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CODE OF FEDERAL REGULATIONS

Title 31

Money and Finance: Treasury

Parts 0 to 199

Revised as of July 1, 2021

Containing a codification of documents
of general applicability and future effect

As of July 1, 2021

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Cite this Code: CFR

To cite the regulations in this volume use title, part and section number. Thus, 31 CFR 0.101 *refers to title 31, part 0, section 101.*

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The Code of Federal Regulations is a codification of the general and permanent rules published in the Federal Register by the Executive departments and agencies of the Federal Government. The Code is divided into 50 titles which represent broad areas subject to Federal regulation. Each title is divided into chapters which usually bear the name of the issuing agency. Each chapter is further subdivided into parts covering specific regulatory areas.

Each volume of the Code is revised at least once each calendar year and issued on a quarterly basis approximately as follows:

Title 1 through Title 16.....as of January 1
Title 17 through Title 27.....as of April 1
Title 28 through Title 41.....as of July 1
Title 42 through Title 50.....as of October 1

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An index to the text of ''Title 3—The President'' is carried within that volume.

The Federal Register Index is issued monthly in cumulative form. This index is based on a consolidation of the ''Contents'' entries in the daily Federal Register.

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OLIVER A. POTTS,
Director,
Office of the Federal Register.
July 1, 2021.

THIS TITLE

Title 31—MONEY AND FINANCE: TREASURY is composed of three volumes. The parts in these volumes are arranged in the following order: Parts 0–199, parts 200–499, and part 500 to end. The contents of these volumes represent all current regulations codified under this title of the CFR as of July 1, 2021.

For this volume, Ann Worley was Chief Editor. The Code of Federal Regulations publication program is under the direction of John Hyrum Martinez, assisted by Stephen J. Frattini.

Title 31—Money and Finance: Treasury

(This book contains parts 0 to 199)

Part

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SUBTITLE B—REGULATIONS RELATING TO MONEY AND FINANCE

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ABBREVIATION USED IN THIS CHAPTER:
C. P. D. = *Commissioner of the Public Debt.*

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AUTHORITY: 5 U.S.C. 301.

SOURCE: 81 FR 8403, Feb. 19, 2016, unless otherwise noted.

Subpart A—General Provisions

§ 0.101 Purpose.

The regulations in this part prescribe procedures and standards of conduct that are appropriate to the particular functions and activities of the Department of the Treasury (Department).

§ 0.102 Applicability.

(a) Unless otherwise specified, the regulations in this part apply to all employees of the Department at all times, regardless of whether they are on duty or on leave, including leave without pay.

(b) The regulations in this part may be supplemented by regulations, interpretive guidelines and procedures issued by the Department's offices and bureaus. The absence of a specific published rule of conduct covering an action or omission does not validate that action or omission nor indicate that the action or omission would not result in corrective or disciplinary action.

§ 0.103 Other rules of conduct applicable to Department employees.

In addition to the regulations in this part, employees of the Department are subject to other applicable statutes and regulations, including the following:

(a) The Standards of Ethical Conduct for Employees of the Executive Branch at 5 CFR part 2635;

(b) The Supplemental Standards of Ethical Conduct for Employees of the Department of the Treasury at 5 CFR part 3101;

(c) Political Activities of Federal Employees regulations at 5 CFR part 734;

(d) The Employee Responsibilities and Conduct regulations at 5 CFR part 735; and

(e) Department of the Treasury Disclosure of Records regulations at 31 CFR part 1.

§ 0.104 Definitions.

The following definitions are used throughout this part:

(a) *Bureau* means:

(1) Alcohol and Tobacco Tax and Trade Bureau;

(2) Bureau of Engraving and Printing;

(3) Bureau of the Fiscal Service;

(4) Departmental Offices;

(5) Financial Crimes Enforcement Network;

(6) Internal Revenue Service;

(7) Office of the Comptroller of the Currency;

(8) Office of the Inspector General;

(9) Office of the Special Inspector General for the Troubled Asset Relief Program;

(10) Office of the Treasury Inspector General for Tax Administration;

(11) United States Mint; and

(12) Any other organization designated as a bureau by the Secretary of the Treasury pursuant to appropriate authority.

(b) *Person* means an individual, corporation, company, association, firm, partnership, society, joint stock company, or any other entity, organization, or institution.

(c) *Employee* means an officer or employee of the Department regardless of grade, status or place of employment, including an employee on leave with pay or on leave without pay. Unless stated otherwise, employee shall include a special government employee.

(d) *Special government employee* means an officer or employee of the Department who is retained, designated, appointed, or employed, regardless of type of appointment, to perform temporary duties on a full-time or intermittent basis, with or without compensation, for not to exceed 130 days during any period of 365-consecutive days. 18 U.S.C. 202(a).

(e) *On Department property* means present in a building, on property, or in space owned by, leased by, occupied by, or under the control of the Department.

§ 0.105 Responsibilities of employees and supervisors.

(a) Employees shall comply with all generally accepted rules of conduct, the specific provisions of this part, and other applicable regulations. An employee with questions about generally accepted rules of conduct, the specific provisions of this part, and other applicable regulations should consult his or her supervisor, a human resources specialist, or Bureau counsel.

(b) Supervisors, because of their day-to-day relationships with their employees, are responsible for ensuring that their employees maintain high standards of conduct. Supervisors must be familiar with this part and other applicable regulations and must apply generally accepted rules of conduct, the standards in this part, and the standards in other applicable regulations to the work they do and supervise. Supervisors shall take appropriate action, including disciplinary action, when violations of this part or other applicable regulations occur.

§ 0.106 Corrective action.

An employee's violation of generally accepted rules of conduct, the standards in this part, or the standards in other applicable regulations may result in appropriate corrective or disciplinary action, in addition to any penalty prescribed by law.

Subpart B—Rules of Conduct

§ 0.201 Acting within scope of authority.

An employee shall not engage in any conduct or activity that is in excess of his or her authority or is otherwise contrary to any law, regulation, or Department policy.

§ 0.202 Conformance with policy and subordination to authority.

(a) Employees are required to comply with the lawful directives of their supervisor and other management officials.

(b) Employees shall be familiar and comply with regulations and published instructions that relate to their official duties and responsibilities.

§ 0.203 Reporting suspected misconduct.

(a) An employee shall immediately report to his or her supervisor, to any management official, or to the applicable Office of Inspector General:

(1) Any information that the employee reasonably believes indicates a possible offense against the United States by an employee of the Department or any other individual working on behalf of the Department, including, but not limited to, bribery; fraud; perjury; conflict of interest; misuse of funds, government purchase or employee travel credit cards, equipment, or facilities; and other conduct which is prohibited by title 18 of the United States Code;

(2) Any suspected violation of a statute, rule, or regulation, including this part and the regulations referenced in section 0.103 of this part;

(3) Any instance in which another person inside or outside the federal government uses or attempts to use undue influence to induce an employee to do or omit to do any official act in derogation of his official duty; and,

(4) Any information that the employee reasonably believes indicates

the existence of an activity constituting:

(i) Mismanagement, a gross waste of funds, or abuse of authority;

(ii) A substantial and specific danger to the public health and safety;

(iii) A threat to the integrity of programs and operations relating to the Department; or

(iv) A violation of merit systems principles or a prohibited personnel practice as described in 5 U.S.C. 2301 and 2302.

(b) Bureau counsel who, during the course of providing advice to or representation of a bureau, acquire information of the type described in paragraph (a) of this section, shall report the information to the reporting employee's supervisor, the Chief or Legal Counsel, or the Deputy General Counsel, who shall report such information to the relevant Inspector General.

(c) This section does not cover matters addressed through employee grievances, equal employment opportunity complaints, Merit Systems Protection Board appeals, classification appeals, or other matters for which separate, formal systems have been established.

§ 0.204 Prohibition of reprisal for reporting suspected misconduct.

Any employee who has authority to take, direct others to take, recommend, or approve any personnel action, shall not, with respect to such authority, take or threaten to take any action against any employee as a reprisal for providing any information in accordance with § 0.203 of this part or through other processes established by law. However, if an employee makes a complaint or discloses information with the knowledge that it was false, or with willful disregard of its truth or falsity, such conduct may be grounds for disciplinary action, and such action shall not constitute reprisal.

§ 0.205 Controlled substances and intoxicants.

Employees shall not sell, offer to sell, buy, offer to buy, use, or possess, controlled substances in violation of federal law. Employees shall not use or be under the influence of alcohol in a manner that adversely affects their work performance. Employees may consume alcohol on Department property only when authorized in accordance with Department or bureau policies and directives.

§ 0.206 Strikes.

Employees shall not participate in a labor strike, work stoppage, or work slowdown against the government.

§ 0.207 Possession of weapons or explosives.

(a) Employees shall not possess firearms, explosives, or other dangerous weapons, as defined at 40 U.S.C. 5104(a), either openly or concealed, while on Department property or while on official duty.

(b) The prohibition of paragraph (a) of this section does not apply to the possession of authorized weapons or explosives by employees who are required to possess such authorized weapons or explosives in the performance of their official duties.

§ 0.208 Care of agency records.

(a) Employees shall not remove, alter, destroy, mutilate, access, copy, or retain documents or data in the custody of the federal government or provided to them in the course of their employment, without proper authorization.

(b) The term ''documents'' includes, but is not limited to, any written, printed, typed or other graphic material, recording, computer tape, disk or hard drive, storage medium, blueprint, photograph, or other physical object on which information is recorded, including all copies of the foregoing by whatever means made, and any electronic file, data, or information stored on or created on a government computer, database, application, program, network, or storage medium.

§ 0.209 Disclosure of records or information.

(a) Employees shall not disclose or use official information without proper authority. Employees authorized to make disclosures should respond promptly and courteously to requests from the public for information when permitted to do so by law.

(b) Employees who have access to information that is classified for security

reasons in accordance with Executive Order 13526, or any successor Executive Order governing Classified National Security Information, are responsible for its custody and safekeeping, and for assuring that it is not disclosed to unauthorized persons. *See* 18 U.S.C. 798; 50 U.S.C. 783(a); 31 CFR part 2.

§ 0.210 Cooperation with official inquiries.

Employees directed by competent Department or other federal authority to provide oral or written responses to questions, or to provide documents and other materials concerning matters of official interest, shall timely respond fully, truthfully, and, when required, under oath.

§ 0.211 Falsification of official records.

Employees shall not intentionally or with willful disregard make false or misleading statements, orally or in writing, in connection with any matter of official interest. Matters of official interest include, but are not limited to, the following: Official reports and any other official information upon which the Department, the Congress, other government agencies, or the public may act or rely; transactions with the public, government agencies or other government employees; application forms and other forms that serve as a basis for any personnel action; vouchers; time and attendance records, including leave records; work reports of any nature or accounts of any kind; affidavits; record of or data concerning any matter relating to or connected with an employee's duties; personnel records; and reports of any moneys or securities received, held or paid to, for or on behalf of the United States.

§ 0.212 Use of government property.

(a) An employee shall not directly or indirectly use, or allow the use of, government property of any kind, including property leased to the government, for other than officially approved activities. This includes the use of government-provided information technology equipment, internet access, cellular telephones, personal digital assistants, and other devices in a manner that is inconsistent with the Department's policy permitting reasonable personal use. An employee has a positive duty to protect and conserve government property including equipment, supplies, intellectual property, and other property made available, entrusted, or issued to the employee for official use.

(b) Employees shall not use government vehicles for unofficial purposes, including to transport unauthorized passengers. The use of government vehicles for transporting employees between their domiciles and places of employment is prohibited except when authorized by the Secretary pursuant to 31 U.S.C. 1344 or other statute.

§ 0.213 Government issued charge cards.

(a) Employees shall not make improper purchases with government contractor-issued charge cards.

(b) Employees shall timely pay undisputed amounts owed on government contractor-issued travel charge cards.

§ 0.214 Conduct while on government property.

(a) Employees must adhere to the regulations that govern the conduct of individuals who are in the buildings or space occupied by, or on grounds of, particular government property.

(b) Employees shall not solicit, make collections, canvass for the sale of any article, or distribute literature or advertising on Department property without appropriate authorization.

§ 0.215 Recording government business.

An employee shall not electronically transmit, or create audio or video recordings of, conversations, meetings, or conferences in the workplace or while conducting business on behalf of the Department, except where authorized.

[82 FR 47106, Oct. 11, 2017]

§ 0.216 Influencing legislation or petitioning Congress.

Except for the official handling, through the proper channels, of matters relating to legislation in which the Department has an interest, employees shall not use government time, money, or property to petition a Member of

Congress to favor or oppose any legislation or proposed legislation, or to encourage others to do so. This section does not prohibit the use of government time by union representatives to petition a Member of Congress to favor or oppose any legislation or proposed legislation, where permitted by the terms of a collective bargaining agreement.

[82 FR 47106, Oct. 11, 2017]

§ 0.217 Nondiscrimination.

(a) Employees shall not discriminate against or harass any other employee, applicant for employment, contractor, or person dealing with the Department on official business on the basis of race, color, religion, national origin, sex, sexual orientation, age, disability, political affiliation, marital status, parental status, veterans status, or genetic information.

(b) Supervisors shall not retaliate against an employee for complaining about suspected unlawful discrimination or harassment, seeking accommodation for a disability, or otherwise exercising their right to be free from unlawful discrimination.

(c) An employee who engages in discriminatory or retaliatory conduct may be disciplined under these regulations, as well as other applicable laws. However, this section does not create any enforceable legal rights in any person.

§ 0.218 General conduct prejudicial to the government.

An employee shall not engage in criminal, infamous, dishonest, immoral, or notoriously disgraceful conduct, or other conduct prejudicial to the government.

PART 1—DISCLOSURE OF RECORDS

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AUTHORITY: 5 U.S.C. 301, 552, 552a, 553; 31 U.S.C. 301, 321; 31 U.S.C. 3717.

SOURCE: 52 FR 26305, July 14, 1987, unless otherwise noted.

Subpart A—Freedom of Information Act

SOURCE: 84 FR 6325, Feb. 27, 2019, unless otherwise noted.

§ 1.0 General provisions.

(a) This subpart contains the rules that the Department of the Treasury follows in processing requests for records under the Freedom of Information Act (FOIA), 5 U.S.C. 552 as amended. These regulations apply to all components of the Department of the Treasury. Requests made by individuals for records about themselves under the Privacy Act of 1974, 5 U.S.C. 552a, are processed under subpart C of part 1 as well as under this subpart.

(b) The components of the Department of the Treasury for the purposes of this subpart are the following offices and bureaus:

(1) The Departmental Offices, which include the offices of:

(i) The Secretary of the Treasury, including immediate staff;

(ii) The Deputy Secretary of the Treasury, including immediate staff;

(iii) The Chief of Staff, including immediate staff;

(iv) The Executive Secretary of the Treasury and all offices reporting to such official, including immediate staff;

(v) The Under Secretary (International Affairs) and all offices reporting to such official, including immediate staff;

(vi) The Under Secretary (Domestic Finance) and all offices reporting to such official, including immediate staff;

(vii) The Director of the Community Development Financial Institution Fund and all offices reporting to such official, including immediate staff;

(viii) The Director of the Office of Financial Research and all offices reporting to such official, including immediate staff;

(ix) The Under Secretary (Terrorism and Financial Intelligence) and all offices reporting to such official, including immediate staff;

(x) The Director of the Office of Foreign Assets Control and all offices reporting to such official, including immediate staff;

(xi) The General Counsel and all offices reporting to such official, including immediate staff, but not including legal counsel to the components listed in paragraphs (b)(2) through (10) of this section;

(xii) The Treasurer of the United States, including immediate staff;

(xiii) The Assistant Secretary (Legislative Affairs) and all offices reporting to such official, including immediate staff;

(xiv) The Assistant Secretary (Public Affairs) and all offices reporting to such official, including immediate staff;

(xv) The Assistant Secretary (Economic Policy) and all offices reporting to such official, including immediate staff;

(xvi) The Assistant Secretary (Tax Policy) and all offices reporting to such official, including immediate staff;

(xvii) The Assistant Secretary (Management) and all offices reporting to such official, including immediate staff; and

(xviii) [Reserved]

(xix) The Inspector General and all offices reporting to such official, including immediate staff;

(2) The Alcohol and Tobacco Tax and Trade Bureau;

(3) The Bureau of Engraving and Printing;

(4) The Bureau of the Fiscal Service;

(5) The Financial Crimes Enforcement Network;

(6) The Internal Revenue Service;

(7) The Office of the Comptroller of the Currency;

(8) The United States Mint;

(9) The Treasury Inspector General for Tax Administration;

(10) The Special Inspector General for the Troubled Asset Relief Program.

(c) Any Treasury office which is now in existence or may hereafter be established, which is not specifically listed above and is not a subsidiary unit of a component of those listed above, shall be deemed a part of the Departmental Offices for the purpose of these regulations.

(d) The head of each component is hereby authorized to substitute the official designated and change the address specified in the appendix to this subpart applicable to that component. Components may issue supplementary regulations applicable only to the component in question, which (except with respect to fee schedules) shall be consistent with these regulations. Persons interested in the records of a particular component should, therefore, also consult the Code of Federal Regulations for any rules or regulations promulgated specifically with respect to that component (see Appendices to this subpart for cross references). In the event of any actual or apparent inconsistency, these Departmental regulations shall govern.

(e) Each component shall preserve all correspondence pertaining to the requests that it receives under this subpart, as well as copies of all requested records, until disposition or destruction is authorized pursuant to title 44 of the United States Code or the General Records Schedule 4.2 of the National Archives and Records Administration. Records that are identified as responsive to a request will not be disposed of or destroyed while they are the subject of a pending request, administrative appeal, or lawsuit under the FOIA.

(f) Nothing in this subpart shall be construed to entitle any person, as of right, to any service or to the disclosure of any record to which such person is not entitled under the FOIA.

§ 1.1 Proactive disclosure of Department records.

(a) Records that are required by the FOIA to be made available for public inspection in an electronic format may be accessed through the Department's website, *http://www.treasury.gov*, and/or on the website of the component that maintains such records. The FOIA office of each component is responsible for determining which of the component's records are required to be made publicly available, as well as identifying additional records of interest to the public that are appropriate for public disclosure, and for posting such records. Each component has a FOIA Public Liaison who can assist individuals in locating records particular to that component. A list of the Department's FOIA Public Liaisons is available at: *https://home.treasury.gov/footer/freedom-of-information-act*.

(b) When a component receives three or more requests for the same records, it shall make available for public inspection in an electronic format, any records released in response to those requests.

§ 1.2 Requirements for making requests.

(a) *General information*. (1) Requests should be addressed to the FOIA office of the component that maintains the requested records. The appendices to this subpart list the addresses of each FOIA office and the methods for submitting requests to each component. Requesters are encouraged to submit requests online (through *FOIA.gov*, component web pages or by completing the ''Submit an Online Request'' form located at *https://home.treasury.gov/footer/freedom-of-information-act*.

(2) When a requester is unable to determine the appropriate Departmental component to which to direct a request, the requester may send the request to Freedom of Information Act Request, Department of the Treasury, Departmental Offices (DO), Director, FOIA and Transparency, 1500 Pennsylvania Avenue NW, Washington, DC 20220. The FOIA and Transparency team will forward the request to the component(s) that it determines to be most likely to maintain the records that are sought.

(3) A requester who is making a request for records about himself or herself must comply with the verification of identity provision set forth in section 1.26 of subpart C of this part.

(4) Where a request for records pertains to a third party, a requester may receive greater access by submitting either a notarized authorization signed by that individual or a declaration by that individual made in compliance with the requirements set forth in 28 U.S.C. 1746, authorizing disclosure of the records to the requester, or submitting proof that the individual is deceased (*e.g.*, a copy of a death certificate). As an exercise of its administrative discretion, each component can require a requester to supply additional information, if necessary, in order to verify that a particular individual has consented to disclosure.

(b) *Description of records sought.* Requesters must describe the records sought in sufficient detail to enable Department personnel to locate them with a reasonable amount of effort. To the extent possible, requesters should include specific information that may assist a component in identifying the requested records, such as the date, title or name, author, recipient, subject matter of the record, case number, file designation, or reference number. Requesters should refer to the Appendices of this subpart for additional component-specific requirements. In general, requesters should include as much detail as possible about the specific records or the types of records that they are seeking. If the requester fails to reasonably describe the records sought, the component shall inform the requester what additional information is needed or why the request is deficient. Requesters who are attempting to reformulate or modify such a request may discuss their request with the component's designated FOIA contact or the FOIA Public Liaison. When a requester fails to provide sufficient detail after having been asked to clarify a request, the component shall notify the requester that the request has not been properly made and that the request will be administratively closed.

§ 1.3 Responsibility for responding to requests.

(a) *In general.* The component that first receives a request for a record and maintains that record is the component responsible for responding to the request. In determining which records are responsive to a request, a component ordinarily will include only records in its possession as of the date that it begins its search. If any other date is used, the component shall inform the requester of that date. A record that is excluded from the requirements of the FOIA pursuant to 5 U.S.C. 552(c), shall not be considered responsive to a request.

(b) *Authority to grant or deny requests.* The head of a component, or designee, is authorized to grant or to deny any requests for records that are maintained by that component.

(c) *Re-routing of misdirected requests.* When a component's FOIA office determines that a request was misdirected within the agency, the receiving component's FOIA office must route the request to the FOIA office of the proper component(s) within the agency.

(d) *Consultation, referral, and coordination.* When reviewing records located by a component in response to a request, the component will determine whether another agency of the Federal Government is better able to determine whether the record is exempt from disclosure under the FOIA. As to any such record, the agency must proceed in one of the following ways:

(1) *Consultation.* When records originated with the component processing the request, but contain within them information of interest to another agency or other Federal Government office, the agency processing the request should typically consult with

that other entity prior to making a release determination.

(2) *Referral.* (i) When the component processing the request believes that a different agency is best able to determine whether to disclose the record, the component typically should refer the responsibility for responding to the request regarding that record to that agency. Ordinarily, the agency that originated the record is presumed to be the best agency to make the disclosure determination. However, if the component processing the request is in the best position to respond regarding the record, then the record may be handled as a consultation.

(ii) Whenever a component refers any part of the responsibility for responding to a request to another agency, it must document the referral, maintain a copy of the record that it refers, and notify the requester of the referral, informing the requester of the name(s) of the agency to which the record was referred, including that agency's FOIA contact information.

(3) *Coordination.* The standard referral procedure is not appropriate where disclosure of the identity of the agency to which the referral would be made could harm an interest protected by an applicable exemption, such as the exemptions that protect personal privacy or national security interests. For example, if a non-law enforcement agency responding to a request for records on a living third party locates within its files records originating with a law enforcement agency, and if the existence of that law enforcement interest in the third party was not publicly known, then to disclose that law enforcement interest could cause an unwarranted invasion of the personal privacy of the third party. Similarly, if an agency locates within its files material originating with an Intelligence Community agency, and the involvement of that agency in the matter is classified and not publicly acknowledged, then to disclose or give attribution to the involvement of that Intelligence Community agency could cause national security harms. In such instances, in order to avoid harm to an interest protected by an applicable exemption, the agency that received the request should coordinate with the originating agency to seek its views on the disclosability of the record. The release determination for the record that is the subject of the coordination should then be conveyed to the requester by the agency that originally received the request.

(4) *Timing of responses to consultations and referrals.* All consultations and referrals will be handled according to the date that the FOIA request was initially received by the component or other agency of the Federal government.

(5) *Agreements regarding consultations and referrals.* Components may establish agreements with other Treasury components or agencies of the Federal government to eliminate the need for consultations or referrals with respect to particular types of records.

(e) *Classified information.* On receipt of any request involving classified information, the component shall take appropriate action to ensure compliance with part 2 of this title and with all other laws and regulations relating to proper handling of classified information. Whenever a request involves a record containing information that has been classified or may be appropriate for classification by another component or agency under any applicable executive order concerning the classification of records, the receiving component shall refer the responsibility for responding to the request regarding that information to the component or agency that classified the information, or that should consider the information for classification. Whenever a component's record contains information that has been derivatively classified, *i.e.*, it contains information classified by another component or agency of the Federal government, the component shall refer the responsibility for responding to that portion of the request to the component or agency that classified the underlying information.

§ 1.4 Responses to requests.

(a) *In general.* Components ordinarily will respond to requests according to their order of receipt. The Appendices to this subpart contain the list of the Departmental components that are designated to accept requests. In instances involving misdirected requests, *i.e.*, where a request is sent to one of

the components designated in the Appendices but is actually seeking records maintained by another component, the response time will commence on the date that the request is received by the appropriate component, but in any event not later than ten working days after the request is first received.

(b) *Multitrack processing.* All components must designate a specific track for requests that are granted expedited processing, in accordance with the standards set forth in paragraph (e) of this section. A component may also designate additional processing tracks that distinguish between simple and more complex requests based on the estimated amount of work or time needed to process the request. A component can consider factors such as the number of pages involved in processing the request or the need for consultations or referrals. Components shall advise requesters of the track into which their request falls and, when appropriate, shall offer the requesters an opportunity to narrow their request so that it can be placed in a different processing track.

(c) *Unusual circumstances.* Whenever the statutory time limits for processing a request cannot be met because of ''unusual circumstances,'' as defined in the FOIA, and the component extends the time limits on that basis, the component shall, before expiration of the twenty-day period to respond, notify the requester in writing of the unusual circumstances involved and of the date by which processing of the request can be expected to be completed. Where the extension exceeds ten working days, the component shall, as described by the FOIA, provide the requester with an opportunity to modify the request or agree to an alternative time period for processing. The component shall make available its designated FOIA contact or its FOIA Public Liaison for this purpose. The component must also alert requesters to the availability of the Office of Government Information Services to provide dispute resolution services.

(d) *Aggregating requests.* For the purposes of identifying unusual circumstances under the FOIA, components may aggregate requests in cases where it reasonably appears that multiple requests, submitted either by a requester or by a group of requesters acting in concert, constitute a single request that would otherwise involve unusual circumstances. Components will not aggregate multiple requests that involve unrelated matters.

(e) *Expedited processing.* (1) Requests and appeals will be processed on an expedited basis only upon request and when it is determined that they involve:

(i) Circumstances in which the lack of expedited processing could reasonably be expected to pose an imminent threat to the life or physical safety of an individual;

(ii) An urgency to inform the public about an actual or alleged Federal government activity, if made by a person who is primarily engaged in disseminating information. The standard of ''urgency to inform'' requires that the records requested pertain to a matter of current exigency to the public and that delaying a response to a request for records would compromise a significant recognized interest to and throughout the general public; or

(iii) The loss of substantial due process rights.

(2) A request for expedited processing may be made at any time. Requests must be submitted to the component that maintains the records requested. The time period for making the determination on the request for expedited processing under this section shall commence on the date that the component receives the request.

(3) A requester who seeks expedited processing must submit a statement, certified to be true and correct, explaining in detail the basis for making the request for expedited processing. As a matter of administrative discretion, a component may waive the formal certification requirement.

(4) A requester seeking expedited processing under paragraph (e)(1)(ii) of this section, who is not a full-time member of the news media must establish that he or she is a person whose primary professional activity or occupation is information dissemination. Such a requester also must establish a particular urgency to inform the public about the government activity involved in the request—one that extends

beyond the public's right to know about government activity generally.

(5) A component shall notify the requester within ten calendar days of the receipt of a request for expedited processing of its decision whether to grant or deny expedited processing. If expedited processing is granted, the request shall be given priority, placed in the processing track for expedited requests, and shall be processed as soon as practicable. If a component denies expedited processing, any appeal of that decision that complies with the procedures set forth in § 1.6 of this subpart shall be acted on expeditiously.

(f) *Acknowledgments of requests.* Upon receipt of a request that will take longer than ten business days to process, a component shall send the requester an acknowledgment letter that assigns the request an individualized tracking number. The component shall also include in the acknowledgment a brief description of the records sought to allow requesters to more easily keep track of their requests.

(g) *Grants of requests.* Once a component makes a determination to grant a request in full or in part, it shall notify the requester in writing. The component also shall inform the requester of any fees charged under § 1.7 of this subpart and shall disclose the requested records to the requester promptly upon payment of any applicable fees. The component must also inform the requester of the availability of the FOIA Public Liaison to offer assistance.

(h) *Adverse determinations of requests.* A component making an adverse determination denying a request in any respect shall notify the requester of that determination in writing. Adverse determinations, or denials of requests, include decisions that: The requested record is exempt, in whole or in part; the request does not reasonably describe the records sought; the information requested is not a record subject to the FOIA; the requested record does not exist, cannot be located, or has been destroyed; or the requested record is not readily reproducible in the form or format sought by the requester. Adverse determinations also include denials involving fees or fee waiver matters, and denials of requests for expedited processing.

(i) *Content of denial letter.* The denial letter shall be signed by the head of the component, or FOIA designee, and shall include, when applicable:

(1) The name and title or position of the person responsible for the denial;

(2) A brief statement of the reasons for the denial, including any FOIA exemption applied by the component in denying the request; and

(3) An estimate of the volume of any records or information withheld, for example, by providing the number of pages or some other reasonable form of estimation. This estimation is not required if the volume is otherwise indicated by deletions marked on records that are disclosed in part, or if the estimate would cause a harm protected by one of the exemptions.

(4) A statement that the denial may be appealed under § 1.6(a) of this subpart, and a description of the requirements set forth therein.

(5) A statement notifying the requester of the assistance available from the component's FOIA Public Liaison and the dispute resolution services offered by the Office of Government Information Services.

(j) *Markings on released documents.* Records disclosed in part must be marked clearly to show the amount of information deleted and the exemption under which the deletion was made unless doing so would harm an interest protected by an applicable exemption. The location of the information deleted shall also be indicated on the record, if technically feasible.

(k) *Use of record exclusions.* (1) In the event a component identifies records that may be subject to exclusion from the requirements of the FOIA pursuant to 5 U.S.C. 552(c), the component shall consult with the Department of Justice, Office of Information Policy (OIP), before applying the exclusion.

(2) A component invoking an exclusion must maintain an administrative record of the process of invocation and of the consultation with OIP.

§ 1.5 Confidential commercial information.

(a) *Definitions*—(1) *Confidential commercial information* means trade secrets and commercial or financial information obtained by the Department from

a submitter that may be protected from disclosure under Exemption 4 of the FOIA.

(2) *Submitter* means any person or entity from whom the Department obtains confidential commercial information, directly or indirectly.

(3) *Designation of confidential commercial information.* A submitter of confidential commercial information must use good faith efforts to designate by appropriate markings, either at the time of submission or within a reasonable time thereafter, any portion of its submission that it considers to be protected from disclosure under Exemption 4. These designations will expire ten years after the date of the submission unless the submitter requests and provides justification for a longer designation period.

(b) *When notice to submitters is required.* (1) A component shall promptly provide written notice to a submitter whenever:

(i) The requested confidential commercial information has been designated in good faith by the submitter as information considered protected from disclosure under Exemption 4; or

(ii) The component has a reason to believe that the requested confidential commercial information may be protected from disclosure under Exemption 4 of the FOIA.

(2) The notice shall either describe the confidential commercial information requested or include a copy of the requested records or portions of records containing the information. In cases involving a voluminous number of submitters, notice may be made by posting or publishing the notice in a place or manner reasonably likely to accomplish it.

(c) *Exceptions to submitter notice requirements.* The notice requirements of this section shall not apply if:

(1) The component determines that the confidential commercial information is exempt from disclosure under the FOIA;

(2) The confidential commercial information lawfully has been published or has been officially made available to the public; or

(3) Disclosure of the confidential commercial information is required by a statute other than the FOIA or by a regulation issued in accordance with the requirements of Executive Order 12600 of June 23, 1987;

(d) *Opportunity to object to disclosure.* (1) A component will specify a reasonable time period as determined within its administrative discretion within which the submitter must respond to the notice referenced above. If a submitter has any objections to disclosure, it should provide the component a detailed written statement that specifies all grounds for withholding the particular confidential commercial information under any exemption of the FOIA. In order to rely on Exemption 4 as a basis for nondisclosure, the submitter must explain why the information constitutes a trade secret, or commercial or financial information that is privileged or confidential.

(2) A submitter who fails to respond within the time period specified in the notice shall be considered to have no objection to disclosure of the information. An objection to disclosure received by the component after the time period specified in the notice will not be considered by the component. Any information provided by a submitter under this subpart may itself be subject to disclosure under the FOIA and/or protected from disclosure by applicable exemptions or by a statute other than the FOIA.

(e) *Analysis of objections.* A component shall consider a submitter's objections and specific grounds for nondisclosure in deciding whether to disclose the requested confidential commercial information.

(f) *Notice of intent to disclose.* Whenever a component decides to disclose confidential commercial information over the objection of a submitter, the component shall provide the submitter written notice, which shall include:

(1) A statement of the reasons why each of the submitter's disclosure objections was not sustained;

(2) Copies of the records that the component intends to disclose or, in the alternative, a description of the confidential commercial information to be disclosed; and

(3) A specified disclosure date, which shall be a reasonable time subsequent to the notice.

(g) *Notice of FOIA lawsuit.* Whenever a requester files a lawsuit seeking to compel the disclosure of confidential commercial information, the component shall promptly notify the submitter.

(h) *Requester notification.* The component shall notify a requester whenever it provides the submitter with notice and an opportunity to object to disclosure; whenever it notifies the submitter of its intent to disclose the requested confidential commercial information; and whenever a submitter files a lawsuit to prevent the disclosure of the confidential commercial information.

§ 1.6 Administrative appeals.

(a) *Requirements for making an appeal.* Before seeking review by a court of a component's adverse determination, a requester generally must first submit a timely administrative appeal. A requester may appeal any adverse determinations denying his or her request to the official specified in the appropriate appendix to this subpart. Examples of adverse determinations are provided in §1.4(h) of this subpart. The requester must make the appeal in writing and to be considered timely it must be postmarked, or in the case of electronic submissions, transmitted, within 90 calendar days after the date of the component's final response. The appeal letter should clearly identify the component's determination that is being appealed and the assigned request number. The requester should mark both the appeal letter and envelope, or subject line of the electronic transmission, ''Freedom of Information Act Appeal.''

(b) *Adjudication of appeals.* (1) The FOIA appeal official or designee specified in the appropriate appendix will act on all appeals under this section.

(2) An appeal ordinarily will not be adjudicated if the request becomes a matter of FOIA litigation.

(3) On receipt of any appeal involving classified information, the FOIA appeal official or designee must take appropriate action to ensure compliance with applicable classification rules.

(c) *Decision on appeals.* A decision on an appeal must be made in writing by the component within 20 business days after receipt of the appeal. A decision that upholds a component's determination must contain a statement that identifies the reasons for the affirmance, including any FOIA exemptions applied. The decision must provide the requester with notification of the statutory right to file a lawsuit and will inform the requester of the mediation services offered by the Office of Government Information Services of the National Archives and Records Administration as a non-exclusive alternative to litigation. If a component's decision is remanded or modified on appeal the requester will be notified of that determination in writing. The component will then further process the request in accordance with that appeal determination and respond directly to the requester. Appeals that have not been postmarked or transmitted within the specified time frame will be considered untimely and will be administratively closed with written notice to the requester.

