54] CBP assumes that IORs have the same average wage as brokers, and therefore the average value of the time burden would be the same for both parties.

Table 16: Entry Summary Statistics for U.S. IORs

	IORs	Entry Summaries
Count	999,938	202,395,488
Share of all IORs	84.2%	85.2%

Source: Based on trade data from October 1, 2020, to February 6, 2026, from ACE, obtained on February 17, 2026.

Transfers

Under the rule, non-CTPAT validated foreign IORs who were previously using non-CTPAT validated brokers will need to switch to CTPAT validated brokers to continue importing into the United States. This movement in clients will result in a decrease in revenue for non-CTPAT validated brokers and an increase in revenue for CTPAT validated brokers. Any increased revenue received by CTPAT validated brokers would therefore constitute a transfer from non-CTPAT validated brokers. CBP discusses that transfer in this section.

As shown in Table 17, non-CTPAT validated brokers make up 79% of brokers that have filed an entry summary and 70% of brokers that have filed an entry summary for a foreign IOR.

Table 17: Number of Active Brokers

CTPAT Status	Number of Active Brokers	Number of Active Brokers That Filed Entries for Foreign
Validated	643	622
Non-CTPAT validated	2,457	1,429
Non-CTPAT validated's share of total	79%	70%

Note: We counted brokers as active if they filed an entry summary between October 1, 2020, and February 6, 2026. Source: Based on trade data from ACE, obtained on February 17, 2026.

Table 18 shows the number of IORs with entry summaries facilitated by non-CTPAT validated brokers, as well as the number of such entry summaries and their value. Though non-CTPAT validated brokers make up a majority of brokers, they are responsible for only 17.2% of entry summaries. Combining Table 18 and Table 13 from the Costs Section, CBP calculates that, overall, non-CTPAT validated brokers will see a decrease in clients of 12.5% and a decrease in entry summaries of 15.0%.

Table 18: Entry Summary Statistics for IORs Facilitated by Non-CTPAT Validated Brokers, October 1, 2020, to February 6, 2026

	IORs	Entry Summaries	Entry Summary Value
Total Amount	506,881	40,850,898	$4,715,794,152,360
Share of all IORs	42.7%	17.2%	26.7%

Source: Based on trade data from October 1, 2020, to February 6, 2026, from ACE, obtained on February 17 and March 25, 2026.

Table 19: Estimated Decrease in Business for Non-CTPAT Validated Brokers

IORs	Entry Summaries	Entry Summary Value
12.5%	15.0%	8.8%

Source: Based on trade data from October 1, 2020, to February 6, 2026, from ACE, obtained on February 17 and March 25, 2026.

The negative effect of the rule on non-CTPAT validated brokers will not be evenly distributed. Some non-CTPAT validated brokers serve mostly U.S. IORs and will therefore not lose many clients under the rule, while other brokers get a larger share of their business from foreign IORs and will see a larger reduction in clients. To estimate the distribution of the rule's impact on non-CTPAT validated brokers, CBP took a random sample of 300 non-CTPAT brokers who made an entry summary between September 1, 2025, and February 6, 2026.[55,56] For each broker, CBP calculated the share of the broker's clients that were foreign IORs, the share of entry summaries that were for foreign IORs, and the share of entry summary value for foreign IORs. For each of these three variables, CBP took the 1st through 9th deciles, plus the 95th, 98th, and 99th percentiles. These distribution statistics are shown in Table 20. The total number of active non-CTPAT validated brokers is 2,428, and CBP estimates in the second column the total number of brokers that are at or above the percentile in the first column.

[55] September 1 was chosen as the start because it was shortly after the *de minimis* exemption was suspended, which may have had an effect on demand for broker services.

[56] Choosing a sample size of 300 allowed us to construct a 95% confidence interval of the share of brokers for whom at least a fifth of their clients are foreign IORs with a margin of error of less than 5 percentage points. CBP calculates this share in the sample to be 9.47%, with a margin of error of 4.32%, yielding a 95% confidence interval of (13.34%,21.99%). However, the main focus in this subsection is on the distribution of the share of IOR clients who are foreign across brokers, rather than a single proportion.

