

FTZ Production: Scope of Authority and Monitoring Visits

What is Scope of Authority?

When a company receives approval from the FTZ Board (the Board) for authority to conduct “production” activity, the “scope” of that authority from the Board extends only to the finished products and foreign-status materials/components that were described in the company’s request(s) approved by the Board.¹ In the Board’s regulations (15 CFR Part 400), section 400.14(b) sets out those limitations: “Production activity that may be conducted in a particular zone operation is limited to the specific foreign-status materials and components and specific finished products described in notifications and applications that have been authorized pursuant to paragraph (a) of this section, including any applicable prohibitions or restrictions.”

Operator Responsibilities

- Maintain copies of notifications/applications and decision documents. If unable to locate copies of those documents, contact the grantee and/or the Board’s staff to obtain copies.
- Understand any specific restriction(s) placed on the activity by the Board.
- Obtain approval in advance for any finished products or foreign-status materials/components not already authorized by the Board. A production notification must be submitted to request such additional authority.

Grantee and Operator Best Practices

- Grantees should communicate with operators regarding the need for advance approval from the Board for production activity and the limits of scope of authority.
- Each operator should have routine internal discussions so that employees are aware that changes in production may require new FTZ authority and also establish routine reviews of actual operations relative to the operator’s approved scope of authority.
- Contact the Board’s staff with questions or to request a scope determination, as warranted.

Monitoring Visits

Periodically, the Board’s staff visits FTZ operations, including to monitor that FTZ activity is consistent with the Board’s authorizations. Each such monitoring visit generally is scheduled for either a half-day or full-day duration. For such visits, the Board’s staff commonly views the actual activities being conducted and ordinarily requests in advance a sample of documents for receipt of materials/components and shipment of finished products for a selected timeframe. The Board’s staff may request additional documents during the course of a monitoring visit. CBP personnel may opt to accompany the Board’s staff during such visits.

Questions? You may contact the FTZ Board staff via ftz@trade.gov or (202) 482-2862.

¹ A company’s scope of authority is based on the written descriptions provided in its requests. Scope of authority is not tied directly to the Harmonized Tariff Schedule of the United States (HTSUS) numbers under which the materials/components or finished products are classified. HTSUS numbers are provided in notifications and applications requesting authority from the FTZ Board as a supplement to the written descriptions. Therefore, changes in an HTSUS number alone generally have no impact on an approved scope of authority and a new production notification would not be needed simply as a result of a change to the HTSUS number associated with an already authorized finished product or foreign-status material/component.