(d) *Engaging in dispute resolution services provided by Office of Government Information Services (OGIS).* Mediation is a voluntary process. If a component agrees to participate in the mediation services provided by OGIS, it will actively engage as a partner to the process in an attempt to resolve the dispute.

§ 1.7 Fees.

(a) *In general.* Components may charge for processing requests under the FOIA in accordance with the provisions of this section or may issue their own fee schedules as long as they are consistent with the OMB Guidelines. In order to resolve any fee issues that arise under this section, a component may contact a requester for additional information. A component ordinarily will collect all applicable fees before sending copies of records to a requester. Requesters must pay fees by check or money order made payable to the Treasury of the United States, or by other means specified at *https://home.treasury.gov/footer/freedom-of-information-act.*

(b) *Definitions.* For purposes of this section:

(1) *Commercial-use request* is a request for information for a use or a purpose that furthers a commercial, trade, or

profit interest, which can include furthering those interests through litigation.

(2) *Direct costs* are those expenses that a component expends in searching for and duplicating (and, in the case of commercial-use requests, reviewing) records in order to respond to a FOIA request. For example, direct costs include the salary of the employee performing the work (*i.e.*, the basic rate of pay for the employee, plus 16 percent of that rate to cover benefits) and the cost of operating computers and other electronic equipment, such as photocopiers and scanners. Direct costs do not include overhead expenses such as the costs of space, and of heating or lighting a facility. Components shall ensure that searches, review, and duplication are conducted in the most efficient and the least expensive manner.

(3) *Duplication* is reproducing a copy of a record or of the information contained in it, necessary to respond to a FOIA request. Copies can take the form of paper, audiovisual materials, or electronic records, among others.

(4) *Educational institution* is any school that operates a program of scholarly research. A requester in this category must show that the request is made in connection with the requester's role at the educational institution. Components may seek assurance from the requester that the request is in furtherance of scholarly research and will advise requesters of their placement in this category.

(5) *Noncommercial scientific institution* is an institution that is not operated on a ''commercial'' basis, as defined in paragraph (b)(1) of this section, and that is operated solely for the purpose of conducting scientific research, the results of which are not intended to promote any particular product or industry. A requester in this category must show that the request is authorized by and is made under the auspices of a qualifying institution and that the records are sought to further scientific research and not for a commercial use.

(6) *Representative of the news media* is any person or entity that actively gathers information of potential interest to a segment of the public, uses its editorial skills to turn the raw materials into a distinct work, and distributes that work to an audience. The term ''news'' means information that is about current events or that would be of current interest to the public. Examples of news media entities include television or radio stations broadcasting news to the public at large and publishers of periodicals that disseminate ''news'' and make their products available through a variety of means to the general public. A request for records that supports the news-dissemination function of the requester shall not be considered to be for a commercial use. ''Freelance'' journalists who demonstrate a solid basis for expecting publication through a news media entity shall be considered as a representative of the news media. A publishing contract would provide the clearest evidence that publication is expected; however, components shall also consider a requester's past publication record in making this determination.

(7) *Other requester* refers to a requester who does not fall within any of the previously described categories.

(8) *Review* is the examination of a record located in response to a request in order to determine whether any portion of it is exempt from disclosure. Review time includes time spent processing any record for disclosure, such as doing all that is necessary to prepare the record for disclosure, including the process of redacting the record and marking the appropriate exemptions. Review time also includes time spent obtaining and considering any formal objection to disclosure made by a confidential commercial information submitter under §1.5 of this subpart, but it does not include time spent resolving general legal or policy issues regarding the application of exemptions. Review costs are properly charged even if a record ultimately is not disclosed.

(9) *Search* is the process of looking for and retrieving records or information responsive to a request. Search time includes time devoted to page-by-page or line-by-line identification of information within records; and the reasonable efforts expended to locate and retrieve information from electronic records.

(c) *Charging fees*. Unless a component has issued a separate fee schedule, or a waiver or reduction of fees has been granted under paragraph (k) of this section, components shall charge the following fees. Because the fee amounts provided below already account for the direct costs associated with a given fee type, components should not add any additional costs to those charges.

(1) *Search*. (i) Search fees shall be charged for all requests, subject to the restrictions of paragraph (d) of this section. Components will charge search fees for all other requesters, subject to the restrictions of paragraph (d) of this section. Components may properly charge for time spent searching even if they do not locate any responsive records or if they determine that the records are entirely exempt from disclosure.

(ii) For each quarter hour spent by personnel searching for requested records, including electronic searches that do not require new programming, the fees shall be as follows: executive—$21; professional—$16.50; and administrative—$13.00.

(iii) In addition, requesters will be charged the direct costs associated with the creation of any new computer program required to locate the requested records.

(2) *Duplication*. Duplication fees will be charged to all requesters, subject to the restrictions of paragraph (d) of this section. A component shall honor a requester's preference for receiving a record in a particular form or format where it is readily reproducible by the component in the form or format requested. Where photocopies are supplied, the component will provide one copy per request at a cost of $0.15 per page. For copies of records produced on tapes, disks, other forms of duplication, or other electronic media, components will charge the direct costs of producing the copy, including operator time. Where paper documents must be scanned in order to comply with a requester's preference to receive the records in an electronic format, the requester shall pay the direct costs associated with scanning those materials, including operator's time. For other forms of duplication, components will charge the direct costs.

(3) *Review*. Review fees will only be charged to requesters who make commercial-use requests. Review fees will be assessed in connection with the initial review of the record, *i.e.*, the review conducted by a component to determine whether an exemption applies to a particular record or portion of a record. No charge will be made for review at the administrative appeal stage of exemptions applied at the initial review stage. However, when the appellate authority determines that a particular exemption no longer applies, any costs associated with a component's re-review of the records in order to consider the use of other exemptions may be assessed as review fees. Review costs are properly charged even if a record ultimately is not disclosed. Review fees will be charged at the same rates as those charged for a search under paragraph (c)(1)(ii) of this section.

(d) *Restrictions on charging fees*. (1) No search fees will be charged for requests by educational institutions, noncommercial scientific institutions, or representatives of the news media (unless the records are sought for commercial use).

(2) If a component fails to comply with the FOIA's time limits in which to respond to a request, it may not charge search fees, or, in the instances of requests from requesters described in paragraph (d)(1) of this section, may not charge duplication fees, except as described in paragraphs (d)(2)(i) through (iii) of this section.

(i) If a component has determined that unusual circumstances as defined by the FOIA apply and the agency provided timely written notice to the requester in accordance with the FOIA, a failure to comply with the time limit shall be excused for an additional ten days.

(ii) If a component has determined that unusual circumstances as defined by the FOIA apply, and more than 5,000 pages are necessary to respond to the request, the component may charge search fees, or, in the case of requesters described in paragraph (d)(1) of this section, may charge duplication fees if

the following steps are taken. The component must have provided timely written notice of unusual circumstances to the requester in accordance with the FOIA and the component must have discussed with the requester via written mail, email, or telephone (or made not less than three good-faith attempts to do so) how the requester could effectively limit the scope of the request in accordance with 5 U.S.C. 552(a)(6)(B)(ii). If this exception is satisfied, the component may charge all applicable fees incurred in the processing of the request.

(iii) If a court has determined that exceptional circumstances exist as defined in the FOIA, a failure to comply with the time limits shall be excused for the length of time provided by the court order.

(3) No search or review fees will be charged for a quarter-hour period unless more than half of that period is required for search or review.

(4) Except for requesters seeking records for a commercial use, components will provide without charge:

(i) The first 100 pages of duplication (or the cost equivalent for other media); and

(ii) The first two hours of search.

(5) When, after first deducting the 100 free pages (or its cost equivalent) and the first two hours of search, a total fee calculated under paragraph (c) of this section is $25.00 or less for any request, no fee will be charged.

(e) *Notice of anticipated fees in excess of $25.00*. When a component determines or estimates that the fees to be assessed in accordance with this section will exceed $25.00, the component shall notify the requester of the actual or estimated amount of the fees, including a breakdown of the fees for search, review or duplication, unless the requester has indicated a willingness to pay fees as high as those anticipated. If only a portion of the fee can be estimated readily, the component shall advise the requester accordingly. In cases in which a requester has been notified that the actual or estimated fees are in excess of $25.00, the request shall not be considered received and further work will not be completed until the requester commits in writing to pay the actual or estimated total fee. Such a commitment must be made by the requester in writing, must indicate a given dollar amount the requester is willing to pay, and must be received by the component within 30 calendar days from the date of notification of the fee estimate. If a commitment is not received within this period, the requester shall be notified, in writing, that the request shall be closed. Components will inform the requester of their right to seek assistance from the appropriate component FOIA Public Liaison or other FOIA professional to assist the requester in reformulating request in an effort to reduce fees. Components are not required to accept payments in installments. If the requester has indicated a willingness to pay some designated amount of fees, but the component estimates that the total fee will exceed that amount, the component will toll the processing of the request when it notifies the requester of the estimated fees in excess of the amount the requester has indicated a willingness to pay. The Component will inquire whether the requester wishes to revise the amount of fees the requester is willing to pay or modify the request. Once the requester responds, the time to respond will resume from where it was at the date of the notification.

(f) *Charges for other services*. Although not required to provide special services, if a component chooses to do so as a matter of administrative discretion, the direct costs of providing the service will be charged. Examples of such services include certifying that records are true copies, providing multiple copies of the same document, or sending records by means other than first class mail.

(g) *Charging interest*. Components may charge interest on any unpaid bill starting on the 31st day following the date of billing the requester. Interest charges will be assessed at the rate provided in 31 U.S.C. 3717 and will accrue from the billing date until payment is received by the component. Components will follow the provisions of the Debt Collection Act of 1982 (Pub. L. 97–365, 96 Stat. 1749), as amended, and its administrative procedures, including the use of consumer reporting agencies, collection agencies, and offset.

(h) *Aggregating requests.* When a component reasonably believes that a requester or a group of requesters acting in concert is attempting to divide a single request into a series of requests for the purpose of avoiding fees, the component may aggregate those requests and charge accordingly. Components may presume that multiple requests of this type made within a 30-day period have been made in order to avoid fees. For requests separated by a longer period, components will aggregate them only where there is a reasonable basis for determining that aggregation is warranted in view of all the circumstances involved. Multiple requests involving unrelated matters will not be aggregated.

(i) *Advance payments.* (1) For requests other than those described in paragraphs (i)(2) and (i)(3) of this section, a component shall not require the requester to make an advance payment before work is commenced or continued on a request. Payment owed for work already completed (*i.e.*, payment before copies are sent to a requester) is not an advance payment.

(2) When a component determines or estimates that a total fee to be charged under this section will exceed $250.00, it may require that the requester make an advance payment up to the amount of the entire anticipated fee before beginning to process the request. A component may elect to process the request prior to collecting fees when it receives a satisfactory assurance of full payment from a requester with a history of prompt payment.

(3) Where a requester has previously failed to pay a properly charged FOIA fee to any component or agency within 30 calendar days of the billing date, a component may require that the requester pay the full amount due, plus any applicable interest on that prior request and the component may require that the requester make an advance payment of the full amount of any anticipated fee before the component begins to process a new request or continues to process a pending request, or any pending appeal. Where a component has a reasonable basis to believe that a requester has misrepresented his or her identity in order to avoid paying outstanding fees, it may require that the requester provide proof of identity.

(4) In cases in which a component requires advance payment, the request shall not be considered received and further work will not be completed until the required payment is received. If the requester does not pay the advance payment within 30 calendar days after the date of the component's fee determination letter, the request will be closed.

(j) *Other statutes specifically providing for fees.* The fee schedule of this section does not apply to fees charged under any statute that specifically requires an agency to set and collect fees for particular types of records. In instances where records responsive to a request are subject to a statutorily-based fee schedule program, the component will inform the requester of the contact information for that source.

(k) *Requirements for waiver or reduction of fees.* (1) Requesters may seek a waiver of fees by submitting a written application demonstrating how disclosure of the requested information is in the public interest because it is likely to contribute significantly to public understanding of the operations or activities of the government and is not primarily in the commercial interest of the requester.

(2) A component must furnish records responsive to a request without charge or at a reduced rate when it determines, based on all available information, that disclosure of the requested information is in the public interest because it is likely to contribute significantly to public understanding of the operations or activities of the government and is not primarily in the commercial interest of the requester. In deciding whether this standard is satisfied the component must consider the factors described in paragraphs (k)(2)(i) through (iii) of this section:

(i) Disclosure of the requested information would shed light on the operations or activities of the government. The subject of the request must concern identifiable operations or activities of the Federal Government with a connection that is direct and clear, not remote or attenuated.

(ii) Disclosure of the requested information would be likely to contribute

significantly to public understanding of those operations or activities. This factor is satisfied when the following criteria are met:

(A) Disclosure of the requested records must be meaningfully informative about government operations or activities. The disclosure of information that is already in the public domain, in either the same or a substantially identical form, would not be meaningfully informative if nothing new would be added to the public's understanding.

(B) The disclosure must contribute to the understanding of a reasonably broad audience of persons interested in the subject, as opposed to the individual understanding of the requester. A requester's expertise in the subject area as well as the requester's ability and intention to effectively convey information to the public must be considered. Components will presume that a representative of the news media will satisfy this consideration.

(iii) The disclosure must not be primarily in the commercial interest of the requester. To determine whether disclosure of the requested information is primarily in the commercial interest of the requester, components will consider the following criteria:

(A) Components must identify whether the requester has any commercial interest that would be furthered by the requested disclosure. A commercial interest includes any commercial, trade, or profit interest. Requesters must be given an opportunity to provide explanatory information regarding this consideration.

(B) If there is an identified commercial interest, the component must determine whether that is the primary interest furthered by the request. A waiver or reduction of fees is justified when the requirements of paragraphs (k)(2)(i) and (ii) of this section are satisfied and any commercial interest is not the primary interest furthered by the request. Components ordinarily will presume that when a news media requester has satisfied the requirements of paragraphs (k)(2)(i) and (ii) of this section, the request is not primarily in the commercial interest of the requester. Disclosure to data brokers or others who merely compile and market government information for direct economic return will not be presumed to primarily serve the public interest.

(3) Where only some of the records to be released satisfy the requirements for a waiver of fees, a waiver shall be granted for those records.

(4) Requests for a waiver or reduction of fees should be made when the request is first submitted to the component and should address the criteria referenced above. A requester may submit a fee waiver request at a later time so long as the underlying record request is pending or on administrative appeal. When a requester who has committed to pay fees subsequently asks for a waiver of those fees and that waiver is denied, the requester shall be required to pay any costs incurred up to the date the fee waiver request was received.

(5) The requester shall be notified in writing of the decision to grant or deny the fee waiver.

APPENDIX A TO SUBPART A OF PART 1—DEPARTMENTAL OFFICES

1. *In general.* This appendix applies to the Departmental Offices as defined in 31 CFR 1.1(b)(1).

2. *Public Reading Room.* The public reading room for the Departmental Offices is the Treasury Library. The library is located in the Freedman's Bank Building (Treasury Annex), Room 1020, 1500 Pennsylvania Avenue NW, Washington, DC 20220. For building security purposes, visitors are required to make an appointment by calling 202–622–0990. Treasury also maintains an electronic reading room, which may be accessed at *https://home.treasury.gov/footer/freedom-of-information-act*.

3. *Requests for records.*

(a) Initial determinations as to whether to grant requests for records of the Departmental Offices will be made by the Director for FOIA and Transparency, or the designee of such official, with the exception of initial determinations by the Office of the Inspector General and the Special Inspector General for the Troubled Asset Relief Program, which will be made by the designee of the respective Inspector General.

(b) Requests for records should be sent to: Freedom of Information Request, Departmental Offices, Director, FOIA and Transparency, Department of the Treasury, 1500 Pennsylvania Avenue NW, Washington, DC 20220. Requests may also be submitted via email at *FOIA@treasury.gov*.

4. *Administrative appeal of initial determination to deny records.*

(a) Appellate determinations with respect to records of the Departmental Offices or requests for expedited processing will be made by the Deputy Assistant Secretary for Privacy, Transparency, and Records, or the designee of such official, with the exception of appellate determinations by the Office of the Inspector General and the Special Inspector General for the Troubled Asset Relief Program, which will be made by the respective Inspector General or his or her designee.

(b) Appeals should be addressed to: Freedom of Information Appeal, Departmental Offices, FOIA and Transparency, Department of the Treasury, 1500 Pennsylvania Avenue NW, Washington, DC 20220. Appeals may also be submitted via email at *FOIA@treasury.gov*.

APPENDIX B TO SUBPART A OF PART 1—INTERNAL REVENUE SERVICE

1. *In general.* This appendix applies to the Internal Revenue Service (IRS). See also 26 CFR 601.702.

2. *Public reading room.* The IRS no longer maintains physical reading rooms. Documents for the public are found on various websites at *irs.gov* including the electronic FOIA Reading Room located at *https://www.irs.gov/uac/electronic-reading-room.*

3. *Requests for records.* Initial determinations as to whether to grant requests for records of the IRS, grant expedited processing, grant a fee waiver, or determine requester category will be made by those officials specified in 26 CFR 601.702.

Requests for records should be submitted to the IRS using the information below:

IRS accepts FOIA requests by fax or by mail	
If your request is for IRS Headquarters Office records concerning matters of nationwide applicability, such as published guidance (regulations and revenue rulings), program management, operations, or policies, including National or Headquarters Offices of Chief Counsel records that are not available at the Electronic FOIA Reading Room site:.	
If your request is for your own records or other records controlled at IRS field locations including Division Counsel offices that are not available at the Electronic FOIA Reading Room site:.	
Fax: 877–807–9215, Mail: IRS FOIA Request, Stop 211, PO Box 621506, Atlanta, GA 30362–3006.	Fax: 877–891–6035, Mail: IRS FOIA Request, Stop 93A, Post Office Box 621506, Atlanta GA 30362–3006.

4. *Administrative appeal of initial determination to deny records.* Appellate determinations with respect to records of the Internal Revenue Service will be made by the Commissioner of Internal Revenue or the delegate of such officer. Appeals must be in writing and addressed to: IRS Appeals Attention: FOIA Appeals, M/Stop 55202, 5045 E Butler Ave., Fresno, CA 93727–5136.

APPENDIX C TO SUBPART A OF PART 1—BUREAU OF ENGRAVING AND PRINTING

1. *In general.* This appendix applies to the Bureau of Engraving and Printing (BEP).

2. *Public reading room.* BEP's public reading room is located at 14th and C Streets SW, Washington, DC 20228. Individuals wishing to visit the public reading room must request an appointment by telephoning (202) 874–2500. The reading room is open on official business days from 10:00 a.m. to 4:00 p.m. eastern standard time. Visitors shall comply with 31 CFR part 605, governing the conduct of persons within the buildings and grounds of the BEP. In addition, BEP also maintains an electronic reading room, which may be accessed at *http://www.bep.gov/bepfoialibrary.html.*

3. *Requests for records.* Initial determinations as to whether to grant or deny requests for records of the BEP or applicable fees will be made by the BEP Director delegate, *i.e.*, Disclosure Officer. Requests may be mailed or faxed to: FOIA/PA Request, Disclosure Officer, Bureau of Engraving and Printing, Office of the Chief Counsel—FOIA and Transparency Services, Washington, DC 20228–0001, Fax Number: (202) 874–2951.

4. *Administrative Appeal of initial determination to deny records.* Appellate determinations with respect to records of the BEP will be made by the Director of the BEP or the delegate of the Director for purposes of this

section. Appeals may be mailed or delivered in person to: FOIA/PA APPEAL, Director, Bureau of Engraving and Printing, Office of the Director, 14th and C Streets SW, Washington, DC 20228–0001.

APPENDIX D TO SUBPART A OF PART 1—BUREAU OF THE FISCAL SERVICE

1. *In general.* This appendix applies to the Bureau of the Fiscal Service.

2. *Public reading room.* The public reading room for the Bureau of the Fiscal Service is the Treasury Library. The library is located in the Freedman's Bank Building (Treasury Annex), Room 1020, 1500 Pennsylvania Avenue NW, Washington, DC 20220. For building security reasons, visitors are required to make an appointment by calling 202–622–0990. Fiscal Service also maintains an electronic reading room, which may be accessed at *https://www.fiscal.treasury.gov/foia/foia_readingroom.htm.*

3. *Requests for records.* Initial determinations whether to grant requests for records will be made by the Disclosure Officer, Bureau of the Fiscal Service. Requests may be mailed or delivered in person to:

Freedom of Information Request, Disclosure Officer, Bureau of the Fiscal Service, 401 14th Street SW, Washington, DC 20227.

4. *Administrative appeal of initial determination to deny records.* Appellate determinations will be made by the Commissioner, Bureau of the Fiscal Service, or that official's delegate. Appeals may be mailed to: Freedom of Information Appeal (FOIA), Commissioner, Bureau of the Fiscal Service, 401 14th Street SW, Washington, DC 20227.

Appeals may be delivered personally to the Office of the Commissioner, Bureau of the Fiscal Service, 401 14th Street SW, Washington, DC.

APPENDIX E TO SUBPART A OF PART 1—UNITED STATES MINT

1. *In general.* This appendix applies to the United States Mint.

2. *Public reading room.* The U.S. Mint will provide a room on an ad hoc basis when necessary. Contact the Freedom of Information/Privacy Act Officer, United States Mint, Judiciary Square Building, 7th Floor, 633 3rd Street NW, Washington, DC 20220.

3. *Requests for records.* Initial determinations as to whether to grant requests for records of the United States Mint will be made by the Freedom of Information/Privacy Act Officer, United States Mint. Requests may be mailed or delivered in person to: Freedom of Information Act Request, Freedom of Information/Privacy Act Officer, United States Mint, Judiciary Square Building, 7th Floor, 633 3rd Street NW, Washington, DC 20220.

4. *Administrative appeal of initial determination to deny records.* Appellate determinations with respect to records of the United States Mint will be made by the Director of the Mint. Appeals made by mail should be addressed to: Freedom of Information Appeal, Director, United States Mint, Judiciary Square Building, 7th Floor, 633 3rd Street NW, Washington, DC 20220.

APPENDIX F TO SUBPART A OF PART 1—OFFICE OF THE COMPTROLLER OF THE CURRENCY

1. *In general.* This appendix applies to the Office of the Comptroller of the Currency.

2. *Public reading room.* The Office of the Comptroller of the Currency will make materials available through its Public Information Room at 250 E Street SW, Washington, DC 20219.

3. *Requests for records.* Initial determinations as to whether to grant requests for records of the Office of the Comptroller of the Currency will be made by the Disclosure Officer or the official so designated. Requests may be mailed or delivered in person to: Freedom of Information Act Request, Disclosure Officer, Communications Division, 3rd Floor, Comptroller of the Currency, 250 E Street SW, Washington, DC 20219.

4. *Administrative appeal of initial determination to deny records.* Appellate determinations with respect to records of the Comptroller of the Currency will be made by the Chief Counsel or delegates of such official. Appeals made by mail shall be addressed to: Communications Division, Comptroller of the Currency, 250 E Street SW, Washington, DC 20219.

Appeals may be delivered personally to the Communications Division, Comptroller of the Currency, 250 E Street SW, Washington, DC.

APPENDIX G TO SUBPART A OF PART 1—FINANCIAL CRIMES ENFORCEMENT NETWORK

1. *In general.* This appendix applies to the Financial Crimes Enforcement Network (FinCEN).

2. *Public reading room.* FinCEN will provide records on the online reading room located on the FinCEN FOIA page or in the Code of Federal Regulations.

3. *Requests for records.* Initial determinations as to whether to grant requests for records of FinCEN will be made by the Freedom of Information Act/Privacy Act Officer, FinCEN. Requests for records may be mailed to: Freecom of Information Act/Privacy Act Request, Financial Crimes Enforcement Network, Post Office Box 39, Vienna, VA 22183.

4. *Administrative appeal of initial determination to deny records.* Appellate determinations with respect to the records of FinCEN

will be made by the Director of FinCEN or the delegate of the Director. Appeals should be mailed to: Freedom of Information Act Appeal, Post Office Box 39, Vienna, VA 22183, or emailed to: *FinCENFOIA@fincen.gov*.

APPENDIX H TO SUBPART A OF PART 1—ALCOHOL AND TOBACCO TAX AND TRADE BUREAU

1. *In general*. This appendix applies to the Alcohol and Tobacco Tax and Trade Bureau (TTB).

2. *Public reading room*. The public reading room for TTB is maintained at 1310 G Street NW, Washington, DC 20005. For building security purposes, visitors are required to make an appointment by calling 202–882–9904.

3. *Requests for records*. Initial determinations as to whether to grant requests for records of TTB will be made by the Director, Regulations and Rulings Division. Requests for records may be mailed to: TTB FOIA Requester Service Center, 1310 G Street NW, Box 12, Washington, DC 20005. Requests may also be faxed to: 202–453–2331.

4. *Administrative appeal of initial determination to deny records*. Appellate determinations with respect to the records of TTB will be made by the Assistant Administrator (Headquarters Operations), Alcohol and Tobacco Tax and Trade Bureau or the delegate of such official. Appeals may be mailed or delivered in person to: FOIA Appeal, Assistant Administrator (Headquarters Operations), Alcohol and Tobacco Tax and Trade Bureau, 1310 G Street NW, Box 12, Washington, DC 20005.

APPENDIX I TO SUBPART A OF PART 1—TREASURY INSPECTOR GENERAL FOR TAX ADMINISTRATION

1. *In general*. This appendix applies to the Treasury Inspector General for Tax Administration (TIGTA).

2. *Public reading room*. TIGTA will provide a room upon request when necessary. Contact the Disclosure Branch, Office of Chief Counsel, TIGTA, at 202–622–4068.

3. *Requests for records*. Initial determinations as to whether to grant requests for records of TIGTA will be made by the Disclosure Officer, TIGTA. Requests for records may be mailed to: Freedom of Information Act/Privacy Act Request, Treasury Inspector General for Tax Administration, Office of Chief Counsel, Disclosure Branch, 1401 H Street NW, Room 469, Washington, DC 20005. You may also view the How to Make a FOIA Request for TIGTA Records at *https://www.treasury.gov/tigta/important_foia_mafr.shtml*. TIGTA's FOIA email address is *FOIA.Reading.Room@tigta.treas.gov*.

4. *Administrative appeal of initial determination to deny records*. Appellate determinations with respect to the records of TIGTA will be made by the Chief Counsel, TIGTA, or the delegate of the Chief Counsel. Appeals should be mailed to: Freedom of Information Act/Privacy Act Appeal, Treasury Inspector General for Tax Administration, Office of Chief Counsel, 1401 H Street NW, Room 469, Washington, DC 20005.

Subpart B—Other Disclosure Provisions

§ 1.8 Scope.

The regulations in this subpart concern access to information and records other than under 5 U.S.C. 552. This subpart is applicable to the Departmental Offices and to the bureaus of the Department as defined in §1.1(a) of this part, except to the extent that bureaus of the Department have adopted separate guidance governing the subject matter of a provision of this subpart.

[69 FR 54003, Sept. 7, 2004]

§ 1.9 Records not to be otherwise withdrawn or disclosed.

Except in accordance with this part, or as otherwise authorized, Treasury Department officers and employees are prohibited from making records or duplicates available to any person who is not an officer or employee of the Department, and are prohibited from withdrawing any such records or duplicates from the files, possession or control of the Department.

[69 FR 54003, Sept. 7, 2004]

§ 1.10 Oral information.

(a) Officers and employees of the Department may, in response to requests, orally provide information contained in records of the Department that are determined to be available to the public. If the obtaining of such information requires a search of records, a written request and the payment of the fee for a record search set forth in §1.6 will be required.

(b) Information with respect to activities of the Department not a matter of record shall not be disclosed if the information involves matters exempt from disclosure under 5 U.S.C. 552 or the regulations in this part, or if the disclosure of such information would

give the person requesting the information advantages not accorded to other citizens.

[69 FR 54003, Sept. 7, 2004]

§ 1.11 Testimony or the production of records in a court or other proceeding.

(a) *Applicability*. (1) This section sets forth the policies and procedures of the Department regarding the testimony of employees and former employees as witnesses in legal proceedings and the production or disclosure of information contained in Department documents for use in legal proceedings pursuant to a request, order, or subpoena (collectively referred to in this subpart as a demand).

(2) This section does not apply to any legal proceeding in which an employee is to testify while on leave status regarding facts or events that are unrelated to the official business of the Department.

(3)(i) Nothing in this section affects the rights and procedures governing public access to records pursuant to the Freedom of Information Act (5 U.S.C. 552) or the Privacy Act (5 U.S.C. 552a).

(ii) Demands in legal proceedings for the production of records, or for the testimony of Department employees regarding information protected by the Privacy Act (5 U.S.C. 552a), the Trade Secrets Act (18 U.S.C. 1905) or other confidentiality statutes, must satisfy the requirements for disclosure set forth in those statutes and the applicable regulations of this part before the records may be provided or testimony given.

(4) This section is intended only to provide guidance for the internal operations of the Department and to inform the public about Department procedures concerning the service of process and responses to demands or requests, and the procedures specified in this section, or the failure of any Treasury employee to follow the procedures specified in this section, are not intended to, do not, and may not be relied upon to create a right or benefit, substantive or procedural, enforceable at law by a party against the United States.

(b) *Definitions*. For purposes of this section:

(1) *Agency counsel* means:

(i) With respect to the Departmental Offices, the General Counsel or his or her designee; or

(ii) With respect to a bureau or office of the Department, the Chief Counsel or Legal Counsel (or his or her designee) of such bureau or office.

(2) *Demand* means a request, order, or subpoena for testimony or documents related to or for possible use in a legal proceeding.

(3) *Department* means the United States Department of the Treasury.

(4) *Document* means any record or other property, no matter what media and including copies thereof, held by the Department, including without limitation, official letters, telegrams, memoranda, reports, studies, calendar and diary entries, maps, graphs, pamphlets, notes, charts, tabulations, analyses, statistical or informational accumulations, any kind of summaries of meetings and conversations, film impressions, magnetic tapes and sound or mechanical reproductions.

(5) *Employee* means all employees or officers of the Department, including contractors and any other individuals who have been appointed by, or are subject to the supervision, jurisdiction or control of the Secretary, as well as the Secretary of the Treasury. The procedures established within this subpart also apply to former employees of the Department where specifically noted.

(6) *General Counsel* means the General Counsel of the Department or other Department employee to whom the General Counsel has delegated authority to act under this subpart.

(7) *Legal proceeding* means all pretrial, trial and post trial stages of all existing or reasonably anticipated judicial or administrative actions, hearings, investigations, or similar proceedings before courts, commissions, boards, grand juries, or other tribunals, foreign or domestic. This phrase includes all phases of discovery as well as responses to formal or informal requests by attorneys or others involved in legal proceedings.

(8) *Official business* means the authorized business of the Department.

(9) *Secretary* means the Secretary of the Treasury.

(10) *Testimony* means a statement in any form, including personal appearances before a court or other legal tribunal, interviews, depositions, telephonic, televised, or videotaped statements or any responses given during discovery or similar proceedings, which response would involve more than the production of documents.

(c) *Department policy*. No current or former employee shall, in response to a demand, produce any Department documents, provide testimony regarding any information relating to or based upon Department documents, or disclose any information or produce materials acquired as part of the performance of that employee's official duties or official status, without the prior authorization of the General Counsel or the appropriate agency counsel.

(d) *Procedures for demand for testimony or production of documents*. (1) A demand directed to the Department for the testimony of a Department employee or for the production of documents shall be served in accordance with the Federal Rules of Civil Procedure, Federal Rules of Criminal Procedure, or applicable state procedures and shall be directed to the General Counsel, Department of the Treasury, 1500 Pennsylvania Avenue, NW., Washington, DC 20220, or to the Chief or Legal Counsel of the concerned Department component. Acceptance of a demand shall not constitute an admission or waiver with respect to jurisdiction, propriety of service, improper venue, or any other defense in law or equity available under the applicable laws or rules.

(2) A subpoena or other demand for testimony directed to an employee or former employee shall be served in accordance with the Federal Rules of Civil or Criminal Procedure or applicable State procedure and a copy of the subpoena shall be sent to agency counsel.

(3)(i) In court cases in which the United States or the Department is not a party, where the giving of testimony or the production of documents by the Department, or a current or former employee is desired, an affidavit (or if that is not feasible, a statement) by the litigant or the litigant's attorney, setting forth the information with respect to which the testimony or production is desired, must be submitted in order to obtain a decision concerning whether such testimony or production will be authorized. Such information shall include: the title of the legal proceeding, the forum, the requesting party's interest in the legal proceeding, the reason for the demand, a showing that other evidence reasonably suited to the requester's needs is not available from any other source and, if testimony is requested, the intended use of the testimony, a general summary of the desired testimony, and a showing that no document could be provided and used in lieu of testimony. The purpose of this requirement is to assist agency counsel in making an informed decision regarding whether testimony or the production of document should be authorized. Permission to testify or produce documents will, in all cases, be limited to the information set forth in the affidavit or statement, or to such portions thereof as may be deemed proper.

(ii) Agency counsel may consult or negotiate with an attorney for a party, or the party if not represented by an attorney, to refine or limit a demand so that compliance is less burdensome or obtain information necessary to make the determination required by paragraph (e) of this section. Failure of the attorney or party to cooperate in good faith to enable agency counsel to make an informed determination under this subpart may serve, where appropriate, as a basis for a determination not to comply with the demand.

(iii) A determination under this subpart to comply or not to comply with a demand is without prejudice as to any formal assertion or waiver of privilege, lack of relevance, technical deficiency or any other ground for noncompliance.

(4)(i) Employees shall immediately refer all inquiries and demands made on the Department to agency counsel.

(ii) An employee who receives a subpoena shall immediately forward the subpoena to agency counsel. Agency counsel will determine the manner in which to respond to the subpoena.

(e) *Factors to be considered by agency counsel.* (1) In deciding whether to authorize the release of official information or the testimony of personnel concerning official information (hereafter referred to as ''the disclosure'') agency counsel shall consider the following factors:

(i) Whether the request or demand is unduly burdensome;

(ii) Whether the request would involve the Department in controversial issues unrelated to the Department's mission;

(iii) Whether the time and money of the United States would be used for private purposes;

(iv) The extent to which the time of employees for conducting official business would be compromised;

(v) Whether the public might misconstrue variances between personal opinions of employees and Department policy;

(vi) Whether the request demonstrates that the information requested is relevant and material to the action pending, genuinely necessary to the proceeding, unavailable from other sources, and reasonable in its scope;

(vii) Whether the number of similar requests would have a cumulative effect on the expenditure of agency resources;

(viii) Whether disclosure otherwise would be inappropriate under the circumstances; and

(ix) Any other factor that is appropriate.

(2) Among those demands and requests in response to which compliance will not ordinarily be authorized are those with respect to which any of the following factors exists:

(i) The disclosure would violate a statute, Executive order, or regulation;

(ii) The integrity of the administrative and deliberative processes of the Department would be compromised;

(iii) The disclosure would not be appropriate under the rules of procedure governing the case or matter in which the demand arose;

(iv) The disclosure, including release in camera, is not appropriate or necessary under the relevant substantive law concerning privilege;

(v) The disclosure, except when in camera and necessary to assert a claim of privilege, would reveal information properly classified or other matters exempt from unrestricted disclosure; or

(vi) The disclosure would interfere with ongoing enforcement proceedings, compromise constitutional rights, reveal the identity of an intelligence source or confidential informant, or disclose trade secrets or similarly confidential commercial or financial information.