Looking at the 50th percentile in Table 20, one sees that more than half of non-CTPAT brokers rely very little on foreign IORs. These brokers will not be seriously affected by the rule. Further down the table, non-CTPAT brokers in the 90th percentile get about a quarter of their business from foreign IORs. CBP estimates that 243 brokers are at or above this level of reliance on foreign IORs as clients. Finally, the 2% of brokers (or approximately the top 50) who get the greatest share of business from foreign IORs file 72% of their entry summaries for foreign IORs. Under the rule, these brokers will need to either downsize significantly, find a new client base, or become CTPAT validated, which takes time. Once again, their loss will equal the CTPAT validated brokers' gain. As shown in Table 22 (borrowed from Table 14 in the Costs Section), CTPAT validated brokers will see an estimated increase of 3.1% in their entry summaries under the rule. The overall percentage increase for CTPAT validated brokers will be smaller than the percentage decrease for non-CTPAT validated brokers, as the former do more business in the baseline.

Table 20: Sample Distribution of Non-CTPAT Brokers' Share of Business from Foreign IORs.

Percentile	Estimated Number of Brokers at or above Percentile	Foreign IORs' Share of Brokers' IOR Clients	Foreign IORs' Share of Brokers' Total Entry Summaries	Foreign IORs' Share of Brokers' Total Entry Summary Value
10	2,185	0%	0%	0%
20	1,942	0%	0%	0%
30	1,700	0%	0%	0%
40	1,457	0%	0%	0%
50	1,214	3%	1%	0%
60	971	7%	3%	2%
70	728	14%	6%	7%
80	486	18%	11%	16%
90	243	29%	24%	32%
95	121	38%	37%	59%
98	49	45%	72%	81%
99	24	50%	90%	85%

Note: percentiles calculated based on the broker activity of a random sample of 300 non-CTPAT brokers who were active between September 1, 2025, and February 6, 2026. Source: Based on trade data from October 1, 2020, to February 6, 2026, from ACE, obtained on February 17, 2026.

Table 21: Entry Summary Statistics for IORs Facilitated by CTPAT Validated Brokers

	IORs	Entry Summaries	Entry Summary Value
Amount	680,928	196,594,700	$12,942,269,979,145
% of all IORs	57.3%	82.8%	73.3%

Source: Based on trade data from October 1, 2020, to February 6, 2026, from ACE, obtained on February 17 and March 25, 2026.

Table 22: Estimated Increase in Business for CTPAT Validated Brokers

IORs	Entry Summaries	Entry Summary Value
9.3%	3.1%	3.2%

Source: Based on trade data from October 1, 2020, to February 6, 2026, from ACE, obtained on February 17 and March 25, 2026.

Because the rule will improve CBP's ability to collect duties, penalties, and liquidated damages, the U.S. government will see some increase in revenue under the rule. The increase in government revenue will be in the form of payments made by foreign IORs. However, these foreign IORs will not necessarily shoulder the entire burden of the payments. Through price changes, the foreign IORs could offload some of the burden of these payments onto the U.S. individuals that buy from them. To the extent that U.S. individuals bear some of the burden of increased payments, the increase in revenue will be a transfer, not a benefit of the rule, as the gain to the U.S. government will equal the loss to the U.S. consumers. To the extent that the foreign IORs themselves bear the burden of the increased payments, that increased revenue to the U.S. government is a benefit, as the gain to the U.S. government would be coming from foreign entities.

Net Effect

The net effect of the rule is the difference between the total benefits and the total costs. In this analysis, CBP quantified the populations affected by the rule and discussed the effects of the rule qualitatively, but CBP lacked the information needed to estimate quantitatively either the total benefits or total costs of the rule. Therefore, CBP is unable to calculate the quantified net

impact of the rule. In qualitative terms, the benefits of the rule will be to make CBP better positioned to collect revenue and penalties from foreign IORs and to prevent the importation of prohibited goods by foreign IORs. Revenue collection and screening of prohibited goods will improve because CBP will have more visibility into foreign IORs once they become CTPAT validated or begin using CTPAT validated brokers. The costs of the rule will be incurred by CBP, IORs, and brokers. CBP will incur a time cost from enforcing the rule, along with $12.2 million in costs resulting from programming updates, increased CTPAT participation, and processing brokers' requests for delayed compliance. Foreign IORs who are not CTPAT validated and who do not use a CTPAT validated broker will no longer be allowed to enter imported merchandise for consumption. These IORs will have to incur the cost of switching to a CTPAT validated broker and will likely bear the cost of the stricter informational standards set by CTPAT validated brokers, with this cost passed on to the IORs in the form of higher broker fees. In the long run, some of these foreign IORs may join CTPAT and become validated participants in the program, which is free to join but involves indirect costs to meet the requirements of the program, such as additional labor. The IORs who need to find new brokers will not be the only ones affected by the rule. U.S. IORs and the brokers who serve them will face the paperwork burden of proving that they are U.S. IORs. These IORs will need to provide documentation of their domestic status to the brokers, who will store the documentation and present it to CBP when asked for it. Non-CTPAT validated brokers will see a reduction in clients as foreign IORs shift to using CTPAT validated brokers. This effect is a transfer, not a cost to society, because from a societal perspective the loss to the non-CTPAT validated brokers will be offset by the CTPAT validated brokers' gain.