(f) *Requests for opinion or expert testimony.* (1) Subject to 5 CFR 2635.805, an employee or former employee shall not provide, with or without compensation, opinion or expert testimony concerning official information, subjects, or activities, except on behalf of the United States or a party represented by the Department of Justice, without written approval of agency counsel.

(2) Upon a showing by the requestor of exceptional need or unique circumstances and that the anticipated testimony will not be adverse to the interests of the Department or the United States, agency counsel may, in writing, grant authorization for an employee, or former employee, to appear and testify at no expense to the United States.

(3) Any expert or opinion testimony by a former employee of the Department shall be excepted from § 1.11(f)(1) where the testimony involves only general expertise gained while employed at the Department.

(g) *Procedures when agency counsel directs an employee not to testify or provide documents.* (1) If agency counsel determines that an employee or former employee should not comply with a subpoena or other request for testimony or the production of documents, agency counsel will so inform the employee and the party who submitted the subpoena or made the request.

(2) If, despite the determination of the agency counsel that testimony should not be given and/or documents not be produced, a court of competent jurisdiction or other appropriate authority orders the employee or former employee to testify and/or produce documents, the employee shall notify agency counsel of such order.

(i) If agency counsel determines that no further legal review of, or challenge

to, the order will be sought, the employee or former employee shall comply with the order.

(ii) If agency counsel determines to challenge the order, or that further legal review is necessary, the employee or former employee should not comply with the order. Where necessary, the employee should appear at the time and place set forth in the subpoena. If legal counsel cannot appear on behalf of the employee, the employee should produce a copy of this subpart and respectfully inform the legal tribunal that he/she has been advised by counsel not to provide the requested testimony and/or produce documents. If the legal tribunal rules that the subpoena must be complied with, the employee shall respectfully decline to comply, citing this section and *United States* ex rel. *Touhy* v. *Ragen*, 340 U.S. 462 (1951).

[69 FR 54003, Sept. 7, 2004]

§ 1.12 Regulations not applicable to official request.

The regulations in this part shall not be applicable to official requests of other governmental agencies or officers thereof acting in their official capacities, unless it appears that granting a particular request would be in violation of law or inimical to the public interest. Cases of doubt should be referred for decision to agency counsel (as defined in § 1.11(b)(1)).

[69 FR 54003, Sept. 7, 2004]

Subpart C—Privacy Act

§ 1.20 Purpose and scope of regulation.

The regulations in this subpart are issued to implement the provisions of the Privacy Act of 1974 (5 U.S.C. 552a). The regulations apply to all records which are contained in systems of records maintained by the Department of the Treasury and which are retrieved by an individual's name or personal identifier. They do not relate to those personnel records of Government employees, which are under the jurisdiction of the Office of Personnel Management to the extent such records are subject to regulations issued by such OPM. The regulations apply to all components of the Department of the Treasury. Any reference in this subpart to the Department or its officials, employees, or records shall be deemed to refer also to the components or their officials, employees, or records. The regulations set forth the requirements applicable to Department of the Treasury employees maintaining, collecting, using or disseminating records pertaining to individuals. They also set forth the procedures by which individuals may request notification of whether the Department of the Treasury maintains or has disclosed a record pertaining to them or may seek access to such records maintained in any nonexempt system of records, request correction of such records, appeal any initial adverse determination of any request for amendment, or may seek an accounting of disclosures of such records. For the convenience of interested persons, the components of the Department of the Treasury may reprint these regulations in their entirety (less any appendices not applicable to the component in question) in those titles of the Code of Federal Regulations which normally contain regulations applicable to such components. In connection with such republication, and at other appropriate times, components may issue supplementary regulations applicable only to the component in question, which are consistent with these regulations. In the event of any actual or apparent inconsistency, these Departmental regulations shall govern. Persons interested in the records of a particular component should, therefore, also consult the Code of Federal Regulations for any rules or regulations promulgated specifically with respect to that component (see Appendices to this subpart for cross references). The head of each component is hereby also authorized to substitute other appropriate officials for those designated and correct addresses specified in the appendix to this subpart applicable to the component. The components of the Department of the Treasury for the purposes of this subpart are the following offices and bureaus:

(a) The Departmental Offices, which include the offices of:

(1) The Secretary of the Treasury, including immediate staff;

(2) The Deputy Secretary of the Treasury, including immediate staff;

(3) The Chief of Staff, including immediate staff;

(4) The Executive Secretary of the Treasury and all offices reporting to such official, including immediate staff;

(5) Under Secretary (International Affairs) and all offices reporting to such official, including immediate staff;

(6) Assistant Secretary (International Economics and Development) and all offices reporting to such official, including immediate staff;

(7) Assistant Secretary (Financial Markets and Investment Policy) and all offices reporting to such official, including immediate staff;

(8) Under Secretary (Domestic Finance) and all offices reporting to such official, including immediate staff;

(9) Fiscal Assistant Secretary and all offices reporting to such official, including immediate staff;

(10) Assistant Secretary (Financial Institutions) and all offices reporting to such official, including immediate staff;

(11) Assistant Secretary (Financial Markets) and all offices reporting to such official, including immediate staff;

(12) Assistant Secretary (Financial Stability) and all offices reporting to such official, including immediate staff;

(13) Under Secretary (Terrorism & Financial Intelligence) and all offices reporting to such official, including immediate staff;

(14) Assistant Secretary (Terrorist Financing) and all offices reporting to such official, including immediate staff;

(15) Assistant Secretary (Intelligence and Analysis) and all offices reporting to such official, including immediate staff;

(16) General Counsel and all offices reporting to such official, including immediate staff; except legal counsel to the components listed in paragraphs (a)(23), (a)(24), and (a)(25) and (b) through (j) of this section;

(17) Treasurer of the United States including immediate staff;

(18) Assistant Secretary (Legislative Affairs) and all offices reporting to such official, including immediate staff;

(19) Assistant Secretary (Public Affairs) and all offices reporting to such official, including immediate staff;

(20) Assistant Secretary (Economic Policy) and all offices reporting to such official, including immediate staff;

(21) Assistant Secretary (Tax Policy) and all offices reporting to such official, including immediate staff;

(22) Assistant Secretary (Management) and Chief Financial Officer, and all offices reporting to such official, including immediate staff;

(23) The Inspector General, and all offices reporting to such official, including immediate staff;

(24) The Treasury Inspector General for Tax Administration, and all offices reporting to such official, including immediate staff;

(25) The Special Inspector General for the Troubled Asset Relief Program, and all offices reporting to such official, including immediate staff;

(b) Alcohol and Tobacco Tax and Trade Bureau.

(c) Bureau of Public Debt.

(d) Financial Management Service.

(e) Internal Revenue Service.

(f) Comptroller of the Currency.

(g) Office of Thrift Supervision.

(h) Bureau of Engraving and Printing.

(i) United States Mint.

(j) Financial Crimes Enforcement Network.

For purposes of this subpart, the office of the legal counsel for the components listed in paragraphs (a)(23), (a)(24), (a)(25), (b) through (j) of this section are to be considered a part of such components. Any office, which is now in existence or may hereafter be established, which is not specifically listed or known to be a component of any of those listed above, shall be deemed a part of the Departmental Offices for the purpose of these regulations.

[52 FR 26305, July 14, 1987, as amended at 60 FR 31633, June 16, 1995; 65 FR 2333, Jan. 14, 2000; 68 FR 55311, Sept. 25, 2003; 73 FR 51221, Sept. 2, 2008; 75 FR 744, Jan. 6, 2010; 75 FR 36535, June 28, 2010]

§ 1.21 Definitions.

(a) The term *agency* means agency as defined in 5 U.S.C. 552(e);

(b) The term *individual* means a citizen of the United States or an alien lawfully admitted for permanent residence;

(c) The term *maintain* includes maintain, collect, use, or disseminate;

(d) The term *record* means any item, collection, or grouping of information about an individual that is maintained by the Department of the Treasury or component of the Department. This includes, but is not limited to, the individual's education, financial transactions, medical history, and criminal or employment history and that contains the name, or an identifying number, symbol, or other identifying particular assigned to the individual, such as a finger or voice print or a photograph;

(e) The term *system of records* means a group of any records under the control of the Department of the Treasury or any component from which information is retrieved by the name of the individual or by some identifying number, symbol, or other identifying particular assigned to the individual;

(f) The term *statistical record* means a record in a system of records maintained for statistical research or reporting purposes only and not used in whole or part in making any determination about an identifiable individual, except as provided by 13 U.S.C. 8.

(g) The term *routine use* means the disclosure of a record that is compatible with the purpose for which the record was collected;

(h) The term *component* means a bureau or office of the Department of the Treasury as set forth in § 1.20 and in the appendices to these regulations. (See 5 U.S.C. 552a(a).)

(i) The term *request for access* means a request made pursuant to 5 U.S.C. 552a(d)(1).

(j) The term *request for amendment* means a request made pursuant to 5 U.S.C. 552a(d)(2).

(k) The term *request for accounting* means a request made pursuant to 5 U.S.C. 552a(c)(3).

§ 1.22 Requirements relating to systems of records.

(a) *In general.* Subject to 5 U.S.C. 552a (j) and (k) and § 1.23(c), each component shall, in conformance with 5 U.S.C. 552a:

(1) Maintain in its records only such information about an individual as is relevant and necessary to accomplish a purpose of the agency required to be accomplished by the statute or by Executive order of the President (See 5 U.S.C. 552a(e)(1)).

(2) Collect information to the greatest extent practicable directly from the subject individual when the information may result in adverse determinations about an individual's rights, benefits, and privileges under Federal programs. (See 5 U.S.C. 552a(e)(2)).

(b) *Requests for information from individuals.* Subject to 5 U.S.C. 552a(j) and § 1.23(c)(1), each component of the Treasury shall inform each individual whom it asks to supply information, on the form which it uses to collect the information or on a separate form that can be retained by the individual:

(1) The authority (whether granted by statute, or by Executive order of the President) which authorizes the solicitation of the information and whether disclosure of such information is mandatory or voluntary;

(2) The principal purpose or purposes for which the information is intended to be used;

(3) The routine uses which may be made of the information, as published pursuant to 5 U.S.C. 552a(e)(4)(D); and

(4) The effects on such individual, if any, of not providing all or any part of the requested information. (See 5 U.S.C. 552a(e)(3)).

(c) *Report on new systems.* Each component of the Treasury shall provide adequate advance notice to Congress and the Office of Management and Budget through the Disclosure Branch and Administration Section of the Office of the General Counsel of any proposal to establish or alter any system of records in order to permit an evaluation of the probable or potential effect of such proposal on the privacy and other personal or property rights of individuals or the disclosure of information relating to such individuals, and its effect on the preservation of the constitutional principles of federalism and separation of powers. (See 5 U.S.C. 552a(o)).

(d) *Accurate and secure maintenance of records.* Each component shall:

(1) Subject to 5 U.S.C. 552a(j) and §1.23(c)(1), maintain all records which are used in making any determination about any individual with such accuracy, relevance, timeliness, and completeness as is reasonably necessary to assure fairness to the individual in the determination (see 5 U.S.C. 552a(e)(5);

(2) Prior to disseminating any record about an individual to any person other than an agency, unless the dissemination is made pursuant to 5 U.S.C. 552 (see 31 CFR part 1, subpart A), make reasonable efforts to assure that such records are accurate, complete, timely, and relevant for Department of the Treasury purposes (see 5 U.S.C. 552a(e)(6)) and

(3) Establish appropriate administrative, technical, and physical safeguards to insure the security and confidentiality of records and to protect against any anticipated threats or hazards to their security or integrity which could result in substantial harm, embarrassment, inconvenience, or unfairness to any individual on whom information is maintained. (See 5 U.S.C. 552a(e)(10)).

(i) System managers, with the approval of the head of their offices within a component, shall establish administrative and physical controls, consistent with Department regulations, to insure the protection of records systems from unauthorized access or disclosure and from physical damage or destruction. The controls instituted shall be proportional to the degree of sensitivity of the records but at a minimum must insure that records other than those available to the general public under the Freedom of Information Act (5 U.S.C. 552), are protected from public view, that the area in which the records are stored is supervised during all business hours and physically secure during nonbusiness hours to prevent unauthorized personnel from obtaining access to the records. Automated systems shall comply with the security standards promulgated by the National Bureau of Standards.

(ii) System managers, with the approval of the head of their offices within a component, shall adopt access restrictions to insure that only those individuals within the agency who have a need to have access to the records for the performance of their duties have access to them. Procedures shall also be adopted to prevent accidental access to, or dissemination of, records.

(e) *Prohibition against maintenance of records concerning First Amendment rights.* No component shall maintain a record describing how any individual exercises rights guaranteed by the First Amendment (e.g. speech), unless the maintenance of such record is:

(1) Expressly authorized by statute, or

(2) Expressly authorized by the individual about whom the record is maintained, or

(3) Pertinent to and within the scope of an authorized law enforcement activity. (See 5 U.S.C. 552a (e)(7))

(f) *Notification of disclosure under compulsory legal process.* Subject to 5 U.S.C. 552a(j) and §1.23(c)(1), when records concerning an individual are subpoenaed by a Grand Jury, Court, or quasi-judicial agency, or disclosed in accordance with an ex parte court order pursuant to 26 U.S.C. 6103(i), the official served with the subpoena or court order shall make reasonable efforts to assure that notice of any disclosure is provided to the individual. Notice shall be provided within five working days of making the records available under compulsory legal process or, in the case of a Grand Jury subpoena or an ex parte order, within five days of its becoming a matter of public record. Notice shall be mailed to the last known address of the individual and shall contain the following information: the date and authority to which the subpoena is, or was returnable, or the date of and court issuing the ex parte order, the name and number of the case or proceeding, and the nature of the information sought and provided. Notice of the issuance of a subpoena or an ex parte order is not required if the system of records has been exempted from the notice requirement of 5 U.S.C. 552a (e)(8) and this section, pursuant to 5 U.S.C. 552a (j) and §1.23 (c)(1), by a Notice of Exemption published in the FEDERAL REGISTER. (See 5 U.S.C. 552a (e)(8)).

(g) *Emergency disclosure*. If information concerning an individual has been disclosed to any person under compelling circumstances affecting health or safety, the individual shall be notified at the last known address within 5 days of the disclosure (excluding Saturdays, Sundays, and legal public holidays). Notification shall include the following information: The nature of the information disclosed, the person or agency to whom it was disclosed, the date of disclosure, and the compelling circumstances justifying the disclosure. Notification shall be given by the officer who made or authorized the disclosure. (See 5 U.S.C. 552a (b)(8)).

§ 1.23 Publication in the Federal Register—Notices of systems of records, general exemptions, specific exemptions, review of all systems.

(a) *Notices of systems of records to be published in the* FEDERAL REGISTER. (1) The Department shall publish a notice of the existence and character of all systems of records every 3 years in the FEDERAL REGISTER. An annual notice of systems of records is required to be published by the Office of the Federal Register in the publication entitled ''Privacy Act Issuances'', as specified in 5 U.S.C. 552a(f).

(2) Minor changes to systems of records shall be published annually. (See paragraph (d)(8) of this section)

(3) In addition, the Department shall publish in the FEDERAL REGISTER upon establishment or revision a notice of the existence and character of any new or revised systems of records. Unless otherwise instructed, each notice shall include:

(i) The name and location of the system;

(ii) The categories of individuals on whom records are maintained in the system;

(iii) The categories of records maintained in the system;

(iv) Each routine use of the records contained in the system, including the categories of users and the purpose of such use;

(v) The policies and practices of the component regarding storage, retrievability, access controls, retention, and disposal of the records;

(vi) The title and business address of the Treasury official who is responsible for the system of records;

(vii) The procedures of the component whereby an individual can be notified if the system of records contain a record pertaining to the individual, including reasonable times, places, and identification requirements.

(viii) The procedures of the component whereby an individual can be notified on how to gain access to any record pertaining to such individual that may be contained in the system of records, and how to contest its content; and

(ix) The categories of sources of records in the system. (See 5 U.S.C. 552a(e)(4))

(b) *Notice of new or modified routine uses to be published in the* FEDERAL REGISTER. At least 30 days prior to a new use or modification of a routine use, as published under paragraph (a)(3)(iv) of this section, each component shall publish in the FEDERAL REGISTER notice of such new or modified use of the information in the system and provide an opportunity for interested persons to submit written data, views, or arguments to the components. (See 5 U.S.C. 552a(e)(11))

(c) *Promulgation of rules exempting systems from certain requirements*—(1) *General exemptions*. In accordance with existing procedures applicable to a Treasury component's issuance of regulations, the head of each such component may adopt rules, in accordance with the requirements (including general notice) of 5 U.S.C. 553 (b) (1), (2), and (3), (c) and (e), to exempt any system of records within the component from any part of 5 U.S.C. 552a and these regulations except subsections (b) (sec. 1.24, conditions of disclosure), (c)(1) (sec. 1.25, keep accurate accounting of disclosures), (c)(2) (sec. 1.25, retain accounting for five years or life of record), (e)(4) (A) through (F) (paragraph (a) of this section, publication of annual notice of systems of records), (e)(6) (sec. 1.22(d), accuracy of records prior to dissemination), (e)(7) (sec. 1.22(e), maintenance of records on First Amendment rights), (e)(9) (sec. 1.28, establish rules of conduct), (e)(10) (sec. 1.22(d)(3), establish safeguards for records), (e)(11) (paragraph (c) of this

section, publish new intended use), and (i) (sec. 1.28(c), criminal penalties) if the systems of records maintained by the component which performs as its principal function any activity pertaining to the enforcement of criminal laws, including police efforts to prevent, control, or reduce crime or to apprehend criminals, and the activities of prosecutors, courts, correctional, probation, pardon, or parole authorities, and which consists of:

(i) Information compiled for the purpose of identifying individual criminal offenders and alleged offenders and consisting only of identifying data and notations of arrests, the nature and disposition of criminal charges, sentencing, confinement, release, and parole, and probation status;

(ii) Information compiled for the purpose of a criminal investigation, including reports of informants and investigators, and associated with an identifiable individual; or

(iii) Reports identifiable to an individual compiled at any stage of the process of enforcement of the criminal laws from arrest or indictment through release from supervision. (See 5 U.S.C. 552a(j))

(2) *Specific exemptions.* In accordance with existing procedures applicable to a Treasury component's issuance of regulations, the head of each such component may adopt rules, in accordance with the requirements (including general notice) of 5 U.S.C. 553 (b) (1), (2), and (3), (c), and (e), to exempt any system of records within the component from 5 U.S.C. 552a(c)(3) (sec. 1.25(c)(2), accounting of certain disclosures available to the individual), (d) (sec. 1.26(a), access to records), (e)(1) (sec. 1.22(a)(1), maintenance of information to accomplish purposes authorized by statute or executive order only), (e)(4)(G) (paragraph (a)(7) of this section, publication of procedures for notification), (e)(4)(H) (paragraph (a)(8) of this section, publication of procedures for access and contest), (e)(4)(I) (paragraph (a)(9) of this section, publication of sources of records), and (f) (sec. 1.26, promulgate rules for notification, access and contest), if the system of records is:

(i) Subject to the provisions of 5 U.S.C. 552(b)(1);

(ii) Investigatory material compiled for law enforcement purposes, other than material within the scope of subsection (j)(2) of 5 U.S.C. 552a and paragraph (a)(1) of this section. If any individual is denied any right, privilege, or benefit that such individual would otherwise be entitled to by Federal law, or for which such individual would otherwise be eligible, as a result of the maintenance of this material, such material shall be provided to the individual, except to the extent that the disclosure of the material would reveal the identity of a source who furnished information to the Government under an express promise that the identity of the source would be held in confidence, or prior to September 27, 1975, under an implied promise that the identity of the source would be held in confidence;

(iii) Maintained in connection with providing protective services to the President of the United States or other individuals pursuant to 18 U.S.C. 3056;

(iv) Required by statute to be maintained and used solely as statistical records;

(v) Investigatory material compiled solely for the purpose of determining suitability, eligibility, or qualifications for Federal civilian employment, military service, Federal contracts, or access to classified information, but only to the extent that the disclosure of such material would reveal the identity of a source who furnished information to the Government under an express promise that the identity of the source would be held in confidence, or, prior to September 27, 1975, under an implied promise that the identity of the source would be held in confidence;

(vi) Testing or examination material used solely to determine individual qualifications for appointment or promotion in the Federal service the disclosure of which would compromise the objectivity or fairness of the testing or examination process; or

(vii) Evaluation material used to determine potential for promotion in the armed services, but only to the extent that the disclosure of such material would reveal the identity of a source who furnished information to the Government under an express promise that the identity of the source would be

held in confidence, or, prior to September 27, 1975, under an implied promise that the identity of the source would be held in confidence.

(3) At the time that rules under this subsection are adopted, the head of the component shall include in the statement required under 5 U.S.C. 553(c) the reasons why the system of records is to be exempted from a provision of 5 U.S.C. 552a and this part. (See 5 U.S.C. 552a (j) and (k))

(d) *Review and report to OMB*. The Department shall ensure that the following reviews are conducted as often as specified below by each of the components who shall be prepared to report to the Departmental Disclosure Branch upon request the results of such reviews and any corrective action taken to resolve problems uncovered. Each component shall:

(1) Review every two years a random sample of the component's contracts that provide for the maintenance of a system of records on behalf of the component to accomplish a function of the component, in order to ensure that the working of each contract makes the provisions of the Act apply. (5 U.S.C. 552a(m)(1))

(2) Review annually component's recordkeeping and disposal policies and practices in order to assure compliance with the Act.

(3) Review routine use disclosures every 3 years, that are associated with each system of records in order to ensure that the recipient's use of such records continues to be compatible with the purpose for which the disclosing agency originally collected the information.

(4) Review every three years each system of records for which the component has issued exemption rules pursuant to section (j) or (k) of the Privacy Act in order to determine whether the exemption is needed.

(5) Review annually each ongoing matching program in which the component has participated during the year, either as a source or as a matching agency in order to assure that the requirements of the Act, the OMB Matching Guidelines, and the OMB Model Control System and checklist have been met.

(6) Review component's training practices annually to ensure that all component personnel are familiar with the requirements of the Act, these regulations and Departmental directives.

(7) Review annually the actions of component personnel that have resulted either in the agency being found civilly liable under section (g) of the Act, or an employee being found criminally liable under the provisions of section (i) of the Act, in order to determine the extent of the problem and to prevent future recurrences.

(8) Review annually each system of records notice to ensure that it accurately describes the system. Where minor changes are needed, publish an amended notice in the FEDERAL REGISTER. Minor changes shall be consolidated in one annual comprehensive publication. The term ''minor change to a system of records'' means a change that does not significantly change the system. More specifically, a minor change does not affect the character or purpose of the system and does not affect the ability of an individual to gain access to a record about the individual or to any information pertaining to such individual which is contained in the system; for example, changing the title of the system manager or the location of the system.

§ 1.24 Disclosure of records to person other than the individual to whom they pertain.

(a) *Conditions of disclosure*. No component of Treasury shall disclose any record which is contained in a system of records maintained by it by any means of communication to any person, or to another agency, except pursuant to a written request by, or with the prior written consent of, the individual to whom the record pertains, or the parent, if a minor, or legal guardian, if incompetent, of such individual, unless disclosure of the record would be:

(1) To those offices and employees of the Department of the Treasury who have a need for the record in the performance of their duties;

(2) Retired under 5 U.S.C. 552 (subpart A of this part);

(3) For a routine use as defined in 5 U.S.C. 552a(a)(7) and § 1.21(g) and as described under 5 U.S.C. 552a(e)(4)(D) and § 1.23(a)(4);

(4) To the Bureau of the Census for purposes of planning or carrying out a census or survey or related activity pursuant to the provisions of title 13 of the U.S. Code;

(5) To a recipient who has provided the component with advance adequate written assurance that the record will be used solely as a statistical research or reporting record, and the record is to be transferred in a form that is not individually identifiable;

(6) To the National Archives of the United States as a record which has sufficient historical or other value to warrant its continued preservation by the United States Government, or for evaluation by the Administrator of General Services or the designee of such official to determine whether the record has such value;

(7) To another agency or to an instrumentality of any governmental jurisdiction within or under the control of the United States for a civil or criminal law enforcement activity.

(i) If the activity is authorized by law; and

(ii) If the head of the agency or instrumentality has made a written request to the Department of the Treasury specifying the particular portion desired and the law enforcement activities for which the record is sought;

(8) To a person pursuant to a showing of compelling circumstances affecting the health or safety of an individual, if upon such disclosure, notification is transmitted to the last known address of such individual;

(9) To either House of Congress, or, to the extent of matter within its jurisdiction, any committee or subcommittee thereof, any joint committee of Congress or subcommittee of any such joint committee.

(10) To the Comptroller General, or the authorized representatives of such official, in the course of the performance of the duties of the General Accounting Office; or

(11) Pursuant to the order of a court of competent jurisdiction. (See 5 U.S.C. 552a(b))

§ 1.25 Accounting of disclosures.

(a) *Accounting of certain disclosures.* Each component, with respect to each system of records under its control, shall:

(1) Keep an accurate accounting of: (i) The date, nature, and purpose of each disclosure of a record to any person or to an agency made under 5 U.S.C. 552a (b) and § 1.24; and (ii) the name and address of the person or agency to whom the disclosure is made;

(2) Retain the accounting made under paragraph (a)(1) of this section for at least five years or the life of the record, whichever is longer, after the disclosure for which the accounting is made; and

(3) Inform any person or other agency about any correction or notation of dispute made by the constitutent unit in accordance with 5 U.S.C. 552a (d) and § 1.28 of any record that has been disclosed to the person or agency if an accounting of the disclosure was made. (See 5 U.S.C. 552(c).)

(b) *Accounting systems.* To permit the accounting required by paragraph (a) of this section, system managers, with the approval of the head of their offices within a component, shall establish or implement, a system of accounting for all disclosures of records, either orally or in writing, made outside the Department of the Treasury. Accounting records shall:

(1) Be established in the least expensive and most convenient form that will permit the system manager to advise individuals, promptly upon request, what records concerning them have been disclosed and to whom:

(2) Provide, as a minimum, the identification of the particular record disclosed, the name and address of the person or agency to whom or to whom or to which disclosed, and the date, nature and purpose of the disclosure; and

(3) Be maintained for 5 years or until the record is destroyed or transferred to the National Archives and Records Service for storage in records centers, in which event, the accounting pertaining to those records, unless maintained separately, shall be transferred with the records themselves.

(c) *Exemptions from accounting requirements.* No accounting is required for disclosure of records:

(1) To those officers and employees of the Department of the Treasury who have a need for the record in the performance of their duties; or

(2) If disclosure would be required under 5 U.S.C. 552 and Subpart A of this part.

(d) *Access to accounting by individual.* (1) Subject to paragraphs (c) and (d)(2) of this section, each component shall establish and set forth in the appendix to this subpart applicable to the component, procedures for making the accounting required under paragraph (a) of this section available to the individual to whom the record pertains and shall thereafter make such accounting available in accordance therewith at the request of the individual. The procedures may require the requester to provide reasonable identification.

(2) Access accountings of disclosure may be withheld from the individual named in the record only if the disclosures were (i) made under 5 U.S.C. 552a (b)(7) and §1.24 (a)(7), or (ii) under a system of records exempted from the requirements of 5 U.S.C. 552a(c)(3) in accordance with 5 U.S.C. 552 (j) or (k) and §1.23(c). (See 5 U.S.C. 552a(c))

§1.26 Procedures for notification and access to records pertaining to individuals—format and fees for request for access.

(a) *Procedures for notification and access.* Each component shall establish, in accordance with the requirements of 5 U.S.C. 553, and set forth in the appendix to this subpart applicable to such component procedures whereby an individual can be notified, in response to a request, if any system of records named by the individual contains a record pertaining to that individual. In addition, such procedures shall set forth the requirements for access to such records. As a minimum such procedures shall specify the times during, and the places at which access will be accorded, together with such identification as may be required of the individual before access. (See 5 U.S.C. 552a(f) (1), (2) and (3))

(b) *Access.* Each component in accordance with the procedures prescribed under paragraph (a) of this section, shall allow an individual to gain access to records or to any information pertaining to such individual which is contained in the system of records upon request. The individual shall be permitted to review the record and have a copy made of all or any portion of the record in a form that is comprehensible. The individual will also be permitted to be accompanied by any person of the individual's choosing to review the record, except that the agency may require the individual to furnish a written statement authorizing discussion of that individual's record in the accompanying person's presence. (See 5 U.S.C. 552a(d)(1))

(c) *Exceptions.* Neither the procedures prescribed under paragraph (a) of this section nor the requirements for access under paragraph (b) of this section shall be applicable to—(1) systems of records exempted pursuant to 5 U.S.C. 552a (j) and (k) and §1.23(c); (2) information compiled in reasonable anticipation of a civil action or proceeding (See 5 U.S.C. 552(d)(5)); or (3) information pertaining to an individual which is contained in, and inseparable from, another individual's record.

(d) *Format of request.* (1) A record for notification of whether a record exists shall:

(i) Be made in writing and signed by the person making the request, who must be the individual about whom the record is maintained, or such individual's duly authorized representative (See §1.34);

(ii) State that it is made pursuant to the Privacy Act, 5 U.S.C. 552a or these regulations, have marked ''Privacy Act Request'' on the request and on the envelope;

(iii) Give the name of the system or subsystem or categories of records to which access is sought, as specified in ''Privacy Act Issuances'' published by the Office of the Federal Register and referenced in the appendices to this subpart;

(iv) Describe the nature of the record(s) sought in sufficient detail to enable Department personnel to locate the system of records containing the record with a reasonable amount of effort. Whenever possible, a request for access should describe the nature of the record sought, the date of the record or the period in which the record was compiled.

(v) Provide such identification of the requester as may be specified in the appropriate appendix to this subpart; and

(vi) Be addressed or delivered in person to the office or officer of the component indicated for the particular system or subsystem or categories of records the individual wishes access to, as specified in ''Privacy Act Issuances'' published by the Office of the Federal Register and referenced in the appendices to this subpart. Assistance in ascertaining the appropriate component or in preparing a request for notification may be obtained by a written request to this effect addressed as specified in appendix A of this part, as the address for the Departmental Offices for ''Request for notification and access to records and accountings of disclosures''.

(2) A request for access to records shall, in addition to complying with paragraph (a)(1)(i) through (vi) of this section:

(i) State whether the requester wishes to inspect the records or desires to have a copy made and furnished without first inspecting them;

(ii) If the requester desires to have a copy made, state the firm agreement of the requester to pay the fees for duplication ultimately determined in accordance with (31 CFR 1.6) Subpart A of this title, unless such fees are waived pursuant to that section by the system manager or other appropriate official as indicated in the appropriate appendix to these regulations; and

(iii) Comply with any other requirement set forth in the applicable appendix to this subpart or the ''Notice of Records Systems'' applicable to the system in question. Requesters are hereby advised that any request for access which does not comply with the foregoing requirements and those set forth elsewhere in this Subpart C, will not be deemed subject to the time constraints of this section, unless and until amended so as to comply. However, components shall advise the requester in what respect the request is deficient so that it may be processed. This section applies only to records which are contained in a system of records and which are in the possession or control of the component. (See 5 U.S.C. 552a (d) and (f))

(e) *Requests for records not in control of component.* (1) Treasury employees shall make reasonable efforts to assist an oral requester to ascertain to which office or officer a written request should be sent. When the request is for a record which is not in the possession or control of any component of the Department of the Treasury, the requester shall be so advised.

(2) Where the record requested was created by a Department or agency other than the Department of the Treasury or a component of the Department and has been classified (e.g. National Defense or Intelligence Information) or otherwise restrictively endorsed (e.g. Office of Personnel Management records of FBI reports) by such other Department or agency, and a copy is in the possession of a component of the Department of the Treasury, that portion of the request shall be referred to the originating agency for determination as to all issues in accordance with the Privacy Act. In the case of a referral to another agency under this paragraph, the requester shall be notified that such portion of the request has been so referred and that the requester may expect to hear from that agency.

(3) When information sought from a system manager or other appropriate official in the Department of the Treasury includes information furnished by other Federal agencies not classified or otherwise restrictively endorsed, the system manager or other appropriate official receiving the request shall consult with the appropriate agency prior to making a decision to disclose or not to disclose the record. The decision as to whether the record shall be disclosed shall be made, in the first instance by the system manager or other appropriate official maintaining the record. (See 5 U.S.C. 552a (d) and (f))

(f) *Date of receipt of request.* A request for notification or access to records shall be considered to have been received for purposes of this subpart on the date on which the requirements of paragraph (d) of this section have been satisfied. Requests for notification or access to records and any separate agreement to pay shall be stamped or endorsed with the date of receipt by

the receiving office. The latest of such stamped dates will be deemed to be the date of receipt of the request for the purposes of this subpart. (See 5 U.S.C. 552a (d) and (f))

(g) *Notification of determination*—(1) *In general*. Notification of determinations as to notification of whether a record exists or as to whether to grant access to records requested will be made by the officers designated in the appendices to this subpart. The notification of the determination shall be mailed within 30 days (excluding Saturdays, Sundays and legal public holidays) after the date of receipt of the request, as determined in accordance with paragraph (f) of this section. If it is not possible to respond within 30 days, the designated officer shall inform the requester, stating the reason for the delay (e.g. volume of records requested, scattered location of the records, need to consult other agencies, or the difficulty of the legal issues involved) and when a response will be dispatched. (See 5 U.S.C. 552a (d) and (f))

(2) *Granting of access*. When it has been determined that the request for access will be granted—(i) and a copy requested; such copy in a form comprehensible to the requester shall be furnished promptly, together with a statement of the applicable fees for duplication; and (ii) and the right to inspect has been requested, the requester shall be promptly notified in writing of the determination, and when and where the requested records may be inspected. An individual seeking to inspect such records may be accompanied by another person of such individual's choosing. The individual seeking access shall be required to sign the required form indicating that the Department of the Treasury is authorized to discuss the contents of the subject record in the accompanying person's presence. If, after making the inspection, the individual making the request desires a copy of all or a portion of the requested records, such copy in a form comprehensible to the individual shall be furnished upon payment of the applicable fees for duplication. Fees to be charged are as prescribed by 31 CFR part 1, subpart A, §1.6 Fees shall not be charged where they would amount, in the aggregate, to less than $3.00. (See 5 U.S.C. 552a (d) and (f))

(3) *Requirements for access to medical records*. When access is requested to medical records, including psychological records, the responsible official may determine that such release could have an adverse effect on the individual and that release will be made only to a physician authorized in writing to have access to such records by the individual making the request. Upon receipt of the authorization the physician will be permitted to review the records or to receive copies of the records by mail, upon proper verification of identity. (See 5 U.S.C. 552a (f) (3))

(4) *Denial of request*. When it is determined that the request for notification of whether a record exists or access to records will be denied (whether in whole or part or subject to conditions or exceptions), the person making the request shall be so notified by mail in accordance with paragraph (g)(1) of this section. The letter of notification shall specify the city or other location where the requested records are situated (if known), contain a statement of the reasons for not granting the request as made, set forth the name and title or position of the responsible official and advise the individual making the request of the right to file suit in accordance with 5 U.S.C. 552a (g)(1)(B).