Alternatives

In this section, CBP discusses two regulatory alternatives that are stricter and an alternative that is less strict than the interim final rule. The first stricter alternative would require not only foreign IORs but also U.S. IORs to be CTPAT validated or use a CTPAT validated

broker. This alternative would increase transparency and security in U.S. IORs' operations and save brokers from having to review their clients' records to verify their foreign or U.S. status. However, because U.S. IORs have a physical presence in the country, CBP is already better positioned to enforce payments for U.S. IORs than for foreign IORs. Therefore, the relative improvement in enforcement would not be as large for U.S. IORs as for foreign IORs. Moreover, this stricter alternative would cause greater disruption to U.S. imports than the interim final rule would. From October 1, 2020, to February 6, 2026, only 2.6% of entry summaries were made by foreign IORs that were neither non-CTPAT validated nor using a CTPAT validated brokers, and the interim final rule would only affect the entry summaries in that category.[57] In that same time period, 17.2% of entry summaries were made by foreign or U.S. IORs that were not CTPAT validated or using a CTPAT validated broker. Thus, the stricter regulatory alternative would affect a more significant share of entry summaries. Among active brokers, 78% are non-CTPAT validated and would therefore no longer be able to offer their services until they became CTPAT validated, which is a time intensive task. The share of IORs that would be ineligible to enter merchandise for consumption with their current CTPAT status and broker would increase from 5.4% under the interim final rule to 42.7% under the stricter regulatory alternative. The brokers that are CTPAT validated could have difficulty taking on so many clients. If the ineligible U.S. IORs all switched to CTPAT validated brokers, those brokers would see an increase in their IOR clients of 74.4% and an increase in entry summaries of 20.8%. Due to the higher costs and limited benefit of this scenario, CBP is not pursuing the stricter regulatory alternative.

CBP is considering a second stricter alternative that would prohibit foreign IORs from filing informal entries for consumption, regardless of whether they are a CTPAT member or use

[57] Source: Information obtained from ACE on February 17 and March 25, 2026, based on entry summary data between October 1, 2020, and February 6, 2026. "U.S. IORs" are IORs with a physical address in the U.S. according to CBP Form 5106.

a CTPAT member broker. The most common informal entry types for consumption are ET11 entry and postal informal entry. Foreign IORs file approximately 9 percent of ET11 entry summaries and approximately 23 percent of the value of ET11 entry summaries. The practical effect of this stricter alternative would be that importers of informal entries would shift from filing informal entries to filing formal entries. Historically, there has been a difference in the entry requirements for informal entries and formal entries, but CBP is proposing to reduce this difference for ET11 and postal informal entries in a separate rule – CBP is publishing a Notice of Proposed Rulemaking related to Low Value Shipments that would impose stricter entry requirements on ET11 and postal informal entries to more closely match the requirements for formal entry. If that rule becomes effective, there would be little difference in the cost of making formal entry versus ET11 or postal informal entry. Therefore, if, during the final rule for this rulemaking, CBP adopts this stricter alternative, the effects of this alternative on ET11 and postal informal entries would be the additional entry requirements of switching to formal entry during the time period before the Low Value Shipment rule enters into effect. Without knowing the relative timing of future rulemakings, it is impossible to estimate for how long this provision might have costs that are attributable to this rule versus the Low Value Shipments rule. If the Low Value Shipments rule never finalizes, the additional costs to foreign IORs of switching from ET11 or postal informal entry to formal entry would be attributable to this rule. For more information on changes being made to ET11 and postal informal entry, see the analysis for the Low Value Shipments Notice of Proposed Rulemaking.

The less strict alternative would reduce the costs of the interim final rule but also the benefits. In the interim final rule, importers will be required to report whether they are a foreign or U.S. IOR on CBP Form 3461 and CBP Form 7501. Brokers will be expected to obtain documentation from the IORs proving the domestic status of the IOR and to supply this documentation to CBP upon request. The purpose of this new information requirement is to allow CBP to know which IORs are foreign so that CBP can require those foreign IORs to use a

CTPAT validated broker if the IOR is not CTPAT validated itself. However, the new information requirement about IORs' domestic status will apply to all brokers, including CTPAT validated brokers. As CTPAT validated brokers will be allowed to make entry for any IOR, foreign or U.S., CBP could waive the new information requirement for CTPAT validated brokers and still be able to implement the rule.

If CTPAT validated brokers did not have to state whether their clients were U.S. or foreign IORs, then those brokers would not have to obtain documentation proving the domestic status of their clients that are U.S. IORs. This alternative would affect a majority of U.S. IORs, as 56% of U.S. IORs already use CTPAT validated brokers, based on figures in the top row of Table 23. If CTPAT validated brokers did not have to state whether the IOR was a U.S. IOR, then those IORs could avoid the paperwork burden of proving they are U.S. IORs. Furthermore, the bottom row of Table 23 shows that the average CTPAT validated broker serves a much larger number of U.S. IORs than the average non-CTPAT validated broker. Therefore, the change would also limit the burden per broker. Without this proposed alternative, the average CTPAT validated broker would need to obtain documentation of domestic status from 866 U.S. IORs. With the proposed alternative, CTPAT validated brokers would not need to obtain this documentation. Only non-CTPAT validated brokers would need to do so, with the average non-CTPAT validated broker needing to obtain documentation from 180 U.S. IORs.

Table 23: U.S. IOR and Broker Statistics

	All	Using CTPAT validated Broker	Using non-CTPAT validated Broker*
U.S. IORs	999,938	556,667	443,271
Brokers	3,100	643	2,457
U.S. IORs/broker	323	866	180

Source: Information obtained from ACE on February 17 and March 25, 2026, based on entry summary data between October 1, 2020, and February 6, 2026. "U.S. IORs" are IORs with a physical address in the U.S. according to CBP Form 5106.
Note: The third column shows the number of U.S. IORs using CTPAT validated brokers and the number of such brokers. The fourth column shows the number of U.S. IORs using non-CTPAT validated brokers and the number of such brokers.
*CBP's estimate for the number of U.S. IORs using non-CTPAT validated brokers equals the total number of U.S. IORs minus the number of U.S. IORs using CTPAT validated brokers. This estimate therefore assumes that all IORs are using brokers of some kind and that each IOR only uses one broker.

Compared to the main regulatory scenario, this proposed alternative would have the drawback of hampering efforts by CTPAT validated brokers to obtain information about their clients. In the main regulatory scenario, brokers will be required by regulations to "request and review a client's records establishing that the criteria specified in § 110.2 of this chapter, to be considered a U.S. importer of record, are satisfied. Such records may include, but are not limited to, proof of citizenship or lawful permanent residence, corporate charters, financial statements, purchase receipts, or documents of title." Because of this regulatory requirement, brokers will have the leverage to demand this information from their clients. In the alternative version of the rule, a CTPAT validated broker may still want to review a client's detailed records for the purposes of inspecting the supply chain and thereby maintaining its CTPAT validated status. However, if verifying the client's records were not a regulatory requirement for CTPAT validated brokers, then the clients claiming to be U.S. IORs may be reluctant to provide this documentation to the brokers. As a result, CTPAT validated brokers would have less visibility into their clients' supply chain, or the brokers would have to exert more effort to achieve the desired level of visibility.

C. Regulatory Flexibility Act

The Regulatory Flexibility Act (RFA) (5 U.S.C. 603(b)), as amended by the Small Business Regulatory Enforcement and Fairness Act of 1996 (SBREFA), requires an agency to prepare and make available to the public a regulatory flexibility analysis that describes the effect of a proposed rule on small entities (*i.e*., small businesses, small organizations, and small governmental jurisdictions) when the agency is required "to publish a general notice of proposed rulemaking for any proposed rule." Because this rule is being issued as an interim final rule, on the grounds set forth above, a regulatory flexibility analysis is not required under the RFA.