(5) *Prohibition against the use of 5 U.S.C. 552 (b) exemptions*. Exemptions from disclosure under 5 U.S.C. 552 (b) (31 CFR part 1, subpart A, §1.2 (c)), may not be invoked for the purpose of withholding from an individual any record which is otherwise accessible to such individual under the Privacy Act, 5 U.S.C. 552a and this subpart. (See 5 U.S.C. 552a (q))

(6) *Records exempt in whole or in part*. (i) When an individual requests notification as to whether a record exists or access to records concerning the individual which have been exempted from individual access pursuant to 5 U.S.C. 552a (j) or which have been compiled in reasonable anticipation of a civil action or proceeding in either a court or before an administrative tribunal and the assertion of the exemption is deemed necessary, the Department of the Treasury will neither confirm nor

deny the existence of the record but shall advise the individual only that no record available to the individual pursuant to the Privacy Act of 1974 has been identified.

(ii) Requests from individuals for access to records which have been exempted from access pursuant to 5 U.S.C. 552a (k) shall be processed as follows:

(A) Requests for information classified pursuant to Executive Orders 12958, 13526, or successor or prior Executive Orders require the responsible component of the Department to review the information to determine whether it continues to warrant classification pursuant to an Executive Order. Information which no longer warrants classification under these criteria shall be declassified and made available to the individual. If the information continues to warrant classification, the individual shall be advised that the information sought is classified, that it has been reviewed and continues to warrant classification, and that it has been exempted from access pursuant to 5 U.S.C. 552 (b)(1) and 5 U.S.C. 552a (k)(1). Information which has been exempted pursuant to 5 U.S.C. 552a (j) and which is also classified shall be reviewed as required by this paragraph but the response to the individual shall be in the form prescribed by paragraph (g)(6)(i) of this section.

(B) Requests for information which has been exempted from disclosure pursuant to 5 U.S.C. 552a (k)(2) shall be responded to in the manner provided in paragraph (g)(6)(i) of this section unless the requester shows that the information has been used or is being used to deny the individual any right, privilege or benefit for which he is eligible or to which he would otherwise be entitled under federal law. In that event, the individual shall be advised of the existence of the information but such information as would identify a confidential source shall be extracted or summarized in a manner which protects the source to the maximum degree possible and the summary extract shall be provided to the requesting individual.

(C) Information compiled as part of an employee background investigation which has been exempted pursuant to 5 U.S.C. 552a (k)(5) shall be made available to an individual upon request except to the extent that it identifies the confidential source. Material identifying the confidential sources shall be extracted or summarized in a manner which protects the source to the maximum degree possible and the summary or extract shall be provided to the requesting individual.

(D) Testing or examination material which has been exempted pursuant to 5 U.S.C. 552a (k)(6) shall not be made available to an individual if disclosure would compromise the objectivity or fairness of the testing or examination process; but may be made available if no such compromise possibility exists. (See 5 U.S.C. 552a (d)(5), (j) and (k)).

[52 FR 26305, July 14, 1987, as amended at 76 FR 4817, Jan. 27, 2011]

§ 1.27 Procedures for amendment of records pertaining to individuals—format, agency review and appeal from initial adverse agency determination.

(a) *In general.* Subject to the application of exemptions promulgated by the head of each component, in accordance with §1.23(c), and subject to §1.27(f), each component of the Department of the Treasury, shall in conformance with 5 U.S.C. 552a(d)(2), permit an individual to request amendment of a record pertaining to such individual. Any request for amendment of records or any appeal that does not fully comply with the requirements of this section and any additional specific requirements imposed by the component in the applicable appendix to this subpart will not be deemed subject to the time constraints of paragraph (e) of this section, unless and until amended so as to comply. However, components shall advise the requester in what respect the request or appeal is deficient so that it may be resubmitted or amended. (See 5 U.S.C. 552a (d) and (f))

(b) *Form of request to amend records.* In order to be subject to the provisions of this section, a request to amend records shall:

(1) Be made in writing and signed by the person making the request, who must be the individual about whom the

record is maintained, or the duly authorized representative of such individual;

(2) State that it is made pursuant to the Privacy Act, 5 U.S.C. 552a or these regulations, have marked ''Privacy Act Amendment Request'' on the request and on the envelope;

(3) Be addressed to the office or officer of the component specified for such purposes in ''Privacy Act Issuances'' published by the Office of the Federal Register and referenced in the appendices to this subpart for that purpose; and

(4) Reasonably describe the records which the individual desires to have amended, including, to the best of the requester's knowledge, dates of letters requesting access to such records previously and dates of letters in which notification concerning access was made, if any, and the individual's documentation justifying the correction. (See U.S.C. 552a (d) and (f))

(c) *Date of receipt of request.* A request for amendment of records pertaining to an individual shall be deemed to have been received for purposes of this subpart when the requirements of paragraph (b) of this section have been satisfied. The receiving office or officer shall stamp or otherwise endorse the date of receipt of the request. (See 5 U.S.C. 552a (d) and (f))

(d) *Review of requests to amend records.* Officials responsible for review of requests to amend records pertaining to an individual, as specified in the appropriate appendix to this subpart, shall:

(1) Not later than 10 days (excluding Saturdays, Sundays, and legal public holidays) after the date of receipt of such request, acknowledge in writing such receipt; and

(2) Promptly, either—

(i) Make any correction of any portion which the individual believes and the official agrees is not accurate, relevant, timely, or complete; or

(ii) Inform the individual of the refusal to amend the record in accordance with the individual's request, the reason for the refusal, and the name and business address of the officer designated in the applicable appendix to this subpart, as the person who is to review such refusal. (See 5 U.S.C. 552a (d) and (f))

(e) *Administrative appeal*—(1) *In general.* Each component shall permit individuals to request a review of initial decisions made under paragraph (d) of this section, when an individual disagrees with a refusal to amend this record. (See 5 U.S.C. 552a (d), (f), and (g)(1))

(2) Form of request for administrative review of refusal to amend record. At any time within 35 days after the date of the notification of the initial decision described in paragraph (d)(2)(ii) of this section, the requester may submit an administrative appeal from such refusal to the official specified in the notification of the initial decision and the appropriate appendix to this subpart. The appeal shall:

(i) Be made in writing stating any arguments in support thereof and be signed by the person to whom the record pertains, or the duly authorized representative of such official;

(ii) Be addressed to and mailed or hand delivered within 35 days of the date of the initial decision, to the office or officer specified in the appropriate appendix to this subpart and in the notification. (See the appendices to this subpart for the address to which appeals made by mail should be addressed);

(iii) Have clearly marked on the appeal and on the envelope, ''Privacy Act Amendment Appeal'';

(iv) Reasonably describe the records requested to be amended; and

(v) Specify the date of the initial request, to amend records, and the date of the letter giving notification that the request was denied. (See 5 U.S.C. 552a (d) and (f))

(3) *Date of receipt.* Appeals shall be promptly stamped with the date of their receipt by the office to which addressed and such stamped date will be deemed to be the date of receipt for all purposes of this subpart. The receipt of the appeal shall be acknowledged within 10 days (excluding Saturdays, Sundays, and legal public holidays) from the date of the receipt (unless the determination on appeal is dispatched in 10 days, in which case, no acknowledgement is required) by the responsible official and the requester advised of the

date of receipt established by the foregoing and when a response is due in accordance with this paragraph. (See 5 U.S.C. 552a (d) and (f))

(4) *Review of administrative appeals from denial of requests to amend records.* Officials responsible for deciding administrative appeals from denials of requests to amend records pertaining to an individual, as specified in the appendices to this subpart shall: Complete the review, and notify the requester of the final agency decision within 30 days (exclusive of Saturdays, Sundays and legal public holidays) after the date of receipt of such appeal, unless the time is extended by the head of the agency or the delegate of such official, for good cause shown. If such final agency decision is to refuse to amend the record, in whole or in part, the requester shall also be advised of the right—(i) to file a concise ''Statement of Disagreement'' setting forth the reasons for his disagreement with the decision which shall be filed within 35 days of the date of the notification of the final agency decision and (ii) to judicial review of the final agency decision under 5 U.S.C. 552a(g)(1)(A). (See 5 U.S.C. 552a (d), (f) and (g)(1))

(5) *Notation on record and distribution of statements of disagreement.* The system manager is responsible, in any disclosure containing information about which an individual has filed a ''Statement of Disagreement'', occurring after the filing of the statement under paragraph (e)(4) of this section, for clearly noting any portion of the record which is disputed and providing copies of the statement and, if deemed appropriate, a concise statement of the component's reasons for not making the amendments requested to persons or other agencies to whom the disputed record has been disclosed. (See 5 U.S.C. 552a(d)(4))

(f) *Records not subject to correction under the Privacy Act.* The following records are not subject to correction or amendment by individuals:

(1) Transcripts or written statements made under oath; and

(2) Transcripts of Grand Jury proceedings, judicial or quasi-judicial proceedings which form the official record of those proceedings; and

(3) Pre-sentence reports comprising the property of the courts but maintained in agency files; and

(4) Records pertaining to the determination, the collection and the payment of the Federal taxes; and

(5) Records duly exempted from correction by notice published in the FEDERAL REGISTER; and

(6) Records compiled in reasonable anticipation of a civil action or proceeding.

§ 1.28 Training, rules of conduct, penalties for non-compliance.

(a) *Training.* Subject to policy guidance and regulations issued by the Deputy Secretary, who has Department-wide responsibility therefor, each component shall institute a training program to instruct employees and employees of Government contractors covered by 5 U.S.C. 552a(m), who are involved in the design, development, operation or maintenance of any system of records, on a continuing basis with respect to the duties and responsibilities imposed on them and the rights conferred on individuals by the Privacy Act, the regulations in this subpart, including the appendices thereto, and any other related regulations. Such training shall provide suitable emphasis on the civil and criminal penalties imposed on the Department and the individual employees by the Privacy Act for non-compliance with specified requirements of the Act as implemented by the regulations in this subpart. (See 5 U.S.C. 552a(e)(9))

(b) *Rules of conduct.* In addition, to the Standards of Conduct published in part O of this title, particularly 31 CFR 0.735–44, the following are applicable to employees of the Department of the Treasury (including, to the extent required by the contract or 5 U.S.C. 552a(m), Government contractors and employees of such contractors), who are involved in the design, development, operation or maintenance of any system of records, or in maintaining any records, for or on behalf of the Department, including any component thereof.

(1) The head of each office of a component of the Department shall be responsible for assuring that employees subject to such official's supervision

are advised of the provisions of the Privacy Act, including the criminal penalties and civil liabilities provided therein, and the regulations in this subpart, and that such employees are made aware of their individual and collective responsibilities to protect the security of personal information, to assure its accuracy, relevance, timeliness and completeness, to avoid unauthorized disclosure either orally or in writing, and to insure that no information system concerning individuals, no matter how small or specialized is maintained without public notice.

(2) Employees of the Department of the Treasury involved in the design, development, operation, or maintenance of any system of records, or in maintaining any record shall:

(i) Collect no information of a personal nature from individuals unless authorized to collect it to achieve a function or carry out a responsibility of the Department;

(ii) Collect from individuals only that information which is necessary to Department functions or responsibilities, unless related to a system exempted under 5 U.S.C. 552a (j) or (k):

(iii) Collect information, wherever possible, directly from the individual to whom it relates, unless related to a system exempted under 5 U.S.C. 552a(j);

(iv) Inform individuals from whom information is collected about themselves of the authority for collection, the purposes thereof, the use that will be made of the information, and the effects, both legal and practical, of not furnishing the information. (While this provision does not explicitly require it, where feasible, third party sources should be informed of the purposes for which information they are asked to provide will be used.);

(v) Neither collect, maintain, use nor disseminate information concerning an individual's religious or political beliefs or activities or membership in associations or organizations, unless (A) the individual has volunteered such information for the individual's own benefits; (B) the information is expressly authorized by statute to be collected, maintained, used or disseminated; or (C) the activities involved are pertinent to and within the scope of an authorized investigation, adjudication or correctional activity;

(vi) Advise their supervisors of the existence or contemplated development of any record system which is capable of retrieving information about individuals by individual identifier;

(vii) Disseminate no information concerning individuals outside the Department except when authorized by 5 U.S.C. 552a or pursuant to a routine use published in the FEDERAL REGISTER;

(viii) Assure that an accounting is kept in the prescribed form, of all dissemination of personal information outside the Department, whether made orally or in writing, unless disclosed under 5 U.S.C. 552 and subpart A of this part;

(ix) Maintain and process information concerning individuals with care in order to insure that no inadvertent disclosure of the information is made either within or without the Department; and

(x) Assure that the proper Department authorities are aware of any information in a system maintained by the Department which is not authorized to be maintained under the provisions of the Privacy Act of 1974, including information on First Amendment Activities, information that is inaccurate, irrelevant or so incomplete as to risk unfairness to the individual concerned.

(3) Heads of components within the Department or their delegates shall, at least annually, review the record systems subject to their supervision to insure compliance with the provisions of the Privacy Act of 1974 and the regulations in this subpart. (See 5 U.S.C. 552a (e)(9), (i) and (m))

(c) *Criminal penalties*. (1) The Privacy Act imposes criminal penalties on the conduct of Government officers or employees as follows: Any officer or employee of an agency (which term includes the Department of the Treasury):

(i) Who by virtue of the official's employment or official position, has possession of, or access to, agency records which contain individually identifiable information the disclosure of which is prohibited by this section (5 U.S.C.

552a) or regulations established thereunder, and who knowing that disclosure of the specific material is so prohibited, willfully discloses the material in any manner to any person or agency not entitled to receive it, or

(ii) Who willfully maintains a system of records without meeting the notice requirements of paragraph (e)(4) of this section (5 U.S.C. 552a)—shall be guilty of a misdemeanor and fined not more than $5,000.

(2) The Act also imposes a collateral criminal penalty on the conduct of any person as follows:

> ''Any person who knowingly and willfully requests or obtains any record concerning an individual from an agency under false pretenses shall be guilty of a misdemeanor and fined not more than $5,000.''

(3) For the purposes of 5 U.S.C. 552a (i), the provisions of paragraph (c)(1) of this section are applicable to Government contractors and employees of such contractors who by contract, operate by or on behalf of the Department of the Treasury a system of records to accomplish a Departmental function. Such contractor and employees are considered employees of the Department of the Treasury for the purposes of 5 U.S.C. 552a(i). (See 5 U.S.C. 552a (i) and (m).)

§ 1.29 Records transferred to Federal Records Center or National Archives of the United States.

(a) *Records transferred to the Administrator of General Services for storage in the Federal Records Center*. Records pertaining to an identifiable individual which are transferred to the Federal Records Center in accordance with 44 U.S.C. 3103 shall, for the purposes of the Privacy Act, 5 U.S.C. 552a, be considered to be maintained by the component which deposited the record and shall be subject to the provisions of the Privacy Act and this subpart. The Administrator of General Services shall not disclose such records except to the Department of the Treasury or to others under rules consistent with the Privacy Act which may be established by the Department of the Treasury or a component. If such records are retrieved for the purpose of making a determination about an individual, they must be reviewed for accuracy, relevance, timeliness, and completeness.

(b) *Records transferred to the National Archives of the United States*. (1) Records transferred to National Archives prior to September 27, 1975. Records pertaining to an identifiable individual transferred to the National Archives prior to September 27, 1975, as a record which has sufficient historical or other value to warrant its continued preservation by the United States Government shall be considered to be maintained by the National Archives, and

(i) Shall not be subject to 5 U.S.C. 552a,

(ii) Except, that a statement describing such records [modeled after 5 U.S.C. 552a (e)(4) (A) through (G)] shall be published in the FEDERAL REGISTER.

(2) *Records transferred to National Archives on or after September 27, 1975*. Records pertaining to an identifiable individual transferred to the National Archives as a record which has sufficient historical or other value to warrant its continued preservation by the United States Government, on or after September 27, 1975, shall be considered to be maintained by the National Archives, and

(i) Shall not be subject to 5 U.S.C. 552a,

(ii) Except, that a statement describing such records in accordance with 5 U.S.C. 552a (e)(4) (A) through (G) shall be published in the FEDERAL REGISTER and rules of conduct and training in accordance with 5 U.S.C. 552 (e) (9) are to be established by the National Archives. (See 5 U.S.C. 552a (e))

§ 1.30 Application to system of records maintained by Government contractors.

When a component contracts for the operation of a system of records, to accomplish a Departmental function, the provisions of the Privacy Act, 5 U.S.C. 552a, and this subpart shall be applicable to such system. The component shall have responsibility for insuring that the contractor complies with the contract requirements relating to privacy.

§ 1.31 Sale or rental of mailing lists.

(a) *In general*. An individual's name and address shall not be sold or rented

by a component unless such action is specifically authorized by law.

(b) *Withholding of names and addresses.* This section shall not be construed to require the withholding of names and addresses otherwise permitted to be made public. (See 5 U.S.C. 552a (n)).

§ 1.32 Use and disclosure of social security numbers.

(a) *In general.* An individual shall not be denied any right, benefit, or privilege provided by law by a component because of such individual's refusal to disclose his social security number.

(b) *Exceptions.* The provisions of paragraph (a) of this section shall not apply with respect to:

(1) Any disclosure which is required by Federal statute, or

(2) The disclosure of a social security number to any Federal, State, or local agency maintaining a system of records in existence and operating before January 1, 1975, if such disclosure was required under statute or regulation adopted prior to such date to verify the identity of an individual.

(c) *Requests for disclosure of social security number.* Any component which requests an individual to disclose his or her social security account number shall inform that individual whether:

(1) Disclosure is mandatory or voluntary.

(2) By what statutory or other authority such number is solicited, and

(3) What uses will be made of it. (See section 7 of the Privacy Act of 1974 set forth at 5 U.S.C. 552a, note.)

§ 1.34 Guardianship.

The parent or guardian of a minor or a person judicially determined to be incompetent shall, in addition to establishing the identity of the minor or other person represented, establish parentage or guardianship by furnishing a copy of a birth certificate showing parentage or a court order establishing the guardianship and may thereafter, act on behalf of such individual. (See 5 U.S.C. 552a (h))

§ 1.35 Information forms.

(a) *Review of forms.* Except for forms developed and used by constituent units, the Deputy Assistant Secretary for Administration shall be responsible for reviewing all forms developed and used by the Department of the Treasury to collect information from and about individuals. The heads of components shall each be responsible for the review of forms used by such component to collect information from and about individuals.

(b) *Scope of review.* The responsible officers shall review each form for the purpose of eliminating any requirement for information that is not relevant and necessary to carry out an agency function and to accomplish the following objectives;

(1) To insure that no information concerning religion, political beliefs or activities, association memberships (other than those required for a professional license), or the exercise of First Amendment rights is required to be disclosed unless such requirement of disclosure is expressly authorized by statute or is pertinent to, and within the scope of, any authorized law enforcement activity;

(2) To insure that the form or a separate form that can be retained by the individual makes clear to the individual which information he is required by law to disclose and the authority for that requirement and which information is voluntary;

(3) To insure that the form or a separate form that can be retained by the individual states clearly the principal purpose or purposes for which the information is being collected, and summarizes concisely the routine uses that will be made of the information;

(4) To insure that the form or a separate form that can be retained by the individual clearly indicates to the individual the effect in terms of rights, benefits or privileges of not providing all or part of the requested information; and

(5) To insure that any form requesting disclosure of a Social Security Number, or a separate form that can be retained by the individual, clearly advises the individual of the statute or regulation requiring disclosure of the number or clearly advises the individual that disclosure is voluntary and that no consequence will follow from the refusal to disclose it, and the uses

that will be made of the number whether disclosed mandatorily and voluntarily.

(c) *Revision of forms.* Any form which does not meet the objectives specified in the Privacy Act and in this section, shall be revised to conform thereto. A separate statement may be used in instances when a form does not conform. This statement will accompany a form and shall include all the information necessary to accomplish the objectives specified in the Privacy Act and this section.

§ 1.36 Systems exempt in whole or in part from provisions of 5 U.S.C. 552a and this part.

(a) *In General.* In accordance with 5 U.S.C. 552a(j) and (k) and § 1.23(c), the Department of the Treasury hereby exempts the systems of records identified below from the following provisions of the Privacy Act for the reasons indicated.

(b) *Authority.* These rules are promulgated pursuant to the authority vested in the Secretary of the Treasury by 5 U.S.C. 552a(j) and (k) and pursuant to the authority of § 1.23(c).

(c) *General exemptions under 5 U.S.C. 552a(j)(2).* (1) Under 5 U.S.C. 552a(j)(2), the head of any agency may promulgate rules to exempt any system of records within the agency from certain provisions of the Privacy Act if the agency or component thereof that maintains the system performs as its principal function any activities pertaining to the enforcement of criminal laws. Certain components of the Department of the Treasury have as their principal function activities pertaining to the enforcement of criminal laws. This paragraph applies to the following systems of records maintained by the Department of the Treasury:

(i) Treasury.

(ii) Departmental Offices:

Number	System name
DO .190	Investigation Data Management System.
DO .220	SIGTARP Hotline Database.
DO .221	SIGTARP Correspondence Database.
DO .222	SIGTARP Investigative MIS Database.
DO .223	SIGTARP Investigative Files Database.
DO .224	SIGTARP Audit Files Database.
DO .227	CFIUS Case Management System.
DO .303	TIGTA General Correspondence.
DO .307	TIGTA Employee Relations Matters, Appeals, Grievances, and Complaint Files.
DO .308	TIGTA Data Extracts.
DO .309	TIGTA Chief Counsel Case Files.
DO .310	TIGTA Chief Counsel Disclosure Section Records.
DO .311	TIGTA Office of Investigations Files.

(iii) Alcohol and Tobacco Tax and Trade Bureau.

(iv) Comptroller of the Currency:

Number	System name
CC .110	Reports of Suspicious Activities.
CC .120	Bank Fraud Information System.
CC .500	Chief Counsel's Management Information System.
CC .510	Litigation Information System.
OTS .001	Confidential Individual Information System.
OTS .004	Criminal Referral Database.

(v) Bureau of Engraving and Printing.

(vi) Financial Management Service.

(vii) Internal Revenue Service:

Number	System name
Treasury/IRS 46.002	Management Information System and Case Files, Criminal Investigation.
Treasury/IRS 46.003	Confidential Informant Records, Criminal Investigation.
Treasury/IRS 46.005	Electronic Surveillance and Monitoring Records, Criminal Investigation.
Treasury/IRS 46.015	Relocated Witness Records, Criminal Investigation.
Treasury/IRS 46.050	Automated Information Analysis and Recordkeeping, Criminal Investigation.

Number	System name
IRS 90.001	Chief Counsel Management Information System Records.
IRS 90.003	Chief Counsel Litigation and Advice (Criminal) Records.
IRS 90.004	Chief Counsel Legal Processing Division Records.
IRS 90.005	Chief Counsel Library Records.

(viii) U.S. Mint.

(ix) Bureau of the Public Debt.

(x) Financial Crimes Enforcement Network:

Number	System name
FinCEN .001	FinCEN Database.
FinCEN .002	Suspicious Activity Reporting System.
FinCEN .003	Bank Secrecy Act Reports System.

(2) The Department hereby exempts the systems of records listed in paragraphs (c)(1)(i) through (x) of this section from the following provisions of 5 U.S.C. 552a, pursuant to 5 U.S.C. 552a(j)(2): 5 U.S.C. 552a(c)(3) and (4), 5 U.S.C. 552a(d)(1), (2), (3), (4), 5 U.S.C. 552a(e)(1), (2) and (3), 5 U.S.C. 552a(e)(4)(G), (H), and (I), 5 U.S.C. 552a(e)(5) and (8), 5 U.S.C. 552a(f), and 5 U.S.C. 552a(g).

(d) *Reasons for exemptions under 5 U.S.C. 552a(j)(2).* (1) 5 U.S.C. 552a(e)(4)(G) and (f)(l) enable individuals to inquire whether a system of records contains records pertaining to them. Application of these provisions to the systems of records would give individuals an opportunity to learn whether they have been identified as suspects or subjects of investigation. As further described in the following paragraph, access to such knowledge would impair the Department's ability to carry out its mission, since individuals could:

(i) Take steps to avoid detection;

(ii) Inform associates that an investigation is in progress;

(iii) Learn the nature of the investigation;

(iv) Learn whether they are only suspects or identified as law violators;

(v) Begin, continue, or resume illegal conduct upon learning that they are not identified in the system of records; or

(vi) Destroy evidence needed to prove the violation.

(2) 5 U.S.C. 552a(d)(1), (e)(4)(H) and (f)(2), (3) and (5) grant individuals access to records pertaining to them. The application of these provisions to the systems of records would compromise the Department's ability to provide useful tactical and strategic information to law enforcement agencies.

(i) Permitting access to records contained in the systems of records would provide individuals with information concerning the nature of any current investigations and would enable them to avoid detection or apprehension by:

(A) Discovering the facts that would form the basis for their arrest;

(B) Enabling them to destroy or alter evidence of criminal conduct that would form the basis for their arrest; and

(C) Using knowledge that criminal investigators had reason to believe that a crime was about to be committed, to delay the commission of the crime or commit it at a location that might not be under surveillance.

(ii) Permitting access to either ongoing or closed investigative files would also reveal investigative techniques and procedures, the knowledge of which could enable individuals planning crimes to structure their operations so as to avoid detection or apprehension.

(iii) Permitting access to investigative files and records could, moreover, disclose the identity of confidential sources and informants and the nature of the information supplied and thereby endanger the physical safety of those sources by exposing them to possible reprisals for having provided the information. Confidential sources and informants might refuse to provide criminal investigators with valuable information unless they believe that their identities will not be revealed

through disclosure of their names or the nature of the information they supplied. Loss of access to such sources would seriously impair the Department's ability to carry out its mandate.

(iv) Furthermore, providing access to records contained in the systems of records could reveal the identities of undercover law enforcement officers who compiled information regarding the individual's criminal activities and thereby endanger the physical safety of those undercover officers or their families by exposing them to possible reprisals.

(v) By compromising the law enforcement value of the systems of records for the reasons outlined in paragraphs (d)(2)(i) through (iv) of this section, permitting access in keeping with these provisions would discourage other law enforcement and regulatory agencies, foreign and domestic, from freely sharing information with the Department and thus would restrict the Department's access to information necessary to accomplish its mission most effectively.

(vi) Finally, the dissemination of certain information that the Department maintains in the systems of records is restricted by law.

(3) 5 U.S.C. 552a(d)(2), (3) and (4), (e)(4)(H), and (f)(4) permit an individual to request amendment of a record pertaining to him or her and require the agency either to amend the record, or to note the disputed portion of the record and to provide a copy of the individual's statement of disagreement with the agency's refusal to amend a record to persons or other agencies to whom the record is thereafter disclosed. Since these provisions depend on the individual having access to his or her records, and since these rules exempt the systems of records from the provisions of 5 U.S.C. 552a relating to access to records, for the reasons set out in paragraph (d)(2) of this section, these provisions should not apply to the systems of records.

(4) 5 U.S.C. 552a(c)(3) requires an agency to make accountings of disclosures of a record available to the individual named in the record upon his or her request. The accountings must state the date, nature, and purpose of each disclosure of the record and the name and address of the recipient.

(i) The application of this provision would impair the ability of law enforcement agencies outside the Department of the Treasury to make effective use of information provided by the Department. Making accountings of disclosures available to the subjects of an investigation would alert them to the fact that another agency is conducting an investigation into their criminal activities and could reveal the geographic location of the other agency's investigation, the nature and purpose of that investigation, and the dates on which that investigation was active. Individuals possessing such knowledge would be able to take measures to avoid detection or apprehension by altering their operations, by transferring their criminal activities to other geographical areas, or by destroying or concealing evidence that would form the basis for arrest. In the case of a delinquent account, such release might enable the subject of the investigation to dissipate assets before levy.

(ii) Moreover, providing accountings to the subjects of investigations would alert them to the fact that the Department has information regarding their criminal activities and could inform them of the general nature of that information. Access to such information could reveal the operation of the Department's information-gathering and analysis systems and permit individuals to take steps to avoid detection or apprehension.

(5) 5 U.S.C. 552(c)(4) requires an agency to inform any person or other agency about any correction or notation of dispute that the agency made in accordance with 5 U.S.C. 552a(d) to any record that the agency disclosed to the person or agency if an accounting of the disclosure was made. Since this provision depends on an individual's having access to and an opportunity to request amendment of records pertaining to him or her, and since these rules exempt the systems of records from the provisions of 5 U.S.C. 552a relating to access to and amendment of records, for the reasons set out in paragraph (f)(3) of this section, this provision should not apply to the systems of records.

(6) 5 U.S.C. 552a(e)(4)(I) requires an agency to publish a general notice listing the categories of sources for information contained in a system of records. The application of this provision to the systems of records could compromise the Department's ability to provide useful information to law enforcement agencies, since revealing sources for the information could:

(i) Disclose investigative techniques and procedures;

(ii) Result in threats or reprisals against informants by the subjects of investigations; and

(iii) Cause informants to refuse to give full information to criminal investigators for fear of having their identities as sources disclosed.

(7) 5 U.S.C. 552a(e)(1) requires an agency to maintain in its records only such information about an individual as is relevant and necessary to accomplish a purpose of the agency required to be accomplished by statute or executive order. The term ''maintain,'' as defined in 5 U.S.C. 552a(a)(3), includes ''collect'' and ''disseminate.'' The application of this provision to the systems of records could impair the Department's ability to collect and disseminate valuable law enforcement information.

(i) In many cases, especially in the early stages of investigation, it may be impossible to immediately determine whether information collected is relevant and necessary, and information that initially appears irrelevant and unnecessary often may, upon further evaluation or upon collation with information developed subsequently, prove particularly relevant to a law enforcement program.

(ii) Not all violations of law discovered by the Department fall within the investigative jurisdiction of the Department of the Treasury. To promote effective law enforcement, the Department will have to disclose such violations to other law enforcement agencies, including State, local and foreign agencies, that have jurisdiction over the offenses to which the information relates. Otherwise, the Department might be placed in the position of having to ignore information relating to violations of law not within the jurisdiction of the Department of the Treasury when that information comes to the Department's attention during the collation and analysis of information in its records.

(8) 5 U.S.C. 552a(e)(2) requires an agency to collect information to the greatest extent practicable directly from the subject individual when the information may result in adverse determinations about an individual's rights, benefits, and privileges under Federal programs. The application of this provision to the systems of records would impair the Department's ability to collate, analyze, and disseminate investigative, intelligence, and enforcement information.

(i) Most information collected about an individual under criminal investigation is obtained from third parties, such as witnesses and informants. It is usually not feasible to rely upon the subject of the investigation as a source for information regarding his criminal activities.

(ii) An attempt to obtain information from the subject of a criminal investigation will often alert that individual to the existence of an investigation, thereby affording the individual an opportunity to attempt to conceal his criminal activities so as to avoid apprehension.

(iii) In certain instances, the subject of a criminal investigation may assert his/her constitutional right to remain silent and refuse to supply information to criminal investigators upon request.

(iv) During criminal investigations it is often a matter of sound investigative procedure to obtain information from a variety of sources to verify information already obtained from the subject of a criminal investigation or other sources.

(9) 5 U.S.C. 552a(e)(3) requires an agency to inform each individual whom it asks to supply information, on the form that it uses to collect the information or on a separate form that the individual can retain, of the agency's authority for soliciting the information; whether disclosure of information is voluntary or mandatory; the principal purposes for which the agency will use the information; the routine uses that may be made of the information; and the effects on the individual

of not providing all or part of the information. The systems of records should be exempted from this provision to avoid impairing the Department's ability to collect and collate investigative, intelligence, and enforcement data.

(i) Confidential sources or undercover law enforcement officers often obtain information under circumstances in which it is necessary to keep the true purpose of their actions secret so as not to let the subject of the investigation or his or her associates know that a criminal investigation is in progress.

(ii) If it became known that the undercover officer was assisting in a criminal investigation, that officer's physical safety could be endangered through reprisal, and that officer may not be able to continue working on the investigation.

(iii) Individuals often feel inhibited in talking to a person representing a criminal law enforcement agency but are willing to talk to a confidential source or undercover officer whom they believe are not involved in law enforcement activities.

(iv) Providing a confidential source of information with written evidence that he or she was a source, as required by this provision, could increase the likelihood that the source of information would be subject to retaliation by the subject of the investigation.

(v) Individuals may be contacted during preliminary information gathering, surveys, or compliance projects concerning the administration of the internal revenue laws before any individual is identified as the subject of an investigation. Informing the individual of the matters required by this provision would impede or compromise subsequent investigations.

(10) 5 U.S.C. 552a(e)(5) requires an agency to maintain all records it uses in making any determination about any individual with such accuracy, relevance, timeliness, and completeness as is reasonably necessary to assure fairness to the individual in the determination.

(i) Since 5 U.S.C. 552a(a)(3) defines ''maintain'' to include ''collect'' and ''disseminate,'' application of this provision to the systems of records would hinder the initial collection of any information that could not, at the moment of collection, be determined to be accurate, relevant, timely, and complete. Similarly, application of this provision would seriously restrict the Department's ability to disseminate information pertaining to a possible violation of law to law enforcement and regulatory agencies. In collecting information during a criminal investigation, it is often impossible or unfeasible to determine accuracy, relevance, timeliness, or completeness prior to collection of the information. In disseminating information to law enforcement and regulatory agencies, it is often impossible to determine accuracy, relevance, timeliness, or completeness prior to dissemination because the Department may not have the expertise with which to make such determinations.

(ii) Information that may initially appear inaccurate, irrelevant, untimely, or incomplete may, when collated and analyzed with other available information, become more pertinent as an investigation progresses. In addition, application of this provision could seriously impede criminal investigators and intelligence analysts in the exercise of their judgment in reporting results obtained during criminal investigations.

(11) 5 U.S.C. 552a(e)(8) requires an agency to make reasonable efforts to serve notice on an individual when the agency makes any record on the individual available to any person under compulsory legal process, when such process becomes a matter of public record. The systems of records should be exempted from this provision to avoid revealing investigative techniques and procedures outlined in those records and to prevent revelation of the existence of an ongoing investigation where there is need to keep the existence of the investigation secret.

(12) 5 U.S.C. 552a(g) provides for civil remedies to an individual when an agency wrongfully refuses to amend a record or to review a request for amendment, when an agency wrongfully refuses to grant access to a record, when an agency fails to maintain accurate, relevant, timely, and complete records which are used to make a determination adverse to the individual, and when an agency fails to

comply with any other provision of 5 U.S.C. 552a so as to adversely affect the individual. The systems of records should be exempted from this provision to the extent that the civil remedies may relate to provisions of 5 U.S.C. 552a from which these rules exempt the systems of records, since there should be no civil remedies for failure to comply with provisions from which the Department is exempted. Exemption from this provision will also protect the Department from baseless civil court actions that might hamper its ability to collate, analyze, and disseminate investigative, intelligence, and law enforcement data.