D. Paperwork Reduction Act

The Paperwork Reduction Act (PRA) of 1995 (44 U.S.C. 3507) requires that CBP consider the impact of paperwork and other information collection burdens imposed on the public. An agency may not conduct, or sponsor, and an individual is not required to respond to, a collection of information unless the collection of information displays a valid Office of Management and Budget (OMB) control number. Implementing this IFR will require both CBP Form 3461 Entry/Immediate Delivery ACE and CBP Form 7501 Entry Summary (and their electronic equivalents) to include two new checkboxes and a new field. One checkbox would be checked if the broker is acting as the IOR on behalf of the principal on the power of attorney. If the broker checks this box and the broker is not CTPAT validated, then the broker will also fill in a field for identifying the principal by IOR number or other identifier tied to CBP Form 5106. The second checkbox would be checked if the IOR (or principal, if the broker is acting as the IOR on behalf of the principal) is a U.S. IOR.

Customs brokers will also need to obtain documentation from their clients (IORs) proving that they are U.S. IORs. Customs brokers will incur costs in obtaining this information from U.S. IORs and keeping records, and U.S. IORs will also incur costs in gathering and providing the information to the customs brokers and keeping their own records.[58] However, CBP does not expect the time burden for CBP Form 3461, under OMB control number 1651-0024, or CBP Form 7501, under OMB control number 1651-0022, to increase. Once a customs broker has the needed documentation for a U.S. IOR, which is a one-time occurrence for that IOR, there is no additional time burden imposed on the public to submit an additional entry or entry summary form on behalf of the IOR. Furthermore, CBP does not anticipate any additional burden to the public for the time it takes to check the two checkboxes and provide the IOR number of the principal on the power of attorney, if applicable.

[58] *See* 19 CFR part 163 for the recordkeeping requirements applicable to IORs, among other persons, listed in section 163.2.

Brokers will be able to submit a Broker Delayed Compliance Request Form to request that the deadline to verify their U.S. clients be extended to 6 months after the publication date of this rulemaking. This form is being created for this rule, and the time burden estimates are as follows:

Broker Delayed Compliance Request Form

Estimated Number of Respondents: 2,600

Estimated Number of Responses: 2,600

Estimated Time per Response: 20 minutes (0.33 hours)

Estimated Total Annual Burden Hours: 867

E. Unfunded Mandates Reform Act of 1995

Title II of the Unfunded Mandates Reform Act of 1995 (2 U.S.C. 1531-38, UMRA) requires each Federal agency to prepare a written statement assessing the effects of any Federal mandate in a proposed rule or final rule for which the agency published a proposed rule, which includes any Federal mandate that may result in a $100 million or more expenditure (adjusted annually for inflation) in any one year by State, local, and tribal governments, in the aggregate, or by the private sector.

A written statement under UMRA is not required unless an agency has published a notice of proposed rulemaking. *See* 2 U.S.C. 1532(a). In addition, an action is exempt from UMRA if it is necessary for national security. *See* 2 U.S.C. 1503(5). As discussed under Section VIII.A., this rule is exempt from notice and comment rulemaking procedures and is necessary for national security. Accordingly, CBP has not prepared a written statement in connection with this rule.

IX. Signing Authority

In accordance with Treasury Order 100-20, the Secretary of the Treasury delegated to the Secretary of Homeland Security the authority related to the customs revenue functions vested in the Secretary of the Treasury as set forth in 6 U.S.C. 212 and 215, subject to certain exceptions. This regulation is being issued in accordance with DHS Delegation 07010.3, Revision 03.2,

which delegates to the Commissioner of CBP the authority to prescribe and approve regulations related to customs revenue functions.

Rodney S. Scott, Commissioner, having reviewed and approved this document, has delegated the authority to electronically sign this document to Susan S. Thomas, Executive Assistant Commissioner, Office of Trade, for purposes of publication in the *Federal Register*.

List of Subjects

19 CFR Part 110

Administrative practice and procedure, Importers, Reporting and recordkeeping requirements.

19 CFR Part 111

Administrative practice and procedure, Brokers, Penalties, Reporting and recordkeeping requirements.

19 CFR Part 141

Reporting and recordkeeping requirements.

19 CFR Part 142

Canada, Mexico, Reporting and recordkeeping requirements.

19 CFR Part 171

Administrative practice and procedure, Law enforcement, Penalties, Seizures and forfeitures.

AMENDMENTS TO THE CBP REGULATIONS

For the reasons set forth above, chapter I of title 19, Code of Federal Regulations (19 CFR chapter I), is amended as set forth below:

1. Add part 110 to read as follows:

PART 110 – IMPORTERS OF RECORD

Sec.

110.0 [Reserved]

Subpart A-General Provisions

110.1 Definitions.

110.2 U.S. importer of record.

110.3 Foreign importer of record.

Subpart B-[Reserved]

Authority: 5 U.S.C. 301; 19 U.S.C. 66, 1202 (General Note 3(i), Harmonized Tariff Schedule of the United States), 1484, 1498, 1623, 1624, 4320.

§ 110.0 [Reserved]

Subpart A – General Provisions

§ 110.1 Definitions.

Beneficial owner. The term "beneficial owner":

(1) Means, with respect to an entity, an individual who:

(i) Is a natural person; and

(ii) Directly or indirectly, through any contract, arrangement, understanding, relationship, or otherwise—

(A) Exercises substantial control over the entity; or

(B) Owns or controls not less than 25 percent of the ownership interests of the entity; and

(2) Includes circumstances where multiple layers of entity ownership exist between the natural person and the entity, such as a corporation that is owned by another corporation that is owned by a natural person, in which case the natural person is the beneficial owner of the entity despite the layers of entity ownership; and

(3) Does not include:

(i) A minor child, as defined in the State in which the entity is formed or, in the case of an entity that was not formed in the United States, an individual who has not yet attained the age of 18, if the parent or guardian of the minor child meets the definition of a beneficial owner;

(ii) An individual acting as a nominee, intermediary, custodian, or agent on behalf of another individual;

(iii) An individual acting solely as an employee of a corporation, limited liability company, or other similar entity and whose control over or economic benefits from such entity are derived solely from the employment status of the person, provided that such a person is not a senior officer;

(iv) An individual whose only interest in a corporation, limited liability company, or other similar entity is through a right of inheritance; or

(v) A creditor of a corporation, limited liability company, or other similar entity, unless the creditor meets the requirements of paragraph (3)(i) of this definition.

(4) Beneficial ownership can be accomplished through substantial control, ownership interests, or both. Every entity must have at least one beneficial owner. An entity may have multiple beneficial owners.

Physical domestic assets. The term "physical domestic assets" means cash deposited in a U.S. bank account, U.S. Treasury bonds, and the following assets when physically located in the United States: real property, inventory, machinery, and/or equipment.

§ 110.2 U.S. importer of record.

(a) *Qualification as U.S. importer of record.* To be considered a U.S. importer of record, a party must be:

(1) An individual who is a United States citizen or lawful permanent resident; or

(2) An entity that meets the following requirements:

(i) The entity must be located in the United States;

(ii) The entity must be organized under the laws of the United States; and

(iii) Either:

(A) At all times, at least 51% of beneficial owner(s) of the entity, as defined in § 110.1, must be United States citizens or lawful permanent residents and have control of the entity; or

(B) The entity must maintain direct ownership of a significant amount of unencumbered real property in the United States at all times.

(b) *Verification.* Whether an individual or entity qualifies as a U.S. importer of record is subject to verification by CBP. The determination of whether an entity qualifies as a U.S. importer of record will vary depending upon the circumstances in each instance. To verify that an entity is located in the United States for qualification as a U.S. importer, CBP will take into account, among other considerations, the size and scale of the overall operations of the entity and whether it is an instrumentality of a foreign manufacturer without a substantial presence in the United States. Criteria that CBP may consider in its discretion and to the extent any are relevant, include, but are not limited to, the following:

(1) Whether the entity's principal place of business is in the United States;

(2) Whether the entity has a physical presence where substantial business transactions are conducted in the United States, including, but not limited to, paying employees, generating revenue, or operating retail locations;

(3) Whether the entity maintains sufficient unencumbered physical domestic assets, as defined in § 110.1;

(4) Whether the entity directly owns a significant amount of unencumbered real property in the United States;

(5) Whether the entity's gross sales generally exceed its cost of goods sold and the entity is structured in a manner that it is anticipated to generate its own profit; and

(6) Whether the entity is sufficiently capitalized.

§ 110.3 Foreign importer of record.

An importer of record who does not meet the criteria to be considered a U.S. importer of record pursuant to § 110.2 is a foreign importer of record.

Subpart B—[Reserved]

PART 111 - CUSTOMS BROKERS

2. The general authority citation for part 111 continues to read as follows:

Authority: 19 U.S.C. 66, 1202 (General Note 3(i), Harmonized Tariff Schedule of the United States), 1624; 1641.