(e) *Specific exemptions under 5 U.S.C. 552a(k)(1).* (1) Under 5 U.S.C. 552a(k)(1), the head of any agency may promulgate rules to exempt any system of records within the agency from certain provisions of the Privacy Act to the extent that the system contains information subject to the provisions of 5 U.S.C. 552(b)(1). This paragraph applies to the following systems of records maintained by the Department of the Treasury:

(i) Departmental Offices:

Number	System name
DO .120	Records Related to Office of Foreign Assets Control Economic Sanctions.

(ii) Financial Crimes Enforcement Network:

Number	System name
FinCEN .001	FinCEN Database.

(2) The Department of the Treasury hereby exempts the systems of records listed in paragraph (e)(1)(i) and (ii) of this section from the following provisions of 5 U.S.C. 552a, pursuant to 5 U.S.C. 552a(k)(1): 5 U.S.C. 552a(c)(3), 5 U.S.C. 552a(d)(1), (2), (3), and (4), 5 U.S.C. 552a(e)(1), 5 U.S.C. 552a(e)(4)(G), (H), and (I), and 5 U.S.C. 552a(f).

(f) *Reasons for exemptions under 5 U.S.C. 552a(k)(1).* The reason for invoking the exemption is to protect material authorized to be kept secret in the interest of national defense or foreign policy pursuant to Executive Orders 12958, 13526, or successor or prior Executive Orders.

(g) *Specific exemptions under 5 U.S.C. 552a(k)(2).* (1) Under 5 U.S.C. 552a(k)(2), the head of any agency may promulgate rules to exempt any system of records within the agency from certain provisions of the Privacy Act if the system is investigatory material compiled for law enforcement purposes and for the purposes of assuring the safety of individuals protected by the Department pursuant to the provisions of 18 U.S.C. 3056. This paragraph applies to the following systems of records maintained by the Department of the Treasury:

(i) Treasury:

Number	System name
Treasury .013	Department of the Treasury Civil Rights Complaints and Compliance Review Files.

(ii) Departmental Offices:

Number	System name
DO .120	Records Related to Office of Foreign Assets Control Economic Sanctions.
DO .144	General Counsel Litigation Referral and Reporting System.
DO .190	Investigation Data Management System.
DO .220	SIGTARP Hotline Database.
DO .221	SIGTARP Correspondence Database.
DO .222	SIGTARP Investigative MIS Database.
DO .223	SIGTARP Investigative Files Database.

Number	System name
DO .224	SIGTARP Audit Files Database.
DO .225	TARP Fraud Investigation Information System.
DO .227	CFIUS Case Management System.
DO .303	TIGTA General Correspondence.
DO .307	TIGTA Employee Relations Matters, Appeals, Grievances, and Complaint Files.
DO .308	TIGTA Data Extracts.
DO .309	TIGTA Chief Counsel Case Files.
DO .310	TIGTA Chief Counsel Disclosure Section Records.
DO .311	TIGTA Office of Investigations Files.

(iii) Alcohol and Tobacco Tax and Trade Bureau:

Number	System name
TTB .001	Regulatory Enforcement Record System.

(iv) Comptroller of the Currency:

Number	System name
CC .100	Enforcement Action Report System.
CC .110	Reports of Suspicious Activities.
CC .120	Bank Fraud Information System.
CC .220	Section 914 Tracking System.
CC .500	Chief Counsel's Management Information System.
CC .510	Litigation Information System.
CC .600	Consumer Complaint Inquiry and Information System.
OTS .001	Confidential Individual Information System.
OTS .004	Criminal Referral Database.

(v) Bureau of Engraving and Printing:

Number	System name
BEP .021	Investigative files.

(vi) Financial Management Service.
(vii) Internal Revenue Service:

Number	System name
IRS 00.002	Correspondence File-Inquiries about Enforcement Activities.
IRS 00.007	Employee Complaint and Allegation Referral Records.
IRS 00.334	Third Party Contact Reprisal Records.
IRS 22.061	Wage and Information Returns Processing (IRP).
IRS 24.047	Audit Underreporter Case Files.
IRS 26.001	Acquired Property Records.
IRS 26.006	Form 2209, Courtesy Investigations.
IRS 26.012	Offer in Compromise (OIC) Files.
IRS 26.013	One-hundred Per Cent Penalty Cases.
IRS 26.019	TDA (Taxpayer Delinquent Accounts).
IRS 26.020	TDI (Taxpayer Delinquency Investigations) Files.
IRS 26.021	Transferee Files.
IRS 34.037	IRS Audit Trail and Security Records System.
IRS 37.007	Practitioner Disciplinary Records.
IRS 37.009	Enrolled Agents Records.
IRS 37.111	Preparer Tax Identification Number Records.
IRS 42.001	Examination Administrative File.
IRS 42.002	Excise Compliance Programs.
IRS 42.005	Whistleblower Office Records.
IRS 42.008	Audit Information Management System (AIMS).
IRS 42.016	Classification and Examination Selection Files.
IRS 42.017	International Enforcement Program Files.
IRS 42.021	Compliance Programs and Projects Files.
IRS 42.031	Anti-Money Laundering/Bank Secrecy Act (BSA) and Form 8300 Records.
IRS 44.001	Appeals Case Files.
Treasury/IRS 46.050	Automated Information Analysis and Recordkeeping, Criminal Investigation.
IRS 48.001	Disclosure Records.

Number	System name
IRS 49.001	Collateral and Information Requests System.
IRS 49.002	Component Authority and Index Card Microfilm Retrieval System.
IRS 50.222	Tax Exempt Government Entities Case Management Records.
IRS 60.000	Employee Protection System Records.
IRS 90.001	Chief Counsel Management Information System Records.
IRS 90.002	Chief Counsel Litigation and Advice (Civil) Records.
IRS 90.004	Chief Counsel Legal Processing Division Records.
IRS 90.005	Chief Counsel Library Records.

(viii) U.S. Mint:

Number	System name
Mint .008	Criminal investigation files.

(ix) Bureau of the Public Debt:

Number	System name
BPD.009	U.S. Treasury Securities Fraud Information System.

(x) Financial Crimes Enforcement Network:

Number	System name
FinCEN .001	FinCEN Database.
FinCEN .002	Suspicious Activity Reporting System.
FinCEN .003	Bank Secrecy Act Reports System.

(2) The Department hereby exempts the systems of records listed in paragraphs (g)(1)(i) through (x) of this section from the following provisions of 5 U.S.C. 552a, pursuant to 5 U.S.C. 552a(k)(2): 5 U.S.C. 552a(c)(3), 5 U.S.C. 552a(d)(1), (2), (3), (4), 5 U.S.C. 552a(e)(1), 5 U.S.C. 552a(e)(4)(G), (H), and (I), and 5 U.S.C. 552a(f).

(h) *Reasons for exemptions under 5 U.S.C. 552a(k)(2).* (1) 5 U.S.C. 552a(c)(3) requires an agency to make accountings of disclosures of a record available to the individual named in the record upon his or her request. The accountings must state the date, nature, and purpose of each disclosure of the record and the name and address of the recipient.

(i) The application of this provision would impair the ability of the Department of the Treasury and of law enforcement agencies outside the Department to make effective use of information maintained by the Department. Making accountings of disclosures available to the subjects of an investigation would alert them to the fact that an agency is conducting an investigation into their illegal activities and could reveal the geographic location of the investigation, the nature and purpose of that investigation, and the dates on which that investigation was active. Individuals possessing such knowledge would be able to take measures to avoid detection or apprehension by altering their operations, by transferring their illegal activities to other geographical areas, or by destroying or concealing evidence that would form the basis for detection or apprehension. In the case of a delinquent account, such release might enable the subject of the investigation to dissipate assets before levy.

(ii) Providing accountings to the subjects of investigations would alert them to the fact that the Department has information regarding their illegal activities and could inform them of the general nature of that information.

(2) 5 U.S.C. 552a(d)(1), (e)(4)(H) and (f)(2), (3) and (5) grant individuals access to records pertaining to them. The application of these provisions to the systems of records would compromise the Department's ability to utilize and

provide useful tactical and strategic information to law enforcement agencies.

(i) Permitting access to records contained in the systems of records would provide individuals with information concerning the nature of any current investigations and would enable them to avoid detection or apprehension by:

(A) Discovering the facts that would form the basis for their detection or apprehension;

(B) Enabling them to destroy or alter evidence of illegal conduct that would form the basis for their detection or apprehension, and

(C) Using knowledge that investigators had reason to believe that a violation of law was about to be committed, to delay the commission of the violation or commit it at a location that might not be under surveillance.

(ii) Permitting access to either ongoing or closed investigative files would also reveal investigative techniques and procedures, the knowledge of which could enable individuals planning non-criminal acts to structure their operations so as to avoid detection or apprehension.

(iii) Permitting access to investigative files and records could, moreover, disclose the identity of confidential sources and informants and the nature of the information supplied and thereby endanger the physical safety of those sources by exposing them to possible reprisals for having provided the information. Confidential sources and informants might refuse to provide investigators with valuable information unless they believed that their identities would not be revealed through disclosure of their names or the nature of the information they supplied. Loss of access to such sources would seriously impair the Department's ability to carry out its mandate.

(iv) Furthermore, providing access to records contained in the systems of records could reveal the identities of undercover law enforcement officers or other persons who compiled information regarding the individual's illegal activities and thereby endanger the physical safety of those undercover officers, persons, or their families by exposing them to possible reprisals.

(v) By compromising the law enforcement value of the systems of records for the reasons outlined in paragraphs (h)(2)(i) through (iv) of this section, permitting access in keeping with these provisions would discourage other law enforcement and regulatory agencies, foreign and domestic, from freely sharing information with the Department and thus would restrict the Department's access to information necessary to accomplish its mission most effectively.

(vi) Finally, the dissemination of certain information that the Department may maintain in the systems of records is restricted by law.

(3) 5 U.S.C. 552a(d)(2), (3) and (4), (e)(4)(H), and (f)(4) permit an individual to request amendment of a record pertaining to him or her and require the agency either to amend the record, or to note the disputed portion of the record and to provide a copy of the individual's statement of disagreement with the agency's refusal to amend a record to persons or other agencies to whom the record is thereafter disclosed. Since these provisions depend on the individual having access to his or her records, and since these rules exempt the systems of records from the provisions of 5 U.S.C. 552a relating to access to records, these provisions should not apply to the systems of records for the reasons set out in paragraph (h)(2) of this section.

(4) 5 U.S.C. 552a(e)(1) requires an agency to maintain in its records only such information about an individual as is relevant and necessary to accomplish a purpose of the agency required by statute or executive order. The term ''maintain,'' as defined in 5 U.S.C. 552a(a)(3), includes ''collect'' and ''disseminate.'' The application of this provision to the system of records could impair the Department's ability to collect, utilize and disseminate valuable law enforcement information.

(i) In many cases, especially in the early stages of investigation, it may be impossible immediately to determine whether information collected is relevant and necessary, and information that initially appears irrelevant and unnecessary often may, upon further evaluation or upon collation with information developed subsequently,

prove particularly relevant to a law enforcement program.

(ii) Not all violations of law discovered by the Department analysts fall within the investigative jurisdiction of the Department of the Treasury. To promote effective law enforcement, the Department will have to disclose such violations to other law enforcement agencies, including State, local and foreign agencies that have jurisdiction over the offenses to which the information relates. Otherwise, the Department might be placed in the position of having to ignore information relating to violations of law not within the jurisdiction of the Department of the Treasury when that information comes to the Department's attention during the collation and analysis of information in its records.

(5) 5 U.S.C. 552a(e)(4)(G) and (f)(1) enable individuals to inquire whether a system of records contains records pertaining to them. Application of these provisions to the systems of records would allow individuals to learn whether they have been identified as suspects or subjects of investigation. As further described in the following paragraph, access to such knowledge would impair the Department's ability to carry out its mission, since individuals could:

(i) Take steps to avoid detection;

(ii) Inform associates that an investigation is in progress;

(iii) Learn the nature of the investigation;

(iv) Learn whether they are only suspects or identified as law violators;

(v) Begin, continue, or resume illegal conduct upon learning that they are not identified in the system of records; or

(vi) Destroy evidence needed to prove the violation.

(6) 5 U.S.C. 552a(e)(4)(I) requires an agency to publish a general notice listing the categories of sources for information contained in a system of records. The application of this provision to the systems of records could compromise the Department's ability to complete or continue investigations or to provide useful information to law enforcement agencies, since revealing sources for the information could:

(i) Disclose investigative techniques and procedures;

(ii) Result in threats or reprisals against informants by the subjects of investigations; and

(iii) Cause informants to refuse to give full information to investigators for fear of having their identities as sources disclosed.

(i) *Specific exemptions under 5 U.S.C. 552a(k)(4).* (1) Under 5 U.S.C. 552a(k)(4), the head of any agency may promulgate rules to exempt any system of records within the agency from certain provisions of the Privacy Act if the system is required by statute to be maintained and used solely as statistical records. This paragraph applies to the following system of records maintained by the Department, for which exemption is claimed under 5 U.S.C. 552a(k)(4).

Internal Revenue Service:

Number	System name
IRS 70.001	Statistics of Income—Individual Tax Returns.

(2) The Department hereby exempts the system of records listed in paragraph (i)(1) of this section from the following provisions of 5 U.S.C. 552a, pursuant to 5 U.S.C. 552a(k)(4): 5 U.S.C. 552a(c)(3), 5 U.S.C. 552a(d)(1), (2), (3), and (4), 5 U.S.C. 552a(e)(1), 5 U.S.C. 552a(e)(4)(G), (H), and (I), and 5 U.S.C. 552a(f).

(3) The system of records is maintained under section 6108 of the Internal Revenue Code, which provides that ''the Secretary or his delegate shall prepare and publish annually statistics reasonably available with respect to the operation of the income tax laws, including classifications of taxpayers and of income, the amounts allowed as deductions, exemptions, and credits, and any other facts deemed pertinent and valuable.''

(j) *Reasons for exemptions under 5 U.S.C. 552a(k)(4).* The reason for exempting the system of records is that

disclosure of statistical records (including release of accounting for disclosures) would in most instances be of no benefit to a particular individual since the records do not have a direct effect on a given individual.

(k) *Specific exemptions under 5 U.S.C. 552a(k)(5).* (1) Under 5 U.S.C. 552a(k)(5), the head of any agency may promulgate rules to exempt any system of records within the agency from certain provisions of the Privacy Act if the system is investigatory material compiled solely for the purpose of determining suitability, eligibility, and qualifications for Federal civilian employment or access to classified information, but only to the extent that the disclosure of such material would reveal the identity of a source who furnished information to the Government under an express promise that the identity of the source would be held in confidence, or, prior to September 27, 1975, under an implied promise that the identity of the source would be held in confidence. Thus to the extent that the records in this system can be disclosed without revealing the identity of a confidential source, they are not within the scope of this exemption and are subject to all the requirements of the Privacy Act. This paragraph applies to the following systems of records maintained by the Department or one of its bureaus:

(i) Treasury:

Number	System name
Treasury .007	Personnel Security System.

(ii) Departmental Offices:

Number	System name
DO .306	TIGTA Recruiting and Placement.

(iii) Alcohol and Tobacco Tax and Trade Bureau.

(iv) Comptroller of the Currency.

(v) Bureau of Engraving and Printing.

(vi) Financial Management Service.

(vii) Internal Revenue Service:

Number	System name
IRS 34.021	Personnel Security Investigations, National Background Investigations Center.
IRS 34.022	Automated Background Investigations System (ABIS).
IRS 90.006	Chief Counsel Human Resources and Administrative Records.

(viii) U.S. Mint.

(ix) Bureau of the Public Debt.

(x) Financial Crimes Enforcement Network.

(2) The Department hereby exempts the systems of records listed in paragraph (k)(1)(i) through (x) of this section from the following provisions of 5 U.S.C. 552a, pursuant to 5 U.S.C. 552a(k)(5): 5 U.S.C. 552a(c)(3), 5 U.S.C. 552a(d)(1), (2), (3), and (4), 5 U.S.C. 552a(e)(1), 5 U.S.C. 552a(e)(4)(G), (H), and (I), and 5 U.S.C. 552a(f).

(l) *Reasons for exemptions under 5 U.S.C. 552a(k)(5).* (1) The sections of 5 U.S.C. 552a from which the systems of records are exempt include in general those providing for individuals' access to or amendment of records. When such access or amendment would cause the identity of a confidential source to be revealed, it would impair the future ability of the Department to compile investigatory material for the purpose of determining suitability, eligibility, or qualifications for Federal civilian employment, Federal contracts, or access to classified information. In addition, the systems shall be exempt from 5 U.S.C. 552a(e)(1) which requires that an agency maintain in its records only such information about an individual as is relevant and necessary to accomplish a purpose of the agency required

to be accomplished by statute or executive order. The Department believes that to fulfill the requirements of 5 U.S.C. 552a(e)(1) would unduly restrict the agency in its information gathering inasmuch as it is often not until well after the investigation that it is possible to determine the relevance and necessity of particular information.

(2) If any investigatory material contained in the above-named systems becomes involved in criminal or civil matters, exemptions of such material under 5 U.S.C. 552a(j)(2) or (k)(2) is hereby claimed.

(m) *Exemption under 5 U.S.C. 552a(k)(6).* (1) Under 5 U.S.C. 552a(k)(6), the head of any agency may promulgate rules to exempt any system of records that is testing or examination material used solely to determine individual qualifications for appointment or promotion in the Federal service the disclosure of which would compromise the objectivity or fairness of the testing or examination process. This paragraph applies to the following system of records maintained by the Department, for which exemption is claimed under 5 U.S.C. 552a(k)(6).

Departmental Officers:

Number	System name
DO .306	TIGTA Recruiting and Placement Records.

(2) The Department hereby exempts the system of records listed in paragraphs (m)(1) of this section from the following provisions of 5 U.S.C. 552a, pursuant to 5 U.S.C. 552a(k)(6): 5 U.S.C. 552a(c)(3), 5 U.S.C. 552a(d)(1), (2), (3), and (4), 5 U.S.C. 552a(e)(1), 5 U.S.C. 552a(e)(4)(G), (H), and (I), and 5 U.S.C. 552a(f).

(n) *Reasons for exemptions under 5 U.S.C. 552a(k)(6).* The reason for exempting the system of records is that disclosure of the material in the system would compromise the objectivity or fairness of the examination process.

(o) *Exempt information included in another system.* Any information from a system of records for which an exemption is claimed under 5 U.S.C. 552a(j) or (k) which is also included in another system of records retains the same exempt status such information has in the system for which such exemption is claimed.

[77 FR 28479, May 15, 2012, as amended at 77 FR 59548, Sept. 28, 2012; 79 FR 12944, Mar. 7, 2014; 80 FR 13765, Mar. 17, 2015; 85 FR 86512, Dec. 30, 2020]

APPENDIX A TO SUBPART C OF PART 1—DEPARTMENTAL OFFICES

1. *In general.* This appendix applies to the Departmental Offices as defined in 31 CFR part 1, subpart C, §1.20. It sets forth specific notification and access procedures with respect to particular systems of records, identifies the officers designated to make the initial determinations with respect to notification and access to records, the officers designated to make the initial and appellate determinations with respect to requests for amendment of records, the officers designated to grant extensions of time on appeal, the officers with whom ''Statement of Disagreement'' may be filed, the officer designated to receive service of process and the addresses for delivery of requests, appeals, and service of process. In addition, it references the notice of systems of records and notices of the routine uses of the information in the system required by 5 U.S.C. 552a(e)(4) and (11) and published annually by the Office of the Federal Register in ''Privacy Act Issuances''.

2. *Requests for notification and access to records and accountings of disclosures.* Initial determinations under 31 CFR 1.26, whether to grant requests for notification and access to records and accountings of disclosures for the Departmental Offices, will be made by the head of the organizational unit having immediate custody of the records requested, or the delegate of such official. This information is contained in the appropriate system notice in the ''Privacy Act Issuances'', published annually by the Office of the Federal Register. Requests for information and specific guidance on where to send requests for records should be addressed to:

Privacy Act Request, DO, Director, Disclosure Services Department of the Treasury, 1500 Pennsylvania Avenue, NW., Washington, DC 20220.

3. *Requests for amendments of records.* Initial determinations under 31 CFR 1.27(a) through (d) with respect to requests to amend records for records maintained by the Departmental Offices will be made by the head of the organization or unit having immediate custody of the records or the delegate of such official.

Requests for amendment of records should be addressed as indicated in the appropriate system notice in ''Privacy Act Issuances'' published by the Office of the Federal Register. Requests for information and specific guidance on where to send these requests should be addressed to: Privacy Act Amendment Request, DO, Director, Disclosure Services Department of the Treasury, 1500 Pennsylvania Avenue, NW., Washington, DC 20220.

4. *Administrative appeal of initial determination refusing to amend record.* Appellate determinations under 31 CFR 1.27(e) with respect to records of the Departmental Offices, including extensions of time on appeal, will be made by the Secretary, Deputy Secretary, Under Secretary, General Counsel, Special Inspector General for Troubled Assets Relief Program, or Assistant Secretary having jurisdiction over the organizational unit which has immediate custody of the records, or the delegate of such official, as limited by 5 U.S.C. 552a(d) (2) and (3). Appeals made by mail should be addressed as indicated in the letter of initial decision or to:

Privacy Act Amendment Request, DO, Director, Disclosure Services Department of the Treasury, 1500 Pennsylvania Avenue, NW., Washington, DC 20220.

5. *Statements of disagreement.* ''Statements of Disagreement'' as described in 31 CFR 1.27(e)(4) shall be filed with the official signing the notification of refusal to amend at the address indicated in the letter of notification within 35 days of the date of notification and should be limited to one page.

6. *Service of process.* Service of process will be received by the General Counsel of the Department of the Treasury or the delegate of such official and shall be delivered to the following location:

General Counsel, Department of the Treasury, Room 3000, Main Treasury Building, 1500 Pennsylvania Avenue, NW., Washington, DC 20220.

7. *Annual notice of systems of records.* The annual notice of systems of records required to be published by the Office of the Federal Register in the publication entitled ''Privacy Act Issuances'', as specified in 5 U.S.C. 552a (f). Any specific requirements for access, including identification requirements, in addition to the requirements set forth in 31 CFR 1.26 and 1.27 and 8 of this appendix, and locations for access are indicated in the notice for the pertinent system.

8. *Verification of identity.* An individual seeking notification or access to records, or seeking to amend a record, must satisfy one of the following identification requirements before action will be taken by the Departmental Offices on any such request:

(i) An individual seeking notification or access to records in person, or seeking to amend a record in person, may establish identity by the presentation of a single official document bearing a photograph (such as a passport or identification badge) or by the presentation of two items of identification which do not bear a photograph but do bear both a name and signature (such as a driver's license or credit card).

(ii) An individual seeking notification or access to records by mail, or seeking to amend a record by mail, may establish identity by a signature, address, and one other identifier such as a photocopy of a driver's license or other official document bearing the individual's signature.

(iii) Notwithstanding subdivisions (i) and (ii) of this subparagraph, an individual seeking notification or access to records by mail or in person, or seeking to amend a record by mail or in person, who so desires, may establish identity by providing a notarized statement, swearing or affirming to such individual's identity and to the fact that the individual understands the penalties provided in 5 U.S.C. 552a(i)(3) for requesting or obtaining access to records under false pretenses.

Notwithstanding subdivision (i), (ii), or (iii) of this subparagraph, a designated official may require additional proof of an individual's identity before action will be taken on any request, if such official determines that it is necessary to protect against unauthorized disclosure of information in a particular case. In addition, a parent of any minor or a legal guardian of any individual will be required to provide adequate proof of legal relationship before such person may act on behalf of such minor or such individual.

[52 FR 26305, July 14, 1987, as amended at 75 FR 745, Jan. 6, 2010]

APPENDIX B TO SUBPART C OF PART 1—INTERNAL REVENUE SERVICE

1. *Purpose.* The purpose of this section is to set forth the procedures that have been established by the Internal Revenue Service for individuals to exercise their rights under the Privacy Act of 1974 (88 Stat. 1896) with respect to systems of records maintained by the Internal Revenue Service, including the Office of the Chief Counsel. The procedures contained in this section are to be promulgated under the authority of 5 U.S.C. 552a(f). The procedures contained in this section relate to the following:

(a) The procedures whereby an individual can be notified in response to a request if a system of records named by the individual contains a record pertaining to such individual (5 U.S.C. 552a(f)(1)).

(b) The procedures governing reasonable times, places, and requirements for identifying an individual who requests a record of information pertaining to such individual before the Internal Revenue Service will make the record or information available to the individual (5 U.S.C. 552a (f)(2)).

(c) The procedures for the disclosure to an individual upon a request of a record of information pertaining to such individual, including special procedures for the disclosure to an individual of medical records, including psychological records. (5 U.S.C. 552a (f)(3)).

(d) The procedures for reviewing a request from an individual concerning the amendment of any record or information pertaining to the individual, for making a determination on the request, for an appeal within the Internal Revenue Service of an initial adverse agency determination, and for whatever additional means may be necessary for individuals to be able to exercise fully their right under 5 U.S.C. 552a (5 U.S.C. 552a (f)(4)).

Any individual seeking to determine whether a system of records maintained by any office of the Internal Revenue Service contains a record or information pertaining to such individual, or seeking access to, or amendment of, such a record, must comply fully with the applicable procedure contained in paragraph (3) or (4) of this section before the Internal Revenue Service will act on the request. Neither the notification and access (or accounting of disclosures) procedures under paragraph (3) of this section nor the amendment procedures under paragraph (4) of this section are applicable to (i) systems of records exempted pursuant to 5 U.S.C. 552a (j) and (k), (ii) information compiled in reasonable anticipation of a civil action or proceeding (see 5 U.S.C. 552a (d)(5)), or (iii) information pertaining to an individual which is contained in, and inseparable from, another individual's record.

2. *Access to and amendment of tax records.* The provisions of the Privacy Act of 1974 may not be used by an individual to amend or correct any tax record. The determination of liability for taxes imposed by the Internal Revenue Service Code, the collection of such taxes, and the payment (including credits or refunds of overpayments) of such taxes are governed by the provisions of the Internal Revenue Service Code and by the procedural rules of the Internal Revenue Service. These provisions set forth the established procedures governing the determination of liability for tax, the collection of such taxes, and the payment (including credits or refunds of overpayments) of such taxes. In addition, these provisions set forth the procedures (including procedures for judicial review) for resolving disputes between taxpayers and the Internal Revenue Service involving the amount of tax owed, or the payment or collection of such tax. These procedures are the exclusive means available to an individual to contest the amount of any liability for tax or the payment or collection thereof. See, for example, 26 CFR 601.103 for summary of general tax procedures. Individuals are advised that Internal Revenue Service procedures permit the examination of tax records during the course of an investigation, audit, or collection activity. Accordingly, individuals should contact the Internal Revenue Service employee conducting an audit or effecting the collection of tax liabilities to gain access to such records, rather than seeking access under the provisions of the Privacy Act. Where, on the other hand, an individual desires information or records not in connection with an investigation, audit, or collection activity, the individual may follow these procedures.

3. *Procedures for access to records*—(a) *In general.* This paragraph sets forth the procedure whereby an individual can be notified in response to a request if a system of records named by the individual which is maintained by the Internal Revenue Service contains a record pertaining to such individual. In addition, this paragraph sets forth the procedure for the disclosure to an individual upon a request of a record or information pertaining to such individual, including the procedures for verifying the identity of the individual before the Internal Revenue Service will make a record available, and the procedure for requesting an accounting of disclosures of such records. An individual seeking to determine whether a particular system of records contains a record or records pertaining to such individual and seeking access to such records (or seeking an accounting of disclosures of such records) shall make a request for notification and access (or a request for an accounting of disclosures) in accordance with the rules provided in paragraph 3(b) of this section.

(b) *Form of request for notification and access or request for an accounting of disclosures.* (i) A request for notification and access (or request for an accounting of disclosures) shall be made in writing and shall be signed by the person making the request.

(ii) Such request shall be clearly marked, ''Request for notification and access,'' or ''Request for accounting of disclosures.''

(iii) Such a request shall contain a statement that it is being made under the provisions of the Privacy Act of 1974.

(iv) Such request shall contain the name and address of the individual making the request. In addition, if a particular system employs an individual's social security number as an essential means of accessing the system, the request must include the individual's social security number. In the case of a record maintained in the name of two or more individuals (e.g., husband and wife), the request shall contain the names, addresses, and social security numbers (if necessary) of both individuals.

(v) Such request shall specify the name and location of the particular system of records (as set forth in the Notice of Systems) for which the individual is seeking notification and access (or an accounting of disclosures),

and the title and business address of the official designated in the access section for the particular system (as set forth in the Notice of Systems). In the case of two or more systems of records which are under the control of the same designated official at the same systems location, a single request may be made for such systems. In the case of two or more systems of records which are not in the control of the same designated official at the same systems location, a separate request must be made for each such system.

(vi) If an individual wishes to limit a request for notification and access to a particular record or records, the request should identify the particular record. In the absence of a statement to the contrary, a request for notification and access for a particular system of records shall be considered to be limited to records which are currently maintained by the designated official at the systems location specified in the request.

(vii) If such request is seeking notification and access to material maintained in a system of records which is exempt from disclosure and access under 5 U.S.C. 552a (k)(2), the individual making the request must establish that such individual has been denied a right, privilege, or benefit that such individual would otherwise be entitled to under Federal law as a result of the maintenance of such material.

(viii) Such request shall state whether the individual wishes to inspect the record in person, or desires to have a copy made and furnished without first inspecting it. If the individual desires to have a copy made, the request must include an agreement to pay the fee for duplication ultimately determined to be due. If the individual does not wish to inspect a record, but merely wishes to be notified whether a particular system or records contains a record pertaining to such individual, the request should so state.

(c) *Time and place for making a request.* A request for notification and access to records under the Privacy Act (or a request for accounting of disclosures) shall be addressed to or delivered in person to the office of the official designated in the access section for the particular system of records for which the individual is seeking notification and access (or an accounting of disclosures). The title and office address of such official is set forth for each system of records in the Notice of Systems of Records. A request delivered to an office in person must be delivered during the regular office hours of that office.

(d) Sample request for notification and access to records. The following are sample requests for notification and access to records which will satisfy the requirements of this paragraph:

REQUEST FOR NOTIFICATION AND ACCESS TO RECORDS BY MAIL

I, John Doe, of 100 Main Street, Boston, MA 02108 (soc. sec. num. 000–00–0000) request under the Privacy Act of 1974 that the following system of records be examined and that I be furnished with a copy of any record (or a specified record) contained therein pertaining to me. I agree that I will pay the fees ultimately determined to be due for duplication of such record. I have enclosed the necessary information.

System Name:
System Location:
Designated Official:

_____

John Doe

REQUEST FOR NOTIFICATION AND ACCESS TO RECORDS IN PERSON

I, John Doe, of 100 Main Street, Boston, MA 02108 (soc. sec. num. 000–00–0000) request under the provisions of the Privacy Act of 1974, that the following system of records be examined and that I be granted access in person to inspect any record (or a specified record) contained therein pertaining to me. I have enclosed the necessary identification.

System Name:
System Location:
Designated Official:

_____

John Doe

(e) *Processing a request for notification and access to records or a request for an accounting of disclosures.* (i) If a request for notification and access (or request for an accounting of disclosures) omits any information which is essential to processing the request, the request will not be acted upon and the individual making the request will be promptly advised of the additional information which must be submitted before the request can be processed.

(ii) Within 30 days (not including Saturdays, Sundays, and legal public holidays) after the receipt of a request for notification and access (or a request for an accounting of disclosures), to a particular system of records by the designated official for such system, a determination will be made as to whether the particular system of records is exempt from the notification and access provisions of the Privacy Act, and if such system is not exempt, whether it does or does not contain a record pertaining to the individual making the request. If a determination cannot be made within 30 days, the individual will be notified of the delay, the reasons therefor, and the approximate time required to make a determination. If it is determined by the designated official that the particular system of records is exempt from the notification and access provisions of the

Privacy Act, the individual making the request will be notified of the provisions of the Privacy Act under which the exemption is claimed. On the other hand, if it is determined by the designated official that the particular system of records is not exempted from the notification and access provisions of the Privacy Act and that such system contains a record pertaining to the individual making the request, the individual will be notified of the time and place where inspection may be made. If an individual has not requested that access be granted to inspect the record in person, but merely requests that a copy of the record be furnished, or if it is determined by the designated official that the granting of access to inspect a record in person is not feasible in a particular case, then the designated official will furnish a copy of the record with the notification, or if a copy cannot be furnished at such time, a statement indicating the approximate time such copy will be furnished. If the request is for an accounting of disclosures from a system of records which is not exempt from the accounting of disclosure provisions of the Privacy Act, the individual will be furnished with an accounting of such disclosures.

(f) *Granting of access.* Normally, an individual will be granted access to inspect a record in person within 30 days (excluding Saturdays, Sundays, and legal public holidays) after the receipt for a request for notification and access by the designated official. If access cannot be granted within 30 days, the notification will state the reasons for the delay and the approximate time such access will be granted. An individual wishing to inspect a record may be accompanied by another person of his choosing. Both the individual seeking access and the individual accompanying him may be required to sign a form supplied by the IRS indicating that the Service is authorized to disclose or discuss the contents of the record in the presence of both individuals. See 26 CFR 601.502 for requirements to be met by taxpayer's representatives in order to discuss the contents of any tax records.

(g) *Medical records.* When access is requested to medical records (including psychological records), the designated official may determine that release of such records will be made only to a physician designated by the individual to have access to such records.

(h) *Verification of identity.* An individual seeking notification or access to records, or seeking to amend a record, must satisfy one of the following identification requirements before action will be taken by the IRS on any such request:

(i) An individual seeking notification or access to records in person, or seeking to amend a record in person, may establish identity by the presentation of a single document bearing a photograph (such as a passport or identification badge) or by the presentation of two items of identification which do not bear a photograph but do bear both a name and signature (such as a driver's license or credit card).

(ii) An individual seeking notification or access to records by mail, or seeking to amend a record by mail, may establish identity by a signature, address, and one other identifier such as a photocopy of a driver's license or other document bearing the individual's signature.

(iii) Notwithstanding subdivisions (i) and (ii) of this subparagraph, an individual seeking notification or access to records by mail or in person, or seeking to amend a record by mail or in person, who so desires, may establish identity by providing a notarized statement, swearing or affirming to such individual's identity and to the fact that the individual understands the penalties provided in 5 U.S.C. 552a(i)(3) for requesting or obtaining access to records under false pretenses.

(iv) Notwithstanding subdivisions (i), (ii), or (iii) of this subparagraph, a designated official may require additional proof of an individual's identity before action will be taken on any request if such official determines that it is necessary to protect unauthorized disclosure of information in a particular case. In addition, a parent of any minor or a legal guardian of any individual will be required to provide adequate proof of legal relationship before such person may act on behalf of such minor or such individual.