* * * * *

3. Revise § 111.21(a) to read as follows:

§ 111.21 Record of transactions.

(a) Each broker must keep current in a correct, orderly, and itemized manner records of account reflecting all his financial transactions as a broker. He must keep and maintain on file copies of all his correspondence and other records relating to his customs business, including records related to verifications conducted pursuant to § 111.29(a)(2).

* * * * *

4. Revise § 111.23(b) to read as follows:

§ 111.23 Retention of records.

* * * * *

(b) *Period of retention.* The records described in this section, other than powers of attorney, must be retained for at least five years after the date of entry. Records related to a verification conducted pursuant to § 111.29(a)(2) must be retained for five years from the date the verification is conducted. Powers of attorney must be retained until revoked, and revoked powers of attorney and letters of revocation must be retained for five years after the date of revocation or for five years after the date the client ceases to be an "active client" as defined in § 111.29(b)(2)(ii), whichever period is later. When merchandise is withdrawn from a bonded

warehouse, records relating to the withdrawal must be retained for five years from the date of withdrawal of the last merchandise withdrawn under the entry.

5. In § 111.29, revise the section heading and paragraph (a) to read as follows:

§ 111.29 Diligence in correspondence, paying monies, and verification of U.S. importers of record.

(a) *Due diligence by broker*. Each broker must exercise due diligence in:

(1) Making financial settlements, in answering correspondence, and in preparing or assisting in the preparation and filing of records relating to any customs business matter handled by him as a broker. Payment of duty, tax, or other debt or obligation owing to the Government for which the broker is responsible, or for which the broker has received payment from a client, must be made to the Government on or before the date that payment is due. Payments received by a broker from a client after the due date must be transmitted to the Government within five working days from receipt by the broker. Each broker must provide a written statement to a client accounting for funds received for the client from the Government, or received from a client where no payment to the Government has been made, or received from a client in excess of the Governmental or other charges properly payable as part of the client's customs business, within 60 calendar days of receipt. No written statement is required if there is actual payment of the funds by a broker.

(2) Verifying that a client meets the requirements to be considered a U.S. importer of record prior to making a declaration to CBP pursuant to § 141.22 of this chapter. A broker, prior to filing a declaration on behalf of a client pursuant to § 141.22 of this chapter, must verify that the client meets the requirements to qualify as a U.S. importer of record pursuant to § 110.2 of this chapter. Each broker must request and review a client’s records to determine that the criteria to be considered a U.S. importer of record as specified in § 110.2 of this chapter, are satisfied. Such records may include, but are not limited to, proof of citizenship or lawful permanent residence, corporate charters, financial statements and records, purchase receipts, or documents of title.

* * * * *

PART 141 - ENTRY OF MERCHANDISE

6. The general authority citation for part 141 is revised to read as follows:

Authority: 19 U.S.C. 66, 1448, 1484, 1498, 1624, 4320 and 4321.

* * * * *

7. Add §§ 141.21 and 141.22 to read as follows:

§ 141.21 Entry by foreign importer of record.

(a) A foreign importer of record, as defined in § 110.3 of this chapter, may not enter merchandise for consumption except pursuant to the requirements in paragraph (b) of this section. This restriction is applicable to merchandise entered for consumption (§ 141.0a(f)) for which a formal entry is required to be filed or, if an informal entry is filed, for which an informal entry is required to be filed on CBP Form 3461 or CBP Form 7501, or their electronic equivalents.

(b) Entry of merchandise for consumption by a party meeting the qualifications for a foreign IOR, as defined in § 110.3 of this chapter, is restricted to the following:

(1) If the foreign importer of record is validated through the Customs Trade Partnership Against Terrorism (CTPAT) program (6 U.S.C. 961(a)), and has the right to make entry pursuant to § 143.26 of this chapter for informal entry or 19 U.S.C. 1484(a)(2)(B) for formal entry, the foreign importer of record may enter merchandise for consumption or hire a customs broker licensed under 19 U.S.C. 1641 to make entry.

(2) If the foreign importer of record is not validated through the CTPAT program, the foreign importer of record must designate a customs broker licensed under 19 U.S.C. 1641 who is validated through the CTPAT program (6 U.S.C. 961(a)) to make entry or act as the importer of record for the entry. If a customs broker acts as the importer of record for the entry on behalf of a principal on the power of attorney (see § 141.46 of this chapter) who is not an importer of record, and that principal would qualify as a foreign importer of record pursuant to §

110.3 of this chapter, the broker must also be validated through the CTPAT program. The designated customs broker who is validated through the CTPAT program must act as the importer of record for the entry if the principal on the power of attorney (§ 141.46) is not the owner or purchaser of the merchandise

§ 141.22 Entry by U.S. importer of record.