(i) *Fees.* The fee for costs required of the IRS in copying records pursuant to this paragraph is $0.15 per page. However, no fee will be charged if the aggregate costs required of the IRS in copying records is less than $3.00. If an individual who has requested access to inspect a record in person is denied such access by the designated official because it would not be feasible in a particular case, copies of such record will be furnished to the individual without payment of the fees otherwise required under this subparagraph. If the IRS estimates that the total fees for costs incurred in complying with a request for copies of records will amount to $50 or more, the individual making the request may be required to enter into a contract for the payment of the actual fees with respect to the request before the Service will furnish the copies requested. Payment of fees for copies of records should be made by check or money order payable to the Internal Revenue Service.

4. *Procedures for amendment of records.* (a) In general. This paragraph sets forth the procedures for reviewing a request from an individual concerning the amendment of any record or information pertaining to such individual, for making a determination on the request, for making an appeal within the IRS

of an initial adverse determination, and for judicial review of a final determination.

(b) *Amendment of record.* Under 5 U.S.C. 552a(d)(2), an individual who has been granted access to a record pertaining to such individual may, after inspecting the record, request that the record be amended to make any correction of any portion thereof which the individual believes is not accurate, relevant, timely, or complete. An individual may seek to amend a record in accordance with the rules provided in paragraph (d)(3) of this section. See paragraph (b) of this section for prohibition against amendment of tax records.

(c) *Form of request for amendment of record.* (i) A request for amendment of a record shall be in writing and shall be signed by the individual making the request.

(ii) Such request shall be clearly marked ''Request for amendment of record.''

(iii) Such request shall contain a statement that it is being made under the provisions of the Privacy Act of 1974.

(iv) Such request shall contain the name and address of the individual making the request. In addition, if a particular system employs an individual's social security number as an essential means of accessing the system, the request must include the individual's social security number. In the case of a record maintained in the name of two or more individuals (e.g., husband and wife), the request shall contain the names, addresses, and social security numbers (if necessary) of both individuals.

(v) Such request shall specify the name and location of the system of records (as set forth in the Notice of Systems) in which such record is maintained, and the title and business address of the official designated in the access section for such system (as set forth in the Notice of Systems).

(vi) Such request shall specify the particular record in the system which the individual is seeking to amend.

(vii) Such request shall clearly state the specific changes which the individual wishes to make in the record and a concise explanation of the reasons for the changes. If the individual wishes to correct or add any information, the request shall contain specific language making the desired correction or addition.

(d) *Time and place for making request.* A request to amend a record under the Privacy Act shall be addressed to or delivered in person to the office of the official designated in the access section for the particular system of records. The title and office address of such official is set forth for each system of records in the Notice of Systems of Records. A request delivered to an office in person must be delivered during the regular office hours of that office.

(e) *Processing a request for amendment of a record.* (i) Within 10 days (not including Saturdays, Sundays, and legal public holidays) after the receipt of a request to amend a record by the designated official, the individual will be sent a written acknowledgement that will state that the request has been received, that action is being taken thereon, and that the individual will be notified within 30 days (not including Saturdays, Sundays, and legal public holidays) after the receipt of the request whether the requested amendments will or will not be made. If a request for amendment of a record omits any information which is essential to processing the request, the request will not be acted upon and the individual making the request will be promptly advised on the additional information which must be submitted before the request can be processed.

(ii) Within 30 days (not including Saturdays, Sundays, and legal public holidays) after the receipt of a request to amend a record by the designated official, a determination will be made as to whether to grant the request in whole or part. The individual will then be notified in writing of the determination. If a determination cannot be made within 30 days, the individual will be notified in writing within such time of the reasons for the delay and the approximate time required to make a determination. If it is determined by the designated official that the request will be granted, the requested changes will be made in the record and the individual will be notified of the changes. In addition, to the extent an accounting was maintained, all prior recipients of such record will be notified of the changes. Upon request, an individual will be furnished with a copy of the record, as amended, subject to the payment of the appropriate fees. On the other hand, if it is determined by the designated official that the request, or any portion thereof, will not be granted, the individual will be notified in writing of the adverse determination. The notification of an adverse determination will set forth the reasons for refusal to amend the record. In addition, the notification will contain a statement informing the individual of such individual's right to request an independent review of the adverse determination by a reviewing officer in the national office of the IRS and the procedures for requesting such a review.

(f) *Administrative review of adverse determination.* Under 5 U.S.C. 552a (d)(3), an individual who disagrees with the refusal of the agency to amend a record may, within 35 days of being notified of the adverse determination, request an independent review of such refusal by a reviewing officer in the national office of the IRS. The reviewing officer for the IRS is the Commission of Internal Revenue, the Deputy Commissioner, or an Assistant Commissioner. In the case of an adverse determination relating to a system

of records maintained by the Office of General Counsel for the IRS, the reviewing officer is the Chief Counsel or his delegate. An individual seeking a review of an adverse determination shall make a request for review in accordance with the rules provided in paragraph (d)(7) of this section.

(g) *Form of request for review.* (i) A request for review of an adverse determination shall be in writing and shall be signed by the individual making the request.

(ii) Such request shall be clearly marked ''Request for review of adverse determination''.

(iii) Such request shall contain a statement that it is being made under the provisions of the Privacy Act of 1974.

(iv) Such request shall contain the name and address of the individual making the request. In addition, if a particular system employs an individual's social security number as an essential means of accessing the system, the request must include the individual's social security number. In the case of a record maintained in the name of two or more individuals (e.g. husband and wife), the request shall contain the names, addresses, and social security numbers (if necessary) of both individuals.

(v) Such request shall specify the particular record which the individual is seeking to amend, the name and location of the system of records (as set forth in the Notice of Systems) in which such record is maintained, and the title and business address of the designated official for such system (as set forth in the Notice of Systems).

(vi) Such request shall include the date of the initial request for amendment of the record, and the date of the letter notifying the individual of the initial adverse determination with respect to such request.

(vii) such request shall clearly state the specific changes which the individual wishes to make in the record and a concise explanation of the reasons for the changes. If the individual wishes to correct or add any information, the request shall contain specific language making the desired correction or addition.

(h) *Time and place for making the request.* A request for review of an adverse determination under the Privacy Act shall be addressed to or delivered in person to the Director, Office of Disclosure, Attention: OP:EX:D Internal Revenue Service, 1111 Constitution Avenue, NW, Washington, DC 20224. A request for review of an adverse determination will be promptly referred by the Director, Office of Disclosure to the appropriate reviewing officer for his review and final determination.

(i) *Processing a request for review of adverse determination.* Within 30 days (not including Saturdays, Sundays, and legal public holidays) after the receipt of a request for review of an adverse determination by the appropriate reviewing officer, the reviewing officer will review the initial adverse determination, make a final determination whether to grant the request to amend the record in whole or in part, and notify the individual in writing of the final determination. If a final determination cannot be made within 30 days, the Commissioner of Internal Revenue may extend such 30-day period. The individual will be notified in writing within the 30 day period of the cause for the delay and the approximate time required to make a final determination. If it is determined by the reviewing officer that the request to amend the record will be granted, the reviewing officer will cause the requested changes to be made and the individual will be so notified. Upon request, an individual will be furnished with a copy of the record as amended subject to the payment of appropriate fees. On the other hand, if it is determined by the reviewing officer that the request to amend the record, or any portion thereof, will not be granted, the individual will be notified in writing of the final adverse determination. The notification of a final adverse determination will set forth the reasons for the refusal of the reviewing officer to amend the record. The notification shall include a statement informing the individual of the right to submit a concise statement for insertion in the record setting forth the reasons for the disagreement with the refusal of the reviewing officer to amend the record. In addition, the notification will contain a statement informing the individual of the right to seek judicial review by a United States district court of a final adverse determination.

(j) *Statement of disagreement.* Under 5 U.S.C. 552a (d)(3), an individual who disagrees with a final adverse determination not to amend a record subject to amendment under the Privacy Act may submit a concise statement for insertion in the record setting forth the reasons for disagreement with the refusal of the reviewing officer to amend the record. A statement of disagreement should be addressed to or delivered in person to the Director, Office of Disclosure, Attention: OP:EX:D, Internal Revenue Service, 1111 Constitution Avenue, NW, Washington, DC 20224. The Director, Office of Disclosure will foward the statement of disagreement to the appropriate designated official who will cause the statement to be inserted in the individual's record. Any such statement will be available to anyone to whom the record is subsequently disclosed and the prior recipients of the record will be provided with a copy of the statement of disagreement, to the extent an accounting of disclosures was maintained.

(k) *Judicial review.* If, after a review and final determination on a request to amend a record by the appropriate reviewing officer, the individual is notified that the request

will not be granted, or if, after the expiration of 30 days (not including Sundays, Saturdays, and legal public holidays) from the receipt of such request by the Director, Disclosure Operations Division, action is not taken thereon in accordance with the requirements of paragraph (d)(9) of this section, an individual may commence an action within the time prescribed by law in a U.S. District Court pursuant to 5 U.S.C. 552a (g)(1). The statute authorizes an action only against the agency. With respect to records maintained by the IRS, the agency is the Internal Revenue Service, not an officer or employee thereof. Service of process in such an action shall be in accordance with the Federal Rules of Civil Procedure (28 U.S.C. App.) applicable to actions against an agency of the United States. Where provided in such Rules, delivery of process upon the IRS must be directed to the Commissioner of Internal Revenue, Attention: CC:GLS, 1111 Constitution Avenue, NW, Washington, DC 20224. The district court will determine the matter de novo.

5. *Records transferred to Federal Records Centers.* Records transferred to the Administrator of General Services for storage in a Federal Records Center are not used by the Internal Revenue Service in making any determination about any individual while stored at such location and therefore are not subject to the provisions of 5 U.S.C. 552a (e)(5) during such time.

APPENDIX C TO SUBPART C OF PART 1—UNITED STATES CUSTOMS SERVICE

1. *In general.* This appendix applies to the United States Customs Service. It sets forth specific notification and access procedures with respect to particular systems of records, identifies the officer designated to make the initial determinations with respect to notification and access to records and accountings of disclosures of records. This appendix also sets forth the specific procedures for requesting amendment of records and identifies the officers designated to make the initial and appellate determinations with respect to requests for amendment of records. It identifies the officers designated to grant extensions of time on appeal, the officers with whom ''Statements of Disagreement may be filed, the officer designated to receive service of process and the addresses for delivery of requests, appeals, and service of process. In addition, it references the notice of systems of records and notices of the routine uses of the information in the system required by 5 U.S.C. 552a(e) (4) and (11) and published annually by the Office of the Federal Register in ''Privacy Act Issuances''.

2. *Requests for notification and access to records and accounting of disclosures.* (a) For records which are maintained at the United States Customs Service Headquarters, initial requests for notification and access to records and accountings of disclosures under 31 CFR 1.26, should be mailed or personally delivered to the Director, Office of Regulations & Rulings, U.S. Customs Service, 1301 Constitution Avenue NW., Washington, DC 20229. The official who has authority over the maintenance of the file will have the authority to grant or deny the request.

(b) For records maintained at Regional Offices, initial requests for notification and access to records and accountings of disclosures under 31 CFR 1.26, should be mailed or personally delivered to the Regional Commissioner of Customs in whose region the records are located. This official shall have the authority to grant the request or deny the request. The appropriate location of the regional offices is specified in Customs Appendix A in ''Privacy Act Issuances'' published annually by the Office of the Federal Register.

(c) Each request shall comply with the identification and other requirements set forth in 31 CFR 1.26, and in the appropriate system notice in the ''Privacy Act Issuances'' published annually by the Office of the Federal Register. Each request should be conspicuously labeled on the face of the envelope ''Privacy Act Request''.

3. *Request for amendment of records.* (a) For records which are maintained at Customs Service Headquarters, initial requests for amendment of records under 31 CFR 1.27 (a) through (d) should be mailed or personally delivered to the Director, Office of Regulations & Rulings, U.S. Customs Service, 1301 Constitution Avenue NW., Washington, DC 20229. The official who has authority over the maintenance of the file will have the authority to grant or deny the request.

(b) For records not maintained at Customs Service Headquarters, initial requests for amendment of records under 31 CFR 1.27 (a) through (d) should be mailed or personally delivered to the Regional Commissioner of Customs in whose region the records are located. This official shall have the authority to grant or deny the request. A request directed to a Regional Commissioner should be mailed to or personally delivered at the appropriate location specified in Customs Appendix A in ''Privacy Act Issuances'' published annually by the Office of the Federal Register.

(c) Each request shall comply with the identification and other requirements set forth in 31 CFR 1.27, and in the appropriate system notice in ''Privacy Act Issuance published by the Office of the Federal Register. Each request should be conspicuously labeled on the face of the envelope ''Privacy Act Amendment Request''.

4. *Administrative appeal of initial determination refusing to amend records.* Appellate determinations (including extensions of time on appeal under 31 CFR 1.27 (e) with respect

to all Customs Service records will be made by the Director, Office of Regulations & Rulings or the delegate of such official. All such appeals should be mailed or personally delivered to the United States Customs Service, Office of Regulations & Rulings, 1301 Constitution Avenue NW., Washington, DC 20229. Each appeal should be conspicuously labeled on the face of the envelope ''Privacy Act Amendment Appeal''.

5. *Statements of disagreement.* ''Statements of Disagreement'' pursuant to 31 CFR 1.27 (e)(4)(i) shall be filed with the official signing the notification of refusal to amend at the address indicated in the letter of notification within 35 days of the date of such notification and should be limited to one page.

6. *Service of process.* Service of process will be received by the Chief Counsel, United States Customs Service, 1301 Constitution Avenue NW., Washington, DC 20229.

7. *Annual notice of systems of records.* The annual notice of the United States Customs Service systems of records required to be published by the Office of the Federal Register, as specified in 5 U.S.C. 552a(f), is included in the publication entitled ''Privacy Act Issuances''.

8. *Verification of identity.* Each request shall comply with the identification and other requirements set forth in 31 CFR 1.26 and in the appropriate system notice published by the Office of the Federal Register. Each request should be conspicuously labeled on the face of the envelope ''Privacy Act Request''.

APPENDIX D TO SUBPART C OF PART 1—UNITED STATES SECRET SERVICE

1. *In general.* This appendix applies to the United States Secret Service. It sets forth specific notification and access procedures with respect to particular systems of records including identification requirements, and time and places where records may be reviewed; identifies the officers designated to make the initial determinations with respect to notification and access to records and accountings of disclosures of records. This appendix also sets forth the specific procedures for requesting amendment of records and identifies the officers designated to make the initial and appellate determinations with respect to requests for amendment of records. It identifies the officers designated to grant extensions of time on appeal, the officers with whom ''Statements of Disagreement may be filed, the officer designated to receive service of process and the addresses for delivery of requests, appeals, and service of process. In addition, it references the notice of systems of records and notices of the routine uses of the information in the system required by 5 U.S.C. 552a(e) (4) and (11) and published annually by the Office of the Federal Register in ''Privacy Act Issuances''.

2. *Requests for notification and access to records and accountings of disclosures.* Initial determinations under 31 CFR 1.26, whether to grant requests for notification and access to records and accountings of disclosures for the United States Secret Service, will be made by the Freedom of Information and Privacy Act Officer, United States Secret Service. Requests for notification should be made by mail or delivered personally between the hours of 9:00 a.m. and 5:30 of any day excluding Saturdays, Sundays, and legal holidays to: Privacy Act Request, Freedom of Information and Privacy Act Officer, United States Secret Service, Suite 3000, 950 H Street, NW., Washington, DC 20373–5802.

a. *Identification requirements.* In addition to the requirements specified in 31 CFR 1.26, each request for notification, access or amendment of records made by mail shall contain the requesting individual's date and place of birth and a duly notarized statement signed by the requester asserting his or her identity and stipulating that the requesting individual understands that knowingly or willfully seeking or obtaining access to records about another person under false pretences is punishable by a fine of up to $5,000.

b. *Individuals making requests in person.* Individuals making requests in person will be required to exhibit acceptable identifying documents such as employee identification numbers, drivers licenses, medical cards or other documents sufficient to verify the identity of the requester.

c. *Physical inspection of records.* Upon determining that a request for the physical inspection of records is to be granted, the requester shall be notified in writing of the determination, and when and where the requested records may be inspected. The inspection of records will be conducted at the Secret Service field office or other facility located nearest to the residence of the individual making the request. Such inspection shall be conducted during the regular business hours of the Secret Service Field Office or other facility where the disclosure is made. A person of his or her own choosing may accompany the individual making the request provided the individual furnishes a written statement authorizing the disclosure of that individual's record in the accompanying person's presence. Any disclosure of a record will be made in the presence of a representative of the United States Secret Service.

3. *Requests for amendment of records.* Initial determination under 31 CFR part 1, whether to grant requests to amend records will be made by the Freedom of Information and Privacy Act Officer. Requests should be mailed or delivered personally between the hours of 9:00 a.m. and 5:30 p.m. to: Privacy Act Amendment Request, Freedom of Information and Privacy Acts Officer, United

States Secret Service, Suite 3000, 950 H Street, NW., Washington, DC 20373–5802.

4. *Administrative appeal of initial determinations refusing amendment of records.* Appellate determinations, including extensions of time on appeal, with respect to records of the United States Secret Service will be made by the Deputy Director, United States Secret Service. Appeals may be mailed or delivered personally to: Privacy Act Amendment Appeal, Deputy Director, United States Secret Service, 950 H Street, NW., Suite 8300, Washington, DC 20373–5802.

5. *Statements of disagreement.* ''Statements of Disagreements'' under 31 CFR 1.27 (e)(4)(i) shall be filed with the official signing of the notification of refusal to amend at the address indicated in the letter of notification within 35 days of the date of such notification and should be limited to one page.

6. *Service of process.* Service of process will be received by the United States Secret Service General Counsel and shall be delivered to the following location: General Counsel, United States Secret Service, Suite 8300, 950 H Street, NW., Washington, DC 20373–5802.

7. *Annual notice of systems of records.* The annual notice of systems of records is published by the Office of the Federal Register, as specified in 5 U.S.C. 552a(f). The publication is entitled ''Privacy Act Issuances''. Any specific requirements for access, including identification requirements, in addition to the requirements set forth in 31 CFR 1.26 and 1.27 are indicated in the notice for the pertinent system.

[52 FR 26305, July 14, 1987, as amended at 66 FR 9959, Feb. 13, 2001]

APPENDIX E TO SUBPART C OF PART 1—ALCOHOL AND TOBACCO TAX AND TRADE BUREAU

1. *In general.* This appendix applies to the Alcohol and Tobacco Tax and Trade Bureau. It sets forth specific notification and access procedures with respect to particular systems of records, identifies the officers designated to make the initial determinations with respect to notification and access to records and accountings of disclosures of records. This appendix also sets forth the specific procedures for requesting amendment of records and identifies the officers designated to make the initial and appellate determinations with respect to requests for amendment of records. It identifies the officers designated to grant extensions of time on appeal, the officers with whom ''Statements of Disagreement'' may be filed, the officer designated to receive service of process and the addresses for delivery of requests, appeals, and service of process. In addition, it references the notice of systems of records and notices of the routine uses of the information in the system required by 5 U.S.C. 552a(3), (4) and (11) and published annually by the Office of the Federal Register in ''Privacy Act Issuances''.

2. *Requests for notification and access to records and accountings of disclosures.* Initial determination under 31 CFR 1.26, whether to grant requests for notification and access to records and accountings of disclosures for the Alcohol and Tobacco Tax and Trade Bureau, will be made by the Director, Regulations and Rulings Division, or the delegate of such officer. Requests may be mailed or delivered in person to:

Privacy Act Request, Director, Regulations and Rulings Division, Alcohol and Tobacco Tax and Trade Bureau, 1310 G Street, NW., Box 12, Washington, DC 20005. Requests may also be faxed to 202–453–2331.

3. *Requests for amendment of record.* Initial determinations under 31 CFR 1.27 (a) through (d) with respect to requests to amend records maintained by the Alcohol and Tobacco Tax and Trade Bureau will be made by the Director, Regulations and Rulings Division. Requests for amendment of records may be mailed or delivered in person to:

Privacy Act Request, Director, Regulations and Rulings Division, Alcohol and Tobacco Tax and Trade Bureau, 1310 G Street NW., Box 12, Washington, DC 20005. Requests may also be faxed to 202–453–2331. The Bureau will process a faxed request when the request meets the identity verification requirements outlined in paragraph 4(a) of this Appendix.

4. *Verification of identity.* (a) In addition to the requirements specified in 31 CFR 1.26(d) of this appendix, each request for notification, access or amendment of records made by mail or fax shall contain the requesting individual's date and place of birth and a statement signed by the requester asserting his or her identity and stipulating that the requester understands that knowingly or willfully seeking or obtaining access to records about another person under false pretenses is a misdemeanor and punishable by a fine of up to $5,000 provided, that the Alcohol and Tobacco Tax and Trade Bureau may require a signed notarized statement verifying the identity of the requester.

(b) Individuals making requests in person will be required to exhibit at least two acceptable identifying documents such as employee identification cards, driver's license, medical cards, or other documents sufficient to verify the identity of the requester.

(c) The parent or guardian of a minor or a person judicially determined to be incompetent, shall in addition to establishing the identity of the minor or other person he represents as required in (a) and (b), establish his own parentage or guardianship by furnishing a copy of a birth certificate showing parentage (or other satisfactory documentation) or a court order establishing the guardianship.

5. *Request for physical inspection of records.* Upon determining that a request for the physical inspection of records is to be granted, the requester shall be notified in writing of the determination, and when and where the records may be inspected. The inspection of records will be made at the Alcohol and Tobacco Tax and Trade Bureau Field Office or other facility located nearest to the residence of the individual making the request. Such inspection shall be conducted during the regular business hours of the field office or other facility where the disclosure is made. A person of the requester's own choosing may accompany the requester provided the requester furnishes a written statement authorizing the disclosure of the requester's record in the accompanying person's presence. The record inspection will be made in the presence of a representative of the Bureau. Following the inspection of the record, the individual will acknowledge in writing the fact that he or she had an opportunity to inspect the requested record.

6. *Requests for copies of records without prior physical inspection.* Upon determining that an individual's request for copies of his or her records without prior physical inspection is to be granted, the requester shall be notified in writing of the determination, and the location and time for his or her receipt of the requested copies. The copies will be made available at the Alcohol and Tobacco Tax and Trade Bureau field office or other facility located nearest to the residence of the individual making the request, unless the individual requests that the documents be sent by mail. Copies shall be received by the requester during the regular business hours of the field office or other facility where the disclosure is made. Transfer of the copies to the individual shall be conditioned upon payment of copying costs and his presentation of at least two acceptable identifying documents such as employee identification cards, driver's license, medical cards, or other documents sufficient to verify the identity of the requester. Following the receipt of the copies in person, the individual will acknowledge receipt in writing.

7. *Administrative appeal of initial determination refusing to amend record.* Appellate determinations under 31 CFR 1.27(e) with respect to records of the Alcohol and Tobacco Tax and Trade Bureau, including extensions of time on appeal, will be made by the Administrator or the delegate of such officer. Appeals should be addressed to, or delivered in person to:

Privacy Act Amendment Appeal, Administrator, Alcohol and Tobacco Tax and Trade Bureau, 1310 G Street, NW., Box 12, Washington, DC 20005.

8. *Statements of disagreement.* ''Statements of Disagreement'' as described in 31 CFR 1.27(e)(4) shall be filed with the official signing the notification within 35 days of the date of such notification and should be limited to one page.

9. *Service of process.* Service of process will be received by the Administrator of the Alcohol and Tobacco Tax and Trade Bureau or the delegate of such official and shall be delivered to the following location:

Administrator, Alcohol and Tobacco Tax and Trade Bureau, 1310 G Street, NW., Box 12, Washington, DC 20005, Attention: Chief Counsel.

10. *Annual notice of systems of records.* The annual notice of systems of records is published by the Office of the Federal Register, as specified in 5 U.S.C. 552a(f). The publication is entitled ''Privacy Act Issuances''. Any specific requirements for access, including identification requirements, in addition to the requirements set forth in 31 CFR 1.26 and 1.27 are indicated in the notice for each pertinent system.

[76 FR 62298, Oct. 7, 2011]

APPENDIX F TO SUBPART C OF PART 1—BUREAU OF ENGRAVING AND PRINTING

1. *In general.* This appendix applies to the Bureau of Engraving and Printing. It sets forth specific notification and access procedures with respect to particular systems of records including identification requirements, identifies the officers designated to make the initial determinations with respect to notification and access to records and accountings of disclosures of records. This appendix also sets forth the specific procedures for requesting amendment of records and identifies the officers designated to make the initial and appellate determinations with respect to requests for amendment of records. It identifies the officers designated to grant extensions of time on appeal, the officers with whom ''Statements of Disagreement may be filed, the officer designated to receive service of process and the addresses for delivery of requests, appeals, and service of process. In addition, it references the notice of systems of records and notices of the routine uses of the information in the system required by 5 U.S.C. 552a (e) (4) and (11) and published annually by the Office of the Federal Register in ''Privacy Act Issuances.''

2. *Requests for notification and access to records and accountings of disclosures.* Initial determinations under 31 CFR 1.26, whether to grant requests for notification and access to records and accountings of disclosures for the Bureau of Engraving and Printing, will be made by the head of the organizational unit having immediate custody of the records requested, or the delegate of such official. Requests for access to records contained within a particular system of records should be submitted to the address indicated for that system in the access section of the

notices published by the Office of the Federal Register in ''Privacy Act Issuances.'' Requests for information and specific guidance should be addressed to: Privacy Act Request, Disclosure Officer (Executive Assistant to the Director), Room 104–18M, Bureau of Engraving and Printing, Washington, DC 20228.

3. *Requests for amendment of records.* Initial determination under 31 CFR 1.27 (a) through (d), whether to grant request to amend records will be made by the head of the organizational unit having immediate custody of the records or the delegate of such official. Requests for amendment should be addressed as indicated in the appropriate system notice in ''Privacy Act Issuances'' published by the Office of the Federal Register. Requests for information and specific guidance on where to send requests for amendment should be addressed to: Privacy Act Amendment Request, Disclosure Officer (Executive Assistant to the Director), Bureau of Engraving and Printing, Room 104–18M, Washington, DC 20228.

4. *Administrative appeal of initial determinations refusing amendment of records.* Appellate determinations refusing amendment of records under 31 CFR 1.27(e) including extensions of time on appeal, with respect to records of the Bureau of Engraving and Printing will be made by the Director of the Bureau or the delegate of such officer. Appeals made by mail should be addressed to, or delivered personally to: Privacy Act Amendment Appeal, Disclosure Officer (Executive Assistant to the Director), Room 104–18M, Bureau of Engraving and Printing, Washington, DC 20228.

5. *Statements of disagreement.* ''Statements of Disagreement'' under 31 CFR 1.27(e)(4)(8) shall be filed with the official signing the notification of refusal to amend at the address indicated in the letter of notification within 35 days of the date of such notification and should be limited to one page.

6. *Service of process.* Service of process will be received by the Chief Counsel of the Bureau of Engraving and Printing and shall be delivered to the following location: Chief Counsel, Bureau of Engraving and Printing, Room 109–M, 14th and C Streets, SW., Washington, DC 20228.

7. *Verification of identity.* An individual seeking notification or access to records, or seeking to amend a record, or seeking an accounting of disclosures, must satisfy one of the following identification requirements before action will be taken by the Bureau of Engraving and Printing on any such request:

(i) An individual appearing in person may establish identity by the presentation of a single document bearing a photograph (such as a passport or identification badge) or by the presentation of two items of identification which do not bear a photograph, but do bear both a name and signature (such as a credit card).

(ii) An individual may establish identity through the mail by a signature, address, and one other identifier such as a photocopy of a driver's license or other document bearing the individual's signature.

(iii) Notwithstanding subdivisions (i) and (ii) of this subparagraph, an individual who so desires, may establish identity by providing a notarized statement, swearing or affirming to such individual's identity and to the fact that the individual understands the penalties provided in 5 U.S.C. 552a(1)(3) for requesting or obtaining access to records under false pretenses.

Notwithstanding subdivision (i), (ii), or (iii) of this subparagraph, the Executive Assistant or other designated official may require additional proof of an individual's identity before action will be taken on any request if such official determines that it is necessary to protect against unauthorized disclosure of information in a particular case. In addition, a parent of any minor or a legal guardian of any individual will be required to provide adequate proof of legal relationship before such person may act on behalf of such minor or such individual.

8. *Annual notice of systems of records.* The annual notice of systems of records is published by the Office of the Federal Register, as specified in 5 U.S.C. 522a(f). The publication is entitled ''Privacy Act Issuances''. Any specific requirements for access, including identification requirements, in addition to the requirements set forth in 31 CFR 1.26 and 1.27 are indicated in the notice for the pertinent system.

APPENDIX G TO SUBPART C OF PART 1—FINANCIAL MANAGEMENT SERVICE

1. *In general.* This appendix applies to the Financial Management Service. It sets forth specific notification and access procedures with respect to particular systems of records, identifies the officers designated to make the initial determinations with respect to notification and access to records and accountings of disclosures of records. This appendix also sets forth the specific procedures for requesting amendment of records and identifies the officers designated to make the initial and appellate determinations with respect to requests for amendment of records. It identifies the officers designated to grant extensions of time on appeal, the officers with whom ''Statements of Disagreement'' may be filed, the officer designated to receive service of process and the addresses for delivery of requests, appeals, and service of process. In addition, it references the notice of systems of records and notices of the routine uses of the information in the system required by 5 U.S.C. 552a(e) (4) and (11)

and published annually by the Office of the Federal Register in ''Privacy Act Issuances''.

2. *Requests for notification and access to records and accountings of disclosures.* Initial determinations under 31 CFR 1.26, whether to grant requests for notification and access to records and accountings of disclosures for the Financial Management Service, will be made by the head of the organizational unit having immediate custody of the records requested or an official designated by this official. This is indicated in the appropriate system notice in ''Privacy Act Issuances'' published annually by the Office of the Federal Register. Requests for information and specific guidance on where to send requests for records may be mailed or delivered personally to: Privacy Act Request, Disclosure Officer, Financial Management Service, Room 108, Treasury Department Annex No. 1, Pennsylvania Avenue and Madison Place, NW., Washington, DC 20226.

3. *Requests for amendment of records.* Initial determination under 31 CFR 1.27(a) through (d), whether to grant requests to amend records will be made by the head of the organzational unit having immediate custody of the records or the delegate of such official. Requests for amendment should be addressed as indicated in the appropriate system notice in ''Privacy Act Issuances'' published by the Office of the Federal Register. Requests for information and specific guidance on where to send requests for amendment should be addressed to: Privacy Act Amendment Request, Disclosure Officer, Financial Management Service, Department of the Treasury, Treasury Annex No. 1, Washington, DC 20226.

4. *Administrative appeal of initial determinations refusing amendment of records.* Appellate determinations refusing amendment of records under 31 CFR 1.27(e) incuding extensions of time on appeal, with respect to records of the Financial Management Service will be made by the Commissioner or the delegate of such official. Appeals made by mail should be addressed to, or delivered personally to: Privacy Act Amendment Appeal Commissioner, Financial Management Service (Privacy), Department of the Treasury, Room 618, Treasury Annex No. 1, Pennsylvania Avenue and Madison Place, NW., Washington, DC 20226.

5. *Statements of disagreement.* ''Statements of Disagreement'' under 31 CFR 1.27(e)(4)(i) shall be filed with the official signing the notification of refusal to amend at the address indicated in the letter of notification within 35 days of the date of such notification and should be limited to one page.

6. *Service of process.* Service of process will be received by the Commissioner, Financial Management Service or the delegate of such official and shall be delivered to the following location: Commissioner, Financial Management Service (Privacy), Department of the Treasury, Room 618, Treasury Annex No. 1, Pennsylvania Avenue and Madison Place, NW, Washington, DC 20226.

7. *Annual notice of systems of records.* The annual notice of systems of records is published by the Office of the Federal Register, as specified in 5 U.S.C. 552a(f). The publication is entitled ''Privacy Act Issuances''. Any specific requirements for access, including identification requirements, in addition to the requirements set forth in 31 CFR 1.26 and 1.27 are indicated in the notice for the pertinent system.

APPENDIX H TO SUBPART C OF PART 1—UNITED STATES MINT

1. *In general.* This appendix applies to the United States Mint. It sets forth specific notification and access procedures with respect to particluar systems of records, identifies the officers designated to make the initial determinations with respect to notification and access to records and accountings of disclosures of records. This appendix also sets forth the specific procedures for requesting amendment of records and identifies the officers designated to make the initial and appellate determinations with respect to requests for amendment of records. It identifies the officers designated to grant extensions of time on appeal, the officers with whom ''Statements of Disagreement'' may be filed, the officer designated to receive service of process and the addresses for delivery of requests, appeals, and service of process. In addition, it references the notice of systems of records and notices of the routine uses of the information in the system required by 5 U.S.C. 552a(e) (4) and (11) and published annually by the Office of the Federal Register in ''Privacy Act Issuances''.

2. *Requests for notification and access to records and accountings of disclosures.* Initial determinations under 31 CFR 1.26, whether to grant requests for notification and access to records and accountings of disclosures for the United States Mint will be made by the head of the organizational unit having immediate custody of the records requested or an official designated by this official. This is indicated in the appropriate system notice in ''Privacy Act Issuances'' published annually by the Office of the Federal Register. Requests should be directed to the Superintendent or Officer in charge of the facility in which the records are located or to the Chief, Administrative Programs Division. Requests for information and specific guidance on where to send requests for records may be mailed or delivered personally to: Privacy Act Request, Chief, Administrative Programs Division, United States Mint, Judiciary Square Building, 633 3rd Street, N.W, Washington, DC 20220.

3. *Requests for amendment of records.* Initial determination under 31 CFR 1.27 (a) through

(d), whether to grant requests to amend records will be made by the head of the Mint installation having immediate custody of the records or the delegated official. Requests should be mailed or delivered personally to: Privacy Act Amendment Request, Freedom of Information and Privacy Acts Officer, United States Mint, Judiciary Square Building, 633 3rd Street, Washington, DC 20220.

4. *Administrative appeal of initial determinations refusing amendment of records.* Appellate determinations refusing amendment of records under 31 CFR 1.27 including extensions of time on appeal, with respect to records of the United States Mint will be made by the Director of the Mint or the delegate of the Director. Appeals made by mail should be addressed to, or delivered personally to: Privacy Act Amendment Appeal, United States Mint, Judiciary Square Building, 633 3rd Street, NW, Washington, DC 20220.

5. *Statements of disagreement.* ''Statements of Disagreement'' under 31 CFR 1.27 (e)(4)(i) shall be filed with the official signing the notification of refusal to amend at the address indicated in the letter of notification within 35 days of the date of such notification and should be limited to one page.

6. *Service of process.* Service of process will be received by the Director of the Mint and shall be delivered to the following location: Director of the Mint, Judiciary Square Building, 633 3rd street, NW., Washington, DC 20220.

7. *Annual notice of systems of records.* The annual notice of systems of records is published by the Office of the Federal Register, as specified in 5 U.S.C. 552a(f). The publication is entitled ''Privacy Act Issuances''. Any specific requirements for access, including identification requirements, in addition to the requirements set forth in 31 CFR 1.26 and 1.27 are indicated in the notice for the pertinent system.

APPENDIX I TO SUBPART C OF PART 1—BUREAU OF THE PUBLIC DEBT

1. *In general.* This appendix applies to the Bureau of the Public Debt. It sets forth specific notification and access procedures with respect to particular systems of records, identifies the officers designated to make the initial determinations with respect to notification and access to records and accountings of disclosures of records. This appendix also sets forth the specific procedures for requesting amendment of records and identifies the officers designated to make the initial and appellate determinations with respect to requests for amendment of records. It identifies the officer designated to grant extension of time on appeal, the officers with whom ''Statements of Disagreement'' may be filed, the officer designated to receive service of process and the addresses for delivery of requests, appeals, and service of process. In addition, it references the notice of systems of records and notices of the routine uses of the information in the system required by 5 U.S.C. 552a(e) (4) and (11) and published annually by the Office of the Federal Register in ''Privacy Act Issuances''.

2. *Requests for notification and access to records and accountings of disclosures.* Initial determinations under 31 CFR 1.26, whether to grant requests for notification and access to records and accountings of disclosures for the Bureau of Public Debt, will be made by the head of the organizational unit having immediate custody of the records requested or an official designated by this official. This is indicated in the appropriate system notice in ''Privacy Act Issuances'' published annually by the Office of the Federal Register. Requests for information and specific guidance on where to send requests for records may be mailed or delivered personally to: Privacy Act Request, Disclosure Officer, Administrative Resource Center, Bureau of the Public Debt, Department of the Treasury, 200 Third Street, Room 211, Parkersburg, WV 26101–5312.

3. *Requests for amendment of records.* Initial determination under 31 CFR 1.27 (a) through (d), whether to grant requests to amend records will be made by the head of the organizational unit having immediate custody of the records or the delegate of such official. Requests for amendment should be addressed as indicated in the appropriate system notice in ''Privacy Act Issuances'' published by the Office of the Federal Register. Requests for information and specific guidance on where to send requests for amendment should be addressed to: Privacy Act Amendment Request, Disclosure Officer, Administrative Resource Center, Bureau of the Public Debt, Department of the Treasury, 200 Third Street, Room 211, Parkersburg, WV 26101–5312.

4. *Administrative appeal of initial determinations refusing amendment of records.* Appellate determinations refusing amendment of records under 31 CFR 1.27(e) including extensions of time on appeal, with respect to records of the Bureau of the Public Debt will be made by the Executive Director, Administrative Resource Center, Bureau of the Public Debt or the delegate of such officer. Appeals made by mail should be addressed to, or delivered personally to: Privacy Act Amendment Appeal, Chief Counsel, Bureau of the Public Debt, Department of the Treasury, Executive Director, Administrative Resource Center, Bureau of the Public Debt.

5. *Statements of disagreement.* ''Statements of Disagreement'' under 31 CFR 1.27 (e)(4)(i) shall be filed with the official signing the notification of refusal to amend at the address indicated in the letter of notification within

35 days of the date of such notification and should be limited to one page.

6. *Service of process.* Service of process will be received by the Chief Counsel of the Bureau of the Public Debt and shall be delivered to the following location: Chief Counsel, Bureau of the Public Debt, Department of the Treasury, 200 Third Street, Room G–15, Parkersburg, WV 26106–1328.

7. *Annual notice of systems of records.* The annual notice of systems of records is published by the Office of the Federal Register, as specified in 5 U.S.C. 552a(f). The publication is entitled ''Privacy Act Issuances''. Any specific requirements for access, including identification requirements, in addition to the requirements set forth in 31 CFR 1.26 and 1.27 are indicated in the notice for the pertinent system.

APPENDIX J TO SUBPART C OF PART 1—OFFICE OF THE COMPTROLLER OF THE CURRENCY

1. *In general.* This appendix applies to the Office of the Comptroller of the Currency. It sets forth specific notification and access procedures with respect to particular systems of records, identifies the officers designated to make the initial determinations with respect to notification and access to records and accountings of disclosures of records. This appendix also sets forth the specific procedures for requesting amendment of records and identifies the officers designated to make the intial and appellate determinations with respect to requests for amendment of records. It identifies the officers designated to grant extensions of time on appeal, the officers with whom ''Statements of Disagreement'' may be filed, the officer designated to receive service of process and the addresses for delivery of requests, appeals, and service of process. In addition, it references the notice of systems of records and notices of the routine uses of the information in the system required by 5 U.S.C. 552a(e) (4) and (11) and published annually by the Office of the Federal Register in ''Privacy Act Issuances''.

2. *Requests for notification and access to records and accountings of disclosures.* Initial determinations under 31 CFR 1.26 whether to grant requests for notification and access to records and accountings of disclosures for the Office of the Comptroller of the Currency will be made by the head of the organizational unit having immediate custody of the records requested or the delegate of that official. This is indicated in the appropriate system notice in ''Privacy Act Issuances'' published biennially by the Office of the Federal Register. Requests for information and specific guidance on where to send requests for records shall be mailed or delivered personally to: Disclosure Officer, Communications Division, Office of the Comptroller of the Currency, 250 E Street, SW, Washington, DC 20219.

3. *Requests for amendment of records.* Initial determinations under 31 CFR 1.27 (a) through (d) whether to grant requests to amend records will be made by the Comptroller's delegate or the head of the organizational unit having immediate custody of the records or the delegate of that official. Requests for amendment shall be mailed or delivered personally to: Disclosure Officer, Communications Division, Office of the Comptroller of the Currency, 250 E Street, SW., Washington, DC 20219.

4. *Administrative appeal of initial determinations refusing amendment of records.* Appellate determinations refusing amendment of records under 31 CFR 1.27(e) including extensions of time on appeal, with respect to records of the Office of the Comptroller of the Currency will be made by the Comptroller of the Currency or the Comptroller's delegate. Appeals shall be mailed or delivered personally to: Disclosure Officer, Communications Division, Office of the Comptroller of the Currency, 250 E Street, SW., Washington, DC 20219.

5. *Statements of disagreement.* ''Statements of Disagreement'' under 31 CFR 1.27(e)(4)(i) shall be filed with the OCC's Director of Communications at the address indicated in the letter of notification within 35 days of the date of such notification and should be limited to one page.

6. *Service of process.* Service of process shall be delivered to the Chief Counsel or the Chief Counsel's delegate at the following location: Office of the Comptroller of the Currency, 250 E Street, SW., Washington, DC 20219.

7. *Annual notice of systems of records.* The annual notice of systems of records is published by the Office of the Federal Register, as specified in 5 U.S.C. 552a(f). The publication is entitled ''Privacy Act Issuances''. Any specific requirements for access, including identification requirements, in addition to the requirements set forth in 31 CFR 1.26 and 1.27 are indicated in the notice for the pertinent system.

[52 FR 26305, July 14, 1987, as amended at 60 FR 57333, Nov. 15, 1995; 67 FR 34402, May 14, 2002]

APPENDIX K TO SUBPART C OF PART 1—FEDERAL LAW ENFORCEMENT TRAINING CENTER

1. *In general.* This appendix applies to the Federal Law Enforcement Training Center. It sets forth specific notification and access procedures with respect to particular systems of records, identifies the officers designated to make the initial determinations with respect to notification and access to records and accountings of disclosure of records. This appendix also sets forth the

specific procedures for requesting amendment of records and identifies the officers designated to make the initial and appellate determinations with respect to requests for amendment of records. It identifies the officers designated to grant extensions of time on appeal, the officers with whom ''Statements of Disagreement'' may be filed, the officer designated to receive service of process and the addresses for delivery of requests, appeals, and service of process. In addition, it references the notice of systems of records and notices of the routine uses of the information in the system required by 5 U.S.C. 552a(e) (4) and (11) and published annually by the Office of the Federal Register, in ''Privacy Act Issuances''.

2. *Requests for notification and access to records and accounting of disclosures.* Initial determinations under 31 CFR 1.26, whether to grant requests for notification and acess to records and accounting of disclosures for the Federal Law Enforcement Training Center, will be made by the head of the organizational unit having immediate custody of the records requested or an official designated by this official. This is indicated in the appropriate system notice in ''Privacy Act Issuances'' published annually by the Office of the Federal Register. Requests for information and specific guidance on where to send requests for records may be mailed or delivered personally to: Privacy Act Request, Library Building 262, Federal Law Enforcement Training Center, Glynco, Georgia 31524.

3. *Requests for amendment of records.* Initial determinations under 31 CFR 1.27 (a) through (d), whether to grant requests to amend records will be made by the head of the organizational unit having immediate custody of the records or the delegate of such official. Requests for amendment should be addressed as indicated in the appropriate system notice in ''Privacy Act Issuances'' published by the Office of the Federal Register. Requests for information and specific guidance on where to send requests for amendment should be addressed to: Privacy Act Amendment Request, Federal Law Enforcement Training Center, Glynco, Georgia 31524.

4. *Administrative appeal of initial determinations refusing amendment of records.* Appellate determinations refusing amendment of records under 31 CFR 1.27(e) including extensions of time on appeal, with respect to records of the Federal Law Enforcement Training Center will be made by the Assistant Secretary (Enforcement), Department of the Treasury or the delegate of such officer. Appeals made by mail should be addressed to, or delivered personally to: Privacy Act Amendment Appeal, FLETC, Assistant Secretary (Enforcement), Department of the Treasury, 1500 Pennsylvania Avenue, NW., Room 4312, Washington, DC 20220.

5. *Statements of disagreement.* ''Statements of Disagreement'' under 31 CFR 1.27(e)(4)(i) shall be filed with the official signing the notification of refusal to amend at the address indicated in the letter of notification within 35 days of the date of such notification and should be limited to one page.

6. *Service of process.* Service of process will be received by the General Counsel of the Department of the Treasury or the delegate of such official and shall be delivered to the following location: General Counsel, Department of the Treasury, Room 3000, Main Treasury Building, 1500 Pennsylvania Avenue, NW., Washington, DC 20220.

7. *Annual notice of systems of records.* The annual notice of systems of records is published by the Office of the Federal Register, as specified in 5 U.S.C. 552a(f). The publication is entitled ''Privacy Act Issuances''. Any specific requirements for access, including identification requirements, in addition to the requirements set forth in 31 CFR 1.26 and 1.27 are indicated in the notice for the pertinent system.

[52 FR 26305, July 14, 1987. Redesignated at 65 FR 2334, Jan. 14, 2000]

APPENDIX L TO SUBPART C OF PART 1—OFFICE OF THRIFT SUPERVISION

1. *In general.* This appendix applies to the Office of Thrift Supervision. It sets forth specific notification and access procedures with respect to particular systems of records, and identifies the officers designated to make the initial determinations with respect to notification and access to records, the officers designated to make the initial and appellate determinations with respect to requests for amendment of records, the officers designated to grant extensions of time on appeal, the officers with whom ''Statement of Disagreement'' may be filed, the officer designated to receive services of process and the addresses for delivery of requests, appeals, and service of process. In addition, it references the notice of systems of records and notices of the routine uses of the information in the system required by 5 U.S.C. 552a(e) (4) and (11) and published biennially by the Office of the Federal Register in ''Privacy Act Issuances.''

2. *Requests for notification and access to records and accounting of disclosures.* Initial determinations under 31 CFR 1.26, whether to grant requests for notification and access to records and accountings of disclosures for the Office of Thrift Supervision, will be made by the head of the organizational unit having immediate custody of the records requested, or the delegate of such official. This information is contained in the appropriate system notice in the ''Privacy Act

Issuances,'' published biennially by the Office of the Federal Register. Requests for information and specific guidance on where to send requests for records should be addressed to: Privacy Act Request, Chief, Disclosure Branch, Information Services Division, Office of Thrift Supervision, 1700 G Street, NW., Washington, DC 20552.

Requests may be delivered in person to: Office of Thrift Supervision, Information Services Division, 1700 G Street, NW., Washington, DC.

3. *Requests for amendments of records*. Initial determinations under 31 CFR 1.27 (a) through (d) with respect to requests to amend records maintained by the Office of Thrift Supervision will be made by the head of the organization or unit having immediate custody of the records or the delegates of such official. Requests for amendment of records should be addressed as indicated in the appropriate system notice in ''Privacy Act Issuances'' published by the Office of the Federal Register. Requests for information and specific guidance on where to send these requests should be addressed to: Privacy Act Amendment Request, Chief, Disclosure Branch, Information Services Division, Office of Thrift Supervision, 1700 G Street, NW., Washington, DC 20552.

Privacy Act Amendment Requests may be delivered in person to: Office of Thrift Supervision, Information Services Division, 1700 G Street, NW., Washington, DC.

4. *Administrative appeal of initial determination refusing to amend record*. Appellate determination under 31 CFR 1.27(e) with respect to records of the Office of Thrift Supervision, including extensions of time on appeal, will be made by the Director, Public Affairs, Office of Thrift Supervision, or the delegate of such official, as limited by 5 U.S.C. 552a(d) (2) and (3). Appeals made by mail should be addressed as indicated in the letter of initial decision or to: Privacy Act Amendment Request, Chief, Disclosure Branch, Information Services Division, Office of Thrift Supervision, 1700 G Street, NW., Washington, DC 20552.

Appeals may be delivered in person to: Office of Thrift Supervision, Information Services Division, 1700 G Street, NW., Washington, DC.

5. *Statements of Disagreement*. ''Statements of Disagreement'' as described in 31 CFR 1.27(e)(4) shall be filed with the official signing the notification of refusal to amend at the address indicated in the letter of notification within 35 days of the date of notification and should be limited to one page.

6. *Service of process*. Service of process will be received by the Corporate Secretary of the Office of Thrift Supervision or the delegate of such official and shall be delivered to the following location: Corporate Secretary, Office of Thrift Supervision, 1700 G Street, NW., Washington, DC 20552.

7. *Annual notice of systems of record*. The annual notice of systems of records required to be published by the Office of the Federal Register is included in the publication entitled ''Privacy Act Issuances,'' as specified in 5 U.S.C. 552a(f). Any specific requirements for access, including identification requirements, in addition to the requirements set forth in 31 CFR 1.26 and 1.27 and (8) below, and locations for access are indicated in the notice for the pertinent system.

8. *Verification of identity*. An individual seeking notification or access to records, or seeking to amend a record, must satisfy one of the following identification requirements before action will be taken by the Office of Thrift Supervision on any such request:

(i) An individual seeking notification or access to records in person, or seeking to amend a record in person, may establish identity by the presentation of a single official document bearing a photograph (such as a passport or identification badge) or by the presentation of two items of identification which do not bear a photograph but do bear both a name and signature (such as a driver's license or credit card).

(ii) An individual seeking notification or access to records by mail, or seeking to amend a record by mail, may establish identity by a signature, address, and one other identifier such as a photocopy of a driver's license or other official document bearing the individual's signature.

(iii) Notwithstanding subdivisions (i) and (ii) of this subparagraph, an individual seeking notification or access to records by mail or in person, or seeking to amend a record by mail or in person, who so desires, may establish identity by providing a notarized statement, swearing or affirming to such individual's identity and to the fact that the individual understands the penalties provided in 5 U.S.C. 552a(i)(3) for requesting or obtaining access to records under false pretenses. Alternatively, an individual may provide a statement that the individual understands the penalties provided in 5 U.S.C. 552a(i)(3) for requesting or obtaining access to records under false pretenses which is subscribed by the individual as true and correct under penalty of perjury pursuant to 28 U.S.C. 1746. Notwithstanding subdivision (i), (ii), or (iii) of this subparagraph, a designated official may require additional proof of an individual's identity before action will be taken on any request, if such official determines that it is necessary to protect against unauthorized disclosure of information in a particular case. In addition, a parent of any minor or a legal guardian of any individual will be required to provide adequate proof of legal relationship before such person may act on behalf of such minor or such individual.

[60 FR 31633, June 16, 1995. Redesignated at 65 FR 2334, Jan. 14, 2000]

APPENDIX M TO SUBPART C OF PART 1 [RESERVED]

APPENDIX N TO SUBPART C OF PART 1—FINANCIAL CRIMES ENFORCEMENT NETWORK

1. *In general.* This appendix applies to the Financial Crimes Enforcement Network (FinCEN). It sets forth specific notification and access procedures with respect to particular systems of records, and identifies the officers designated to make the initial determinations with respect to notification and access to records and accountings of disclosures of records. This appendix also sets forth the specific procedures for requesting amendment of records and identifies the officers designated to make the initial and appellate determinations with respect to requests for amendment of records. It identifies the officers designated to grant extensions of time on appeal, the officers with whom ''Statements of Disagreement'' may be filed, the officer designated to receive service of process and the addresses for delivery of requests, appeals, and service of process. In addition, it references the notice of systems of records and notices of the routine uses of the information in the system required by 5 U.S.C. 552a(4) and (11) and published biennially by the Office of the Federal Register in ''Privacy Act Issuances.''

2. *Requests for notification and access to records and accountings of disclosures.* Initial determinations under 31 CFR 1.26, whether to grant requests for notification and access to records and accountings of disclosures for FinCEN will be made by the Freedom of Information/Privacy Act officer, FinCEN. Requests may be mailed to: Privacy Act Request, Financial Crimes Enforcement Network, Post Office Box 39, Vienna, VA 22183.

3. *Requests for amendments of records.* Initial determinations under 31 CFR 1.27(a) through (d) whether to grant requests to amend records maintained by FinCEN will be made by the Freedom of Information/Privacy Act officer, FinCEN. Requests may be mailed to: Privacy Act Request, Financial Crimes Enforcement Network, Post Office Box 39, Vienna, VA 22183.

4. *Verification of Identity.* An individual seeking notification or access to records, or seeking to amend a record, or seeking an accounting of disclosures, must satisfy one of the following identification requirements before action will be taken by FinCEN on any such request:

(i) An individual may establish identity through the mail by a signature, address, and one other identifier such as a photocopy of a driver's license or other official document bearing the individual's signature.

(ii) Notwithstanding this paragraph (4)(i), an individual may establish identity by providing a notarized statement, swearing or affirming to such individual's identity and to the fact that the individual understands the penalties provided in 5 U.S.C. 552a(i)(3) for requesting or obtaining access to records under false pretenses.

(iii) Notwithstanding this paragraph (4)(i) and (ii), the Freedom of Information Act/Privacy Act Officer or other designated official may require additional proof of an individual's identity before action will be taken on any request, if such official determines that it is necessary to protect against unauthorized disclosure of information in a particular case. In addition, a parent of any minor or a legal guardian of any individual will be required to provide adequate proof of legal relationship before such person may act on behalf of such minor or such individual.

5. *Administrative appeal of initial determinations refusing amendment of records.* Appellate determinations refusing amendment of records under 31 CFR 1.27(e) including extensions of time on appeal with respect to the records of FinCEN will be made by the Director of FinCEN or the delegate of the Director. Appeals should be addressed to: Privacy Act Amendment Appeal, Financial Crimes Enforcement Network, Post Office Box 39, Vienna, VA 22183.

6. *Statements of Disagreement.* ''Statements of Disagreement'' as described in 31 CFR 1.27(e)(4) shall be filed with the official signing the notification of refusal to amend at the address indicated in the letter of notification within 35 days of the date of such notification and should be limited to one page.

7. *Service of Process.* Service of process will be received by the Chief Counsel of FinCEN and shall be delivered to the following location: Office of Chief Counsel, Financial Crimes Enforcement Network, Post Office Box 39, Vienna, VA 22183.

8. *Biennial notice of systems of records.* The biennial notice of systems of records is published by the Office of the Federal Register, as specified in 5 U.S.C. 552a(f). The publication is entitled ''Privacy Act Issuances.'' Any specific requirements for access, including identification requirements, in addition to the requirements set forth in 31 CFR 1.26 and 1.27 and paragraph 4 of this appendix are indicated in the notice for the pertinent system.

[68 FR 55311, Sept. 25, 2003]

PART 2—NATIONAL SECURITY INFORMATION

Sec.

2.1 Processing of mandatory declassification review requests.
2.2 Access to classified information by historical researchers, former Treasury

Presidential and Vice Presidential appointees, and former Presidents and Vice Presidents.

AUTHORITY: 31 U.S.C. 321, E.O. 12958, 60 FR 19825, E.O. 13292, 68 FR 15315.

SOURCE: 72 FR 63104, Nov. 8, 2007, unless otherwise noted.

§ 2.1 Processing of mandatory declassification review requests.

(a) Except as provided by section 3.4(b) of Executive Order 13292, Further Amendment to Executive Order 12958, as amended, *Classified National Security Information*, all information classified by the Department of the Treasury under these Orders or any predecessor Executive Order shall be subject to mandatory declassification review by the Department, if:

(1) The request for a mandatory declassification review describes the document or material containing the information with sufficient specificity to enable Treasury personnel to locate it with a reasonable amount of effort;

(2) The information is not exempt from search and review under sections 105C, 105D, or 701 of the National Security Act of 1947 (50 U.S.C. 431, 432 and 432a); and

(3) The information has not been reviewed for declassification within the past 2 years or the information is not the subject of pending litigation.

(b) Requests for classified records originated by the Department of the Treasury shall be directed to the Office of Security Programs, Attention: Assistant Director (Information Security), 1500 Pennsylvania Avenue, NW., Washington, DC 20220. Upon receipt of each request for mandatory declassification review, pursuant to section 3.5 of Executive Order 13292, the following procedures will apply:

(1) The Office of Security Programs will acknowledge receipt of the request.

(2)(i) A mandatory declassification review request need not identify the requested information by date or title of the responsive records, but must be of sufficient specificity to allow Treasury personnel to locate records containing the information sought with a reasonable amount of effort. Whenever a request does not reasonably describe the information sought, the requester will be notified by the Office of Security Programs that unless additional information is provided or the scope of the request is narrowed, no further action will be undertaken with respect to the request.

(ii) If Treasury has reviewed the information within the past 2 years and determined that all or part thereof remains classified, or the information is the subject of pending litigation, the requester shall be so informed and advised of the requester's appeal rights.

(3) The Office of Security Programs will determine the appropriate Treasury offices or bureaus to conduct the mandatory declassification review. The Office of Security Programs will also advise Treasury and/or bureau reviewing officials concerning the mandatory declassification review process. Classified information relating to intelligence activities (including special activities), intelligence sources or methods, or cryptology will also be coordinated with the Office of the Assistant Secretary (Intelligence and Analysis). As appropriate, the Office of Security Programs will refer requests to other Federal departments and agencies having a direct interest in the requested documents.

(4)(i) Treasury personnel undertaking a mandatory declassification review shall make reasonable efforts to determine if particular information may be declassified. Reviewing officials may rely on applicable exemption criteria under the Freedom of Information Act, the Privacy Act, and any other applicable law that authorizes the withholding of information. Reviewing officials shall also identify the amount of search and review time required to process each request. Barring extenuating circumstances, mandatory declassification reviews for reasonably small volumes of records should be completed in a timely fashion. A final determination regarding large volumes of records should ordinarily be made within one year of Treasury's receipt of any mandatory declassification review request.

(ii) If the Director, Office of Security Programs determines that a Treasury office or bureau responsible for conducting a mandatory declassification review is not making reasonable efforts

to review classified information subject to a mandatory declassification request, the Director may authorize Treasury-and/or bureau-originated information to be declassified in consultation with the Department's Senior Agency Official.

(iii) If information cannot be declassified in its entirety, reasonable efforts, consistent with applicable law, will be made to release those declassified portions of the requested information that constitute a coherent segment. Upon the denial or partial denial of a declassification request, the requester will be so informed by the Office of Security Programs and advised of the requester's appeal rights.

(5)(i) If Treasury receives a mandatory declassification review request for information in its possession that were originated by another Federal department or agency, the Office of Security Programs will forward the request to that department or agency for a declassification determination, together with a copy of the requested records, a recommendation concerning a declassification determination, and a request to be advised of that department's or agency's declassification determination. The Office of Security Programs may, after consultation with the originating department or agency, inform any requester of the referral unless such association is itself classified under Executive Order 13292 or prior orders.

(ii) Mandatory declassification review requests concerning classified information originated by a Treasury office or bureau that has been transferred to another Federal department or agency will be forwarded to the appropriate successor department or agency for a declassification determination.

(6) If another Federal department or agency forwards a mandatory declassification review request to Treasury for information in its custody that was classified by Treasury, the Office of Security Programs will:

(i) Advise the referring department or agency as to whether it may notify the requester of the referral; and

(ii) Respond to the Federal department, agency, or requester, as applicable, in accordance with the requirements of this section.

(7)(i) Upon the denial, in whole or in part, of a request for the mandatory declassification review of information, the Office of Security Programs will so notify the requester in writing and will inform the requester of the right to appeal the classification determination within 60 calendar days of the receipt of the classification determination. The notice will also advise the requester of the name and address of the Treasury official who will be responsible for deciding an appeal (the Deciding Official). The Office of Security Programs will coordinate appeals with the appropriate Treasury offices and bureaus.

(ii) The Deciding Official should make a determination on an appeal within 30 working days following the receipt of the appeal, or within 60 working days following receipt if the Deciding Official determines that additional time is required to make a determination and so notifies the requester. The Deciding Official should notify the requester in writing of Treasury's determination on appeal and, if applicable, the reasons for any whole or partial denial of the appeal. The Office of Security Programs will also notify the requester of their right of a final appeal to the Interagency Security Classification Appeals Panel, as appropriate, under 32 CFR 2001.33.

(8)(i) Treasury may charge fees for search, review, and duplicating costs in connection with a mandatory declassification review request.

(A) The fee for services of Treasury personnel involved in locating and/or reviewing records will be charged at the rate of a GS–11, Step 1 employee, in the Washington-Baltimore Federal pay area, in effect when the mandatory declassification review request is received by the Office of Security Programs for searches that take more than two hours or for review times that are greater than two hours. Fees may be waived, in writing, by a bureau head or the equivalent Treasury official at the Assistant Secretary level.

(B) There is no fee for duplicating the first 100 pages of fully or partially releasable documents. The cost of additional pages is 20 cents per page. No

charges shall be levied for search and/or review time requiring less than 2 hours.

(ii) If it is estimated that the fees associated with a mandatory declassification review will exceed $100, the Office of Security Programs will notify the requester in writing of the estimated costs and shall obtain satisfactory written assurance of full payment or require the requester to make an advance payment of the entire estimated fee before proceeding to process the request. Treasury may request pre-payment where the fee is likely to exceed $500. After 60 calendar days without receiving the requester's written assurance of full payment or agreement to make pre-payment of estimated fees (or to amend the mandatory declassification review request in a manner as to result in fees acceptable to the requester), Treasury may administratively terminate the mandatory declassification review request. Failure of a requester to pay fees after billing will result in future requests not being honored. Nothing in this paragraph will preclude Treasury from taking any other lawful action to recover payment for costs incurred in processing a mandatory declassification review request.

(iii) Payment of fees shall be made by check or money order to the Treasurer of the United States. Fees charged by Treasury for mandatory declassification review are separate and distinct from any other fees that may be imposed by a Presidential Library, the National Archives and Records Administration, or another Federal department or agency.

§ 2.2 Access to classified information by historical researchers, former Treasury Presidential and Vice Presidential appointees, and former Presidents and Vice Presidents.

(a) Access to classified information may be granted only to individuals who have a need-to-know the information. This requirement may be waived, however, for individuals who:

(1) Are engaged in historical research projects;

(2) Previously occupied a position in the Treasury to which they were appointed by the President under 3 U.S.C. 105(a)(2)(A), or the Vice President under 3 U.S.C. 106(a)(1)(A); or

(3) Served as President or Vice President.

(b) Access to classified information may be granted to individuals described in paragraph (a) of this section upon:

(1) A written determination by Treasury's Senior Agency Official, under Section 5.4(d) of Executive Order 13292, that access is consistent with the interest of the national security; and

(2) Receipt of the individual's written agreement to safeguard classified information, including taking all appropriate steps to protect classified information from unauthorized disclosure or compromise. This written agreement must also include the individual's consent to have any and all notes (including those prepared or stored in electronic media, whether written or oral) reviewed by authorized Treasury personnel to ensure that no classified information is contained therein and, if so, that the classified information is not published.

(c)(i)(A) A historical researcher is not authorized to have access to foreign government information or information classified by another Federal department or agency.

(B) A former Treasury Presidential or Vice Presidential appointee is only authorized access to classified information that the former official originated, reviewed, signed or received while serving as such an appointee.

(C) A former President or Vice President is only authorized access to classified information that was prepared by Treasury while that individual was serving as President or Vice President.

(ii) Granting access to classified information pursuant to this section does not constitute the granting of a security clearance for access to classified information.

(d) Treasury personnel will coordinate access to classified information by individuals described in paragraph (a) of this section with the Director, Office of Security Programs, who will ensure that the written agreement described in paragraph (b)(2) of this section is signed as a condition of being granted access to classified information.

(e) Any review of classified information by an individual described in paragraph (a) of this section shall take place in a location designated by the Director, Office of Security Programs. Such persons must be accompanied at all times by appropriately authorized Treasury personnel authorized to have access to the classified information being reviewed. All notes (including those prepared or stored in electronic media, whether written or oral) made by an individual described in paragraph (a) of this section shall remain in the custody of the Office of Security Programs pending a determination by appropriately cleared subject matter experts that no classified information is contained therein.

(f) An individual described in paragraph (a) of this section is subject to search, as are all packages or carrying cases prior to entering or leaving Treasury. Access to Treasury-originated classified information at another Federal department or agency, as may be authorized by the Director, Office of Security Programs shall be governed by security protocols in effect at the other Federal department or agency.

(g) Treasury personnel must perform a physical verification and an accounting of all classified information each time such information is viewed by an individual described in paragraph (a) of this section. Physical verification and an accounting of all classified information shall be made both prior to and after viewing. Any discrepancy must be immediately reported to the Director, Office of Security Programs.

(h) An individual described in paragraph (a) of this section may be charged reasonable fees for services rendered by Treasury in connection with the review of classified information under this section. To the extent such services involve searching, reviewing, and copying material, the provisions of §2.1(b)(8) shall apply.

PART 3—CLAIMS REGULATIONS AND INDEMNIFICATION OF DEPARTMENT OF TREASURY EMPLOYEES

Subpart A—Claims Under the Federal Tort Claims Act

Sec.
3.1 Scope of regulations.
3.2 Filing of claims.
3.3 Legal review.
3.4 Approval of claims not in excess of $25,000.
3.5 Limitations on authority to approve claims.
3.6 Final denial of a claim.
3.7 Action on approved claims.
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AUTHORITY: 28 U.S.C. 2672; 28 CFR part 14; 5 U.S.C. 301.

SOURCE: 35 FR 6429, Apr. 22, 1970, unless otherwise noted.

Subpart A—Claims Under the Federal Tort Claims Act

§3.1 Scope of regulations.

(a) The regulations in this part shall apply to claims asserted under the Federal Tort Claims Act, as amended, 28 U.S.C. 2672, accruing on or after January 18, 1967, for money damages against the United States for injury to or loss of property or personal injury or death caused by the negligent or wrongful act or omission of an employee of the Department while acting within the scope of his office or employment, under circumstances where the United States if a private person, would be liable to the claimant for such damage, loss, injury, or death, in accordance with the law of the place where the act or omission occurred. The regulations in this subpart

do not apply to any tort claims excluded from the Federal Tort Claims Act, as amended, under 28 U.S.C. 2680.

(b) Unless specifically modified by the regulations in this part, procedures and requirements for filing and handling claims under the Federal Tort Claims Act shall be in accordance with the regulations issued by the Department of Justice, at 28 CFR part 14, as amended.

§ 3.2 Filing of claims.

(a) *When presented.* A claim shall be deemed to have been presented upon the receipt from a claimant, his duly authorized agent or legal representative of an executed Standard Form 95 or other written notification of an incident, accompanied by a claim for money damages in a sum certain for injury to or loss of property, or personal injury, or death alleged to have occurred by reason of the incident.

(b) *Place of filing claim.* Claims shall be submitted directly or through the local field headquarters to the head of the bureau or office of the Department out of whose activities the incident occurred, if known; or if not known, to the General Counsel, Treasury Department, Washington, DC 20220.

(c) *Contents of claim.* The evidence and information to be submitted with the claim shall conform to the requirements of 28 CFR 14.4.

§ 3.3 Legal review.

Any claim that exceeds $500, involves personal injuries or automobile damage, or arises out of an incident that is likely to result in multiple claimants, shall be forwarded to the legal division of the bureau or office out of whose activities the claim arose. The claim, together with the reports of the employee and the investigation, shall be reviewed in the legal division which shall thereupon make a recommendation that the claim be approved, disapproved, or compromised, and shall advise on the need for referral of the claim to the Department of Justice. This recommendation and advice, together with the file, shall be forwarded to the head of the bureau or office or his designee.

[35 FR 6429, Apr. 22, 1970, as amended at 48 FR 16253, Apr. 15, 1983]

§ 3.4 Approval of claims not in excess of $25,000.

(a) Claims not exceeding $25,000 and not otherwise requiring consultation with the Department of Justice pursuant to 28 CFR 14.6(b) shall be approved, disapproved, or compromised by the head of the bureau or office or his designee, taking into consideration the recommendation of the legal division.

§ 3.5 Limitations on authority to approve claims.

(a) All proposed awards, compromises or settlements in excess of $25,000 require the prior written approval of the Attorney General.

(b) All claims which fall within the provisions of 28 CFR 14.6(b) require referral to and consultation with the Department of Justice.

(c) Any claim which falls within paragraph (a) or (b) of this section shall be reviewed by the General Counsel. If the claim, award, compromise, or settlement receives the approval of the General Counsel and the head of the bureau or office or his designee, a letter shall be prepared for the signature of the General Counsel transmitting to the Assistant Attorney General, Civil Division, Department of Justice, the case for approval or consultation as required by 28 CFR 14.6. Such letter shall conform with the requirements set forth in 28 CFR 14.7.

§ 3.6 Final denial of a claim.

The final denial of an administrative claim shall conform with the requirements of 28 CFR 14.9 and shall be signed by the head of the bureau or office, or his designee.

§ 3.7 Action on approved claims.

(a) Any award, compromise, or settlement in an amount of $2,500 or less shall be processed for payment from the appropriations of the bureau or office out of whose activity the claim arose.

(b) Payment of an award, compromise, or settlement in excess of $2,500 and not more than $100,000 shall be obtained by the bureau or office by forwarding Standard Form 1145 to the Claims Division, General Accounting Office.

(c) Payment of an award, compromise, or settlement in excess of $100,000 shall be obtained by the bureau by forwarding Standard Form 1145 to the Bureau of Government Financial Operations, Department of the Treasury, which will be responsible for transmitting the award, compromise, or settlement to the Bureau of the Budget for inclusion in a deficiency appropriation bill.

(d) When an award is in excess of $25,000, Standard Form 1145 must be accompanied by evidence that the award, compromise, or settlement has been approved by the Attorney General or his designee.

(e) When the use of Standard Form 1145 is required, it shall be executed by the claimant. When a claimant is represented by an attorney, the voucher for payment shall designate both the claimant and his attorney as payees; the check shall be delivered to the attorney, whose address shall appear on the voucher.