(a) A party meeting the requirements in § 110.2 of this chapter may enter merchandise for consumption, as follows:

(1) A U.S. importer of record who has the right to make entry pursuant to § 143.26 of this chapter for informal entry or 19 U.S.C. 1484(a)(2)(B) for formal entry, and who meets the requirements in § 110.2 of this chapter, may enter merchandise subject to the more specific requirements and procedures set forth elsewhere in this chapter. At the time of filing an entry (§ 141.0a(a)) and entry summary (§ 141.0a(b)), the importer of record must declare its qualification as a U.S. importer of record as defined in § 110.2 of this chapter.

(2) If a party meeting the requirements of § 110.2 of this chapter designates a customs broker licensed under 19 U.S.C. 1641 who is not validated through the Customs Trade Partnership Against Terrorism (CTPAT) program (6 U.S.C. 961(a)) to make entry as the importer of record, at the time of filing the entry (141.0a(a)) and entry summary (141.0a(b)), the customs broker must identify the principal on the power of attorney (§ 141.46) and must declare that the principal would meet the requirements to be considered a U.S. importer of record. In this instance, the principal on the power of attorney must have a CBP Form 5106 on file with CBP, pursuant to § 24.5 of this chapter.

(b) For purposes of a verification conducted pursuant to § 110.2(b) of this chapter of the declaration in paragraph (a) of this section, the decision as to whether an individual or entity qualifies as a U.S. importer of record, as defined in § 110.2 of this chapter, will be made by the appropriate Center Director.

8. Revise § 141.46 to read as follows:

§ 141.46 Power of attorney retained by customhouse broker.

Before transacting customs business on behalf of a principal, to include acting as an importer of record on behalf of the principal, a customs broker is required to obtain a valid power of attorney to do so. The customs broker is not required to file the power of attorney with CBP. Brokers shall retain powers of attorney with their records (§ 111.1), and make them available for examination as provided in subpart C of part 111 of this chapter.

PART 142 - ENTRY PROCESS

9. The authority citation for part 142 continues to read as follows:

Authority: 19 U.S.C. 66, 1448, 1484, 1624.

10. In § 142.13, add paragraphs (a)(5) and (e) to read as follows:

§ 142.13 When entry summary must be filed at time of entry.

(a) * * *

(5) Inaccurately declares to CBP, as determined by CBP, that the importer, or principal on the power of attorney where the broker acts as the importer of record, meets the requirements to be considered a U.S. importer of record pursuant to § 141.22 of this chapter.

* * * * *

(e) CBP may impose the requirement in paragraph (a) of this section on importers making entry under the provisions of this part or part 143 of this chapter.

11. In § 142.25, add paragraphs (a)(5) and (c) to read as follows:

§ 142.25 Discontinuance of immediate delivery privileges.

(a) * * *

(5) Inaccurately declares to CBP that the importer, or principal on the power of attorney where the broker acts as the importer of record, meets the requirements to be considered a U.S. importer of record pursuant to § 141.22 of this chapter, as determined by CBP.

* * * * *

(c) CBP may impose the requirement in paragraph (a) of this section on importers making entry under the provisions of this part or part 143 of this chapter.

PART 171 - FINES, PENALTIES, AND FORFEITURES

12. The general authority citation for part 171 continues to read as follows:

Authority: 18 U.S.C. 983; 19 U.S.C. 66, 1592, 1593a, 1618, 1624; 22 U.S.C. 401; 31 U.S.C. 5321.

* * * * *

13. In appendix B to part 171, revise section (K) to read as follows:

Appendix B to Part 171—Customs Regulations, Guidelines for the Imposition and Mitigation of Penalties for Violations of 19 U.S.C. 1592

* * * * *

(K) Subject to CBP's discretion, if a customs broker commits a violation of 19 U.S.C. 1592, the customs broker may be subject to a penalty under 19 U.S.C. 1592 or may be subject to any other enforcement action available under the law, including, but not limited to, the remedies provided under 19 U.S.C. 1641.

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Susan S. Thomas,
Executive Assistant Commissioner,
Office of Trade,
U.S. Customs and Border Protection.

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