(f) Acceptance by the claimant, his agent, or legal representative, of any award, compromise or settlement made pursuant to the provisions of section 2672 or 2677 of title 28, United States Code, shall be final and conclusive on the claimant, his agent or legal representative and any other person on whose behalf or for whose benefit the claim has been presented, and shall constitute a complete release of any claim against the United States and against any employee of the Government whose act or omission gave rise to the claim, by reason of the same subject matter.

[35 FR 6429, Apr. 22, 1970, as amended at 39 FR 19470, June 3, 1974]

§ 3.8 Statute of limitations.

Claims under this subpart must be presented in writing to the Department within 2 years after the claim accrued.

Subpart B—Claims Under the Small Claims Act

§ 3.20 General.

The Act of December 28, 1922, 42 Stat. 1066, the Small Claims Act, authorized the head of each department and establishment to consider, ascertain, adjust, and determine claims of $1,000 or less for damage to, or loss of, privately owned property caused by the negligence of any officer or employee of the Government acting within the scope of his employment. The Federal Tort Claims Act superseded the Small Claims Act with respect to claims that are allowable under the former act. Therefore, claims that are not allowable under the Federal Tort Claims Act, for example, claims arising abroad, may be allowable under the Small Claims Act.

§ 3.21 Action by claimant.

Procedures and requirements for filing claims under this section shall be the same as required for filing claims under the Federal Tort Claims Act as set forth in Subpart A of this part.

§ 3.22 Legal review.

Claims filed under this subpart shall be forwarded to the legal division of the bureau or office out of whose activities the claim arose. The claim, together with the reports of the employee and the investigation, shall be reviewed in the legal division which shall thereupon make a recommendation that the claim be approved, disapproved or compromised.

§ 3.23 Approval of claims.

Claims shall be approved, disapproved, or compromised by the head of the bureau or office or his designee, taking into consideration the recommendation of the legal division.

§ 3.24 Statute of limitations.

No claim will be considered under this subpart unless filed within 1 year from the date of the accrual of said claim.

Subpart C—Indemnification of Department of Treasury Employees

SOURCE: 56 FR 42938, Aug. 30, 1991, unless otherwise noted.

§ 3.30 Policy.

(a) The Department of the Treasury may indemnify, in whole or in part, a

Department employee (which for purposes of this regulation shall include a former employee) for any verdict, judgment or other monetary award rendered against such employee, provided the Secretary or his or her designee determines that (1) the conduct giving rise to such verdict, judgment or award was within the scope of his or her employment and (2) such indemnification is in the interest of the Department of the Treasury.

(b) The Department of the Treasury may pay for the settlement or compromise of a claim against a Department employee at any time, provided the Secretary or his or her designee determines that (1) the alleged conduct giving rise to the claim was within the scope of the employee's employment and (2) such settlement or compromise is in the interest of the Department of the Treasury.

(c) Absent exceptional circumstances, as determined by the Secretary or his or her designee, the Department will not entertain a request to indemnify or to pay for settlement of a claim before entry of an adverse judgment, verdict or other determination.

(d) When a Department employee becomes aware that he or she has been named as a party in a proceeding in his or her individual capacity as a result of conduct within the scope of his or her employment, the employee should immediately notify his or her supervisor that such an action is pending. The supervisor shall promptly thereafter notify the chief legal officer of the employee's employing component. The employee shall immediately apprise the chief legal officer of his or her employing component of any offer to settle the proceeding.

(e) A Department employee may request indemnification to satisfy a verdict, judgment or monetary award entered against the employee or to compromise a claim pending against the employee. The employee shall submit a written request, with appropriate documentation including a copy of the verdict, judgment, award or other order or settlement proposal, in a timely manner to the Secretary or his or her designee for decision.

(f) Any payment under this section either to indemnify a Department employee or to settle a claim shall be contingent upon the availability of appropriated funds for the payment of salaries and expenses of the employing component.

PART 4—EMPLOYEES' PERSONAL PROPERTY CLAIMS

AUTHORITY: 31 U.S.C. 3721(j).

SOURCE: 62 FR 18518, Apr. 16, 1997, unless otherwise noted.

§ 4.1 Procedures.

The procedures for filing a claim with the Treasury Department for personal property that is lost or damaged incident to service are contained in Treasury Directive 32–13, ''Claims for Loss or Damage to Personal Property,'' and Treasury Department Publication 32–13, ''Policies and Procedures For Employees' Claim for Loss or Damage to Personal Property Incident to Service.''

PART 5—TREASURY DEBT COLLECTION

Subpart A—General Provisions

Sec.

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5.15 How will Treasury entities refer Treasury debts to private collection agencies?
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5.17 Will a debtor who owes a Treasury debt be ineligible for Federal loan assistance or Federal licenses, permits or privileges?
5.18 How does a debtor request a special review based on a change in circumstances such as catastrophic illness, divorce, death, or disability?
5.19 Will Treasury entities issue a refund if money is erroneously collected on a debt?

Subpart C—Procedures for Offset of Treasury Department Payments To Collect Debts Owed to Other Federal Agencies

5.20 How do other Federal agencies use the offset process to collect debts from payments issued by a Treasury entity?
5.21 What does a Treasury entity do upon receipt of a request to offset the salary of a Treasury entity employee to collect a debt owed by the employee to another Federal agency?

APPENDIX A TO PART 5—TREASURY DIRECTIVE 34–01—WAIVING CLAIMS AGAINST TREASURY EMPLOYEES FOR ERRONEOUS PAYMENTS

AUTHORITY: 5 U.S.C. 5514; 26 U.S.C. 6402; 31 U.S.C. 321, 3701, 3711, 3716, 3717, 3718, 3720A, 3720B, 3720D.

SOURCE: 67 FR 65845, Oct. 28, 2002, unless otherwise noted.

Subpart A—General Provisions

§ 5.1 What definitions apply to the regulations in this part?

As used in this part:

Administrative offset or *offset* means withholding funds payable by the United States (including funds payable by the United States on behalf of a State Government) to, or held by the United States for, a person to satisfy a debt owed by the person. The term ''administrative offset'' includes, but is not limited to, the offset of Federal salary, vendor, retirement, and Social Security benefit payments. The terms ''centralized administrative offset'' and ''centralized offset'' refer to the process by which the Treasury Department's Financial Management Service offsets Federal payments through the Treasury Offset Program.

Administrative wage garnishment means the process by which a Federal agency orders a non-Federal employer to withhold amounts from a debtor's wages to satisfy a debt, as authorized by 31 U.S.C. 3720D, 31 CFR 285.11, and this part.

Agency or *Federal agency* means a department, agency, court, court administrative office, or instrumentality in the executive, judicial, or legislative branch of the Federal Government, including government corporations.

Creditor agency means any Federal agency that is owed a debt.

Debt means any amount of money, funds or property that has been determined by an appropriate official of the Federal Government to be owed to the United States by a person. As used in this part, the term ''debt'' does not include debts arising under the Internal Revenue Code of 1986 (26 U.S.C. 1 *et seq.*).

Debtor means a person who owes a debt to the United States.

Delinquent debt means a debt that has not been paid by the date specified in the agency's initial written demand for payment or applicable agreement or instrument (including a post-delinquency payment agreement) unless other satisfactory payment arrangements have been made.

Delinquent Treasury debt means a delinquent debt owed to a Treasury entity.

Disposable pay has the same meaning as that term is defined in 5 CFR 550.1103.

Employee or *Federal employee* means a current employee of the Treasury Department or other Federal agency, including a current member of the Armed Forces, Reserve of the Armed Forces of

the United States, or the National Guard.

FCCS means the Federal Claims Collection Standards, which were jointly published by the Departments of the Treasury and Justice and codified at 31 CFR parts 900–904.

Financial Management Service means the Financial Management Service, a bureau of the Treasury Department, which is responsible for the centralized collection of delinquent debts through the offset of Federal payments and other means.

Payment agency or *Federal payment agency* means any Federal agency that transmits payment requests in the form of certified payment vouchers, or other similar forms, to a disbursing official for disbursement. The ''payment agency'' may be the agency that employs the debtor. In some cases, the Treasury Department may be both the creditor agency and payment agency.

Person means an individual, corporation, partnership, association, organization, State or local government, or any other type of entity other than a Federal agency.

Salary offset means a type of administrative offset to collect a debt owed by a Federal employee from the current pay account of the employee.

Secretary means the Secretary of the Treasury.

Tax refund offset is defined in 31 CFR 285.2(a).

Treasury debt means a debt owed to a Treasury entity by a person.

Treasury Department means the United States Department of the Treasury.

Treasury entity means the Office of Inspector General, the Office of Inspector General for Tax Administration, or a bureau of the Treasury Department, including the Departmental Offices, responsible for the collection of the applicable Treasury debt. Departmental Offices include, but are not limited to, the Office of D.C. Pensions, the Community Development Financial Institution Fund, the Executive Office of Asset Forfeiture, and the Office of Foreign Assets Control. Other bureaus include, but are not limited to, the Bureau of Public Debt; Bureau of Engraving and Printing; U.S. Mint; U.S. Secret Service; Customs Service; Financial Management Service; Internal Revenue Service; Bureau of Alcohol, Tobacco, and Firearms; Office of Comptroller of the Currency; the Office of Thrift Supervision; Federal Law Enforcement Training Center; and the Financial Crimes Enforcement Network.

§5.2 Why is the Treasury Department issuing these regulations and what do they cover?

(a) *Scope*. This part provides procedures for the collection of Treasury debts. This part also provides procedures for collection of other debts owed to the United States when a request for offset of a Treasury payment is received by the Treasury Department from another agency (for example, when a Treasury Department employee owes a debt to the United States Department of Education).

(b) *Applicability*. (1) This part applies to the Treasury Department when collecting a Treasury debt, to persons who owe Treasury debts, and to Federal agencies requesting offset of a payment issued by the Treasury Department as a payment agency (including salary payments to Treasury Department employees).

(2) This part does not apply to tax debts nor to any debt for which there is an indication of fraud or misrepresentation, as described in §900.3 of the FCCS, unless the debt is returned by the Department of Justice to the Treasury Department for handling.

(3) This part does not apply to the Financial Management Service when acting on behalf of other Federal agencies and states to collect delinquent debt referred to the Financial Management Service for collection action as required or authorized by Federal law. *See* 31 CFR part 285.

(4) Nothing in this part precludes collection or disposition of any debt under statutes and regulations other than those described in this part. *See, for example*, 5 U.S.C. 5705, Advancements and Deductions, which authorizes Treasury entities to recover travel advances by offset of up to 100% of a Federal employee's accrued pay. *See, also*, 5 U.S.C. 4108, governing the collection of training expenses. To the extent that the provisions of laws, other regulations, and Treasury Department enforcement

policies differ from the provisions of this part, those provisions of law, other regulations, and Treasury Department enforcement policies apply to the remission or mitigation of fines, penalties, and forfeitures, and debts arising under the tariff laws of the United States, rather than the provisions of this part.

(c) *Additional policies and procedures.* Treasury entities may, but are not required to, promulgate additional policies and procedures consistent with this part, the FCCS, and other applicable Federal law, policies, and procedures.

(d) *Duplication not required.* Nothing in this part requires a Treasury entity to duplicate notices or administrative proceedings required by contract, this part, or other laws or regulations.

(e) *Use of multiple collection remedies allowed.* Treasury entities and other Federal agencies may simultaneously use multiple collection remedies to collect a debt, except as prohibited by law. This part is intended to promote aggressive debt collection, using for each debt all available collection remedies. These remedies are not listed in any prescribed order to provide Treasury entities with flexibility in determining which remedies will be most efficient in collecting the particular debt.

§ 5.3 Do these regulations adopt the Federal Claims Collection Standards (FCCS)?

This part adopts and incorporates all provisions of the FCCS. This part also supplements the FCCS by prescribing procedures consistent with the FCCS, as necessary and appropriate for Treasury Department operations.

Subpart B—Procedures To Collect Treasury Debts

§ 5.4 What notice will Treasury entities send to a debtor when collecting a Treasury debt?

(a) *Notice requirements.* Treasury entities shall aggressively collect Treasury debts. Treasury entities shall promptly send at least one written notice to a debtor informing the debtor of the consequences of failing to pay or otherwise resolve a Treasury debt. The notice(s) shall be sent to the debtor at the most current address of the debtor in the records of the Treasury entity collecting the debt. Generally, before starting the collection actions described in §§ 5.5 and 5.9 through 5.17 of this part, Treasury entities will send no more than two written notices to the debtor. The purpose of the notice(s) is to explain why the debt is owed, the amount of the debt, how a debtor may pay the debt or make alternate repayment arrangements, how a debtor may review documents related to the debt, how a debtor may dispute the debt, the collection remedies available to Treasury entities if the debtor refuses to pay the debt, and other consequences to the debtor if the debt is not paid. Except as otherwise provided in paragraph (b) of this section, the written notice(s) shall explain to the debtor:

(1) The nature and amount of the debt, and the facts giving rise to the debt;

(2) How interest, penalties, and administrative costs are added to the debt, the date by which payment should be made to avoid such charges, and that such assessments must be made unless excused in accordance with 31 CFR 901.9 (*see* § 5.5 of this part);

(3) The date by which payment should be made to avoid the enforced collection actions described in paragraph (a)(6) of this section;

(4) The Treasury entity's willingness to discuss alternative payment arrangements and how the debtor may enter into a written agreement to repay the debt under terms acceptable to the Treasury entity (*see* § 5.6 of this part);

(5) The name, address, and telephone number of a contact person or office within the Treasury entity;

(6) The Treasury entity's intention to enforce collection if the debtor fails to pay or otherwise resolve the debt, by taking one or more of the following actions:

(i) *Offset.* Offset the debtor's Federal payments, including income tax refunds, salary, certain benefit payments (such as Social Security), retirement, vendor, travel reimbursements and advances, and other Federal payments (*see* §§ 5.10 through 5.12 of this part);

(ii) *Private collection agency*. Refer the debt to a private collection agency (*see* §5.15 of this part);

(iii) *Credit bureau reporting*. Report the debt to a credit bureau (*see* §5.14 of this part);

(iv) *Administrative wage garnishment*. Garnish the debtor's wages through administrative wage garnishment (*see* §5.13 of this part);

(v) *Litigation*. Refer the debt to the Department of Justice to initiate litigation to collect the debt (*see* §5.16 of this part);

(vi) *Treasury Department's Financial Management Service*. Refer the debt to the Financial Management Service for collection (*see* §5.9 of this part);

(7) That Treasury debts over 180 days delinquent must be referred to the Financial Management Service for the collection actions described in paragraph (a)(6) of this section (*see* §5.9 of this part);

(8) How the debtor may inspect and copy records related to the debt;

(9) How the debtor may request a review of the Treasury entity's determination that the debtor owes a debt and present evidence that the debt is not delinquent or legally enforceable (*see* §§5.10(c) and 5.11(c) of this part);

(10) How a debtor may request a hearing if the Treasury entity intends to garnish the debtor's private sector (*i.e.*, non-Federal) wages (*see* §5.13(a) of this part), including:

(i) The method and time period for requesting a hearing;

(ii) That the timely filing of a request for a hearing on or before the 15th business day following the date of the notice will stay the commencement of administrative wage garnishment, but not necessarily other collection procedures; and

(iii) The name and address of the office to which the request for a hearing should be sent.

(11) How a debtor who is a Federal employee subject to Federal salary offset may request a hearing (*see* §5.12(e) of this part), including:

(i) The method and time period for requesting a hearing;

(ii) That the timely filing of a request for a hearing on or before the 15th calendar day following receipt of the notice will stay the commencement of salary offset, but not necessarily other collection procedures;

(iii) The name and address of the office to which the request for a hearing should be sent;

(iv) That the Treasury entity will refer the debt to the debtor's employing agency or to the Financial Management Service to implement salary offset, unless the employee files a timely request for a hearing;

(v) That a final decision on the hearing, if requested, will be issued at the earliest practical date, but not later than 60 days after the filing of the request for a hearing, unless the employee requests and the hearing official grants a delay in the proceedings;

(vi) That any knowingly false or frivolous statements, representations, or evidence may subject the Federal employee to penalties under the False Claims Act (31 U.S.C. 3729–3731) or other applicable statutory authority, and criminal penalties under 18 U.S.C. 286, 287, 1001, and 1002, or other applicable statutory authority;

(vii) That unless prohibited by contract or statute, amounts paid on or deducted for the debt which are later waived or found not owed to the United States will be promptly refunded to the employee; and

(viii) That proceedings with respect to such debt are governed by 5 U.S.C. 5514 and 31 U.S.C. 3716;

(12) How the debtor may request a waiver of the debt, if applicable (*see, for example*, Treasury Directive 34–01 (Waiving Claims Against Treasury Employees for Erroneous Payments), set forth at appendix A of this part and at *http://www.treas.gov/regs*);

(13) How the debtor's spouse may claim his or her share of a joint income tax refund by filing Form 8379 with the Internal Revenue Service (*see http://www.irs.gov*)

(14) How the debtor may exercise other statutory or regulatory rights and remedies available to the debtor;

(15) That certain debtors may be ineligible for Federal Government loans, guaranties and insurance (*see* 31 U.S.C. 3720B, 31 CFR 285.13, and §5.17(a) of this part);

(16) If applicable, the Treasury entity's intention to suspend or revoke licenses, permits or privileges (*see* § 5.17(b) of this part); and

(17) That the debtor should advise the Treasury entity of a bankruptcy proceeding of the debtor or another person liable for the debt being collected.

(b) *Exceptions to notice requirements.* A Treasury entity may omit from a notice to a debtor one or more of the provisions contained in paragraphs (a)(6) through (a)(17) of this section if the Treasury entity, in consultation with its legal counsel, determines that any provision is not legally required given the collection remedies to be applied to a particular debt.

(c) *Respond to debtors; comply with FCCS.* Treasury entities should respond promptly to communications from debtors and comply with other FCCS provisions applicable to the administrative collection of debts. *See* 31 CFR part 901.

§ 5.5 How will Treasury entities add interest, penalty charges, and administrative costs to a Treasury debt?

(a) *Assessment and notice.* Treasury entities shall assess interest, penalties and administrative costs on Treasury debts in accordance with the provisions of 31 U.S.C. 3717 and 31 CFR 901.9, on Treasury debts. Interest shall be charged in accordance with the requirements of 31 U.S.C. 3717(a). Penalties shall accrue at the rate of 6% per year, or such other higher rate as authorized by law. Administrative costs, that is the costs of processing and handling a delinquent debt, shall be determined by the Treasury entity collecting the Treasury debt. Treasury entities may have additional policies regarding how interest, penalties, and administrative costs are assessed on particular types of debts. Treasury entities are required to explain in the notice to the debtor described in § 5.4 of this part how interest, penalties, costs, and other charges are assessed, unless the requirements are included in a contract or repayment agreement.

(b) *Waiver of interest, penalties, and administrative costs.* Unless otherwise required by law, Treasury entities may not charge interest if the amount due on the debt is paid within 30 days after the date from which the interest accrues. *See* 31 U.S.C. 3717(d). Treasury entities may waive interest, penalties, and administrative costs, or any portion thereof, when it would be against equity and good conscience or not in the Treasury entity's best interest to collect such charges, in accordance with Treasury guidelines for waiving claims against Treasury employees for erroneous overpayments. *See* Treasury Directive 34–01 (Waiving Claims Against Treasury Employees for Erroneous Payments) set forth at appendix A of this part and at *http://www.treas.gov/regs.* Legal counsel approval is not required to waive such charges. Cf., §§ 5.7 and 5.8 of this part, which require legal counsel approval when compromising a debt or terminating debt collection activity on a debt.

(c) *Accrual during suspension of debt collection.* In most cases, interest, penalties and administrative costs will continue to accrue during any period when collection has been suspended for any reason (for example, when the debtor has requested a hearing). Treasury entities may suspend accrual of any or all of these charges when accrual would be against equity and good conscience or not in the Treasury entity's best interest, in accordance with Treasury guidelines for waiving claims against Treasury employees for erroneous overpayments. *See* Treasury Directive 34–01 (Waiving Claims Against Treasury Employees for Erroneous Payments), set forth at appendix A of this part and *http://www.treas.gov/regs.*

§ 5.6 When will Treasury entities allow a debtor to pay a Treasury debt in installments instead of one lump sum?

If a debtor is financially unable to pay the debt in one lump sum, a Treasury entity may accept payment of a Treasury debt in regular installments, in accordance with the provisions of 31 CFR 901.8 and the Treasury entity's policies and procedures.

§ 5.7 When will Treasury entities compromise a Treasury debt?

If a Treasury entity cannot collect the full amount of a Treasury debt, the

Treasury entity may compromise the debt in accordance with the provisions of 31 CFR part 902 and the Treasury entity's policies and procedures. Legal counsel approval to compromise a Treasury debt is required as described in Treasury Directive 34–02 (Credit Management and Debt Collection), which may be found at *http://www.treas.gov/regs*.

§5.8 When will Treasury entities suspend or terminate debt collection on a Treasury debt?

If, after pursuing all appropriate means of collection, a Treasury entity determines that a Treasury debt is uncollectible, the Treasury entity may suspend or terminate debt collection activity in accordance with the provisions of 31 CFR part 903 and the Treasury entity's policies and procedures. Legal counsel approval to terminate debt collection activity is required as described in Treasury Directive 34–02 (Credit Management and Debt Collection), which may be found at *http://www.treas.gov/regs*.

§5.9 When will Treasury entities transfer a Treasury debt to the Treasury Department's Financial Management Service for collection?

(a) Treasury entities will transfer any eligible debt that is more than 180 days delinquent to the Financial Management Service for debt collection services, a process known as ''cross-servicing.'' *See* 31 U.S.C. 3711(g) and 31 CFR 285.12. Treasury entities may transfer debts delinquent 180 days or less to the Financial Management Service in accordance with the procedures described in 31 CFR 285.12. The Financial Management Service takes appropriate action to collect or compromise the transferred debt, or to suspend or terminate collection action thereon, in accordance with the statutory and regulatory requirements and authorities applicable to the debt and the collection action to be taken. *See* 31 CFR 285.12(b)(2). Appropriate action includes, but is not limited to, contact with the debtor, referral of the debt to the Treasury Offset Program, private collection agencies or the Department of Justice, reporting of the debt to credit bureaus, and administrative wage garnishment.

(b) At least sixty (60) days prior to transferring a Treasury debt to the Financial Management Service, Treasury entities will send notice to the debtor as required by §5.4 of this part. Treasury entities will certify to the Financial Management Service, in writing, that the debt is valid, delinquent, legally enforceable, and that there are no legal bars to collection. In addition, Treasury entities will certify their compliance with all applicable due process and other requirements as described in this part and other Federal laws. *See* 31 CFR 285.12(i) regarding the certification requirement.

(c) As part of its debt collection process, the Financial Management Service uses the Treasury Offset Program to collect Treasury debts by administrative and tax refund offset. *See* 31 CFR 285.12(g). The Treasury Offset Program is a centralized offset program administered by the Financial Management Service to collect delinquent debts owed to Federal agencies and states (including past-due child support). Under the Treasury Offset Program, before a Federal payment is disbursed, the Financial Management Service compares the name and taxpayer identification number (TIN) of the payee with the names and TINs of debtors that have been submitted by Federal agencies and states to the Treasury Offset Program database. If there is a match, the Financial Management Service (or, in some cases, another Federal disbursing agency) offsets all or a portion of the Federal payment, disburses any remaining payment to the payee, and pays the offset amount to the creditor agency. Federal payments eligible for offset include, but are not limited to, income tax refunds, salary, travel advances and reimbursements, retirement and vendor payments, and Social Security and other benefit payments.

§5.10 How will Treasury entities use administrative offset (offset of non-tax Federal payments) to collect a Treasury debt?

(a) *Centralized administrative offset through the Treasury Offset Program.* (1) In most cases, the Financial Management Service uses the Treasury Offset Program to collect Treasury debts by

the offset of Federal payments. *See* § 5.9(c) of this part. If not already transferred to the Financial Management Service under § 5.9 of this part, Treasury entities will refer any eligible debt over 180 days delinquent to the Treasury Offset Program for collection by centralized administrative offset. *See* 31 U.S.C. 3716(c)(6); 31 CFR part 285, subpart A; and 31 CFR 901.3(b). Treasury entities may refer any eligible debt less than 180 days delinquent to the Treasury Offset Program for offset.

(2) At least sixty (60) days prior to referring a debt to the Treasury Offset Program, in accordance with paragraph (a)(1) of this section, Treasury entities will send notice to the debtor in accordance with the requirements of § 5.4 of this part. Treasury entities will certify to the Financial Management Service, in writing, that the debt is valid, delinquent, legally enforceable, and that there are no legal bars to collection by offset. In addition, Treasury entities will certify their compliance with the requirements described in this part.

(b) *Non-centralized administrative offset for Treasury debts.* (1) When centralized administrative offset through the Treasury Offset Program is not available or appropriate, Treasury entities may collect past-due, legally enforceable Treasury debts through non-centralized administrative offset. *See* 31 CFR 901.3(c). In these cases, Treasury entities may offset a payment internally or make an offset request directly to a Federal payment agency. If the Federal payment agency is another Treasury entity, the Treasury entity making the request shall do so through the Deputy Chief Financial Officer as described in § 5.20(c) of this part.

(2) At least thirty (30) days prior to offsetting a payment internally or requesting a Federal payment agency to offset a payment, Treasury entities will send notice to the debtor in accordance with the requirements of § 5.4 of this part. When referring a debt for offset under this paragraph (b), Treasury entities making the request will certify, in writing, that the debt is valid, delinquent, legally enforceable, and that there are no legal bars to collection by offset. In addition, Treasury entities will certify their compliance with these regulations concerning administrative offset. *See* 31 CFR 901.3(c)(2)(ii).

(c) *Administrative review.* The notice described in § 5.4 of this part shall explain to the debtor how to request an administrative review of a Treasury entity's determination that the debtor owes a Treasury debt and how to present evidence that the debt is not delinquent or legally enforceable. In addition to challenging the existence and amount of the debt, the debtor may seek a review of the terms of repayment. In most cases, Treasury entities will provide the debtor with a ''paper hearing'' based upon a review of the written record, including documentation provided by the debtor. Treasury entities shall provide the debtor with a reasonable opportunity for an oral hearing when the debtor requests reconsideration of the debt and the Treasury entity determines that the question of the indebtedness cannot be resolved by review of the documentary evidence, for example, when the validity of the debt turns on an issue of credibility or veracity. Unless otherwise required by law, an oral hearing under this section is not required to be a formal evidentiary hearing, although Treasury entities should carefully document all significant matters discussed at the hearing. Treasury entities may suspend collection through administrative offset and/or other collection actions pending the resolution of a debtor's dispute. Each Treasury entity will have its own policies and procedures concerning the administrative review process consistent with the FCCS and the regulations in this section.

(d) *Procedures for expedited offset.* Under the circumstances described in 31 CFR 901.3(b)(4)(iii), Treasury entities may effect an offset against a payment to be made to the debtor prior to sending a notice to the debtor, as described in § 5.4 of this part, or completing the procedures described in paragraph (b)(2) and (c) of this section. Treasury entities shall give the debtor notice and an opportunity for review as soon as practicable and promptly refund any money ultimately found not to have been owed to the Government.

§5.11 How will Treasury entities use tax refund offset to collect a Treasury debt?

(a) *Tax refund offset*. In most cases, the Financial Management Service uses the Treasury Offset Program to collect Treasury debts by the offset of tax refunds and other Federal payments. *See* §5.9(c) of this part. If not already transferred to the Financial Management Service under §5.9 of this part, Treasury entities will refer to the Treasury Offset Program any past-due, legally enforceable debt for collection by tax refund offset. *See* 26 U.S.C. 6402(d), 31 U.S.C. 3720A and 31 CFR 285.2.

(b) *Notice*. At least sixty (60) days prior to referring a debt to the Treasury Offset Program, Treasury entities will send notice to the debtor in accordance with the requirements of §5.4 of this part. Treasury entities will certify to the Financial Management Service's Treasury Offset Program, in writing, that the debt is past-due and legally enforceable in the amount submitted and that the Treasury entities have made reasonable efforts to obtain payment of the debt as described in 31 CFR 285.2(d). In addition, Treasury entities will certify their compliance with all applicable due process and other requirements described in this part and other Federal laws. *See* 31 U.S.C. 3720A(b) and 31 CFR 285.2.

(c) *Administrative review*. The notice described in §5.4 of this part shall provide the debtor with at least 60 days prior to the initiation of tax refund offset to request an administrative review as described in §5.10(c) of this part. Treasury entities may suspend collection through tax refund offset and/or other collection actions pending the resolution of the debtor's dispute.

§5.12 How will Treasury entities offset a Federal employee's salary to collect a Treasury debt?

(a) *Federal salary offset*. (1) Salary offset is used to collect debts owed to the United States by Treasury Department and other Federal employees. If a Federal employee owes a Treasury debt, Treasury entities may offset the employee's Federal salary to collect the debt in the manner described in this section. For information on how a Federal agency other than a Treasury entity may collect debt from the salary of a Treasury Department employee, see §§5.20 and 5.21, subpart C, of this part.

(2) Nothing in this part requires a Treasury entity to collect a Treasury debt in accordance with the provisions of this section if Federal law allows otherwise. *See, for example*, 5 U.S.C. 5705 (travel advances not used for allowable travel expenses are recoverable from the employee or his estate by setoff against accrued pay and other means) and 5 U.S.C. 4108 (recovery of training expenses).

(3) Treasury entities may use the administrative wage garnishment procedure described in §5.13 of this part to collect a debt from an individual's non-Federal wages.

(b) *Centralized salary offset through the Treasury Offset Program*. As described in §5.9(a) of this part, Treasury entities will refer Treasury debts to the Financial Management Service for collection by administrative offset, including salary offset, through the Treasury Offset Program. When possible, Treasury entities should attempt salary offset through the Treasury Offset Program before applying the procedures in paragraph (c) of this section. See 5 CFR 550.1109.

(c) *Non-centralized salary offset for Treasury debts*. When centralized salary offset through the Treasury Offset Program is not available or appropriate, Treasury entities may collect delinquent Treasury debts through non-centralized salary offset. *See* 5 CFR 550.1109. In these cases, Treasury entities may offset a payment internally or make a request directly to a Federal payment agency to offset a salary payment to collect a delinquent debt owed by a Federal employee. If the Federal payment agency is another Treasury entity, the Treasury entity making the request shall do so through the Deputy Chief Financial Officer as described in §5.20(c) of this part. At least thirty (30) days prior to offsetting internally or requesting a Federal agency to offset a salary payment, Treasury entities will send notice to the debtor in accordance with the requirements of §5.4 of this part. When referring a debt for offset, Treasury entities will certify to the payment agency, in writing, that the

debt is valid, delinquent and legally enforceable in the amount stated, and there are no legal bars to collection by salary offset. In addition, Treasury entities will certify that all due process and other prerequisites to salary offset have been met. *See* 5 U.S.C. 5514, 31 U.S.C. 3716(a), and this section for a description of the due process and other prerequisites for salary offset.

(d) *When prior notice not required.* Treasury entities are not required to provide prior notice to an employee when the following adjustments are made by a Treasury entity to a Treasury employee's pay:

(1) Any adjustment to pay arising out of any employee's election of coverage or a change in coverage under a Federal benefits program requiring periodic deductions from pay, if the amount to be recovered was accumulated over four pay periods or less;

(2) A routine intra-agency adjustment of pay that is made to correct an overpayment of pay attributable to clerical or administrative errors or delays in processing pay documents, if the overpayment occurred within the four pay periods preceding the adjustment, and, at the time of such adjustment, or as soon thereafter as practical, the individual is provided written notice of the nature and the amount of the adjustment and point of contact for contesting such adjustment; or

(3) Any adjustment to collect a debt amounting to $50 or less, if, at the time of such adjustment, or as soon thereafter as practical, the individual is provided written notice of the nature and the amount of the adjustment and a point of contact for contesting such adjustment.

(e) *Hearing procedures*—(1) *Request for a hearing.* A Federal employee who has received a notice that his or her Treasury debt will be collected by means of salary offset may request a hearing concerning the existence or amount of the debt. The Federal employee also may request a hearing concerning the amount proposed to be deducted from the employee's pay each pay period. The employee must send any request for hearing, in writing, to the office designated in the notice described in § 5.4. *See* § 5.4(a)(11). The request must be received by the designated office on or before the 15th calendar day following the employee's receipt of the notice. The employee must sign the request and specify whether an oral or paper hearing is requested. If an oral hearing is requested, the employee must explain why the matter cannot be resolved by review of the documentary evidence alone. All travel expenses incurred by the Federal employee in connection with an in-person hearing will be borne by the employee.

(2) *Failure to submit timely request for hearing.* If the employee fails to submit a request for hearing within the time period described in paragraph (e)(1) of this section, the employee will have waived the right to a hearing, and salary offset may be initiated. However, Treasury entities should accept a late request for hearing if the employee can show that the late request was the result of circumstances beyond the employee's control or because of a failure to receive actual notice of the filing deadline.

(3) *Hearing official.* Treasury entities must obtain the services of a hearing official who is not under the supervision or control of the Secretary. Treasury entities may contact the Deputy Chief Financial Officer as described in § 5.20(c) of this part or an agent of any agency designated in Appendix A to 5 CFR part 581 (List of Agents Designated to Accept Legal Process) to request a hearing official.

(4) *Notice of hearing.* After the employee requests a hearing, the designated hearing official shall inform the employee of the form of the hearing to be provided. For oral hearings, the notice shall set forth the date, time and location of the hearing. For paper hearings, the notice shall notify the employee of the date by which he or she should submit written arguments to the designated hearing official. The hearing official shall give the employee reasonable time to submit documentation in support of the employee's position. The hearing official shall schedule a new hearing date if requested by both parties. The hearing official shall give both parties reasonable notice of the time and place of a rescheduled hearing.

(5) *Oral hearing.* The hearing official will conduct an oral hearing if he or

she determines that the matter cannot be resolved by review of documentary evidence alone (for example, when an issue of credibility or veracity is involved). The hearing need not take the form of an evidentiary hearing, but may be conducted in a manner determined by the hearing official, including but not limited to:

(i) Informal conferences with the hearing official, in which the employee and agency representative will be given full opportunity to present evidence, witnesses and argument;

(ii) Informal meetings with an interview of the employee by the hearing official; or

(iii) Formal written submissions, with an opportunity for oral presentation.

(6) *Paper hearing*. If the hearing official determines that an oral hearing is not necessary, he or she will make the determination based upon a review of the available written record, including any documentation submitted by the employee in support of his or her position.

(7) *Failure to appear or submit documentary evidence*. In the absence of good cause shown (for example, excused illness), if the employee fails to appear at an oral hearing or fails to submit documentary evidence as required for a paper hearing, the employee will have waived the right to a hearing, and salary offset may be initiated. Further, the employee will have been deemed to admit the existence and amount of the debt as described in the notice of intent to offset. If the Treasury entity representative fails to appear at an oral hearing, the hearing official shall proceed with the hearing as scheduled, and make his or her determination based upon the oral testimony presented and the documentary evidence submitted by both parties.

(8) *Burden of proof*. Treasury entities will have the initial burden to prove the existence and amount of the debt. Thereafter, if the employee disputes the existence or amount of the debt, the employee must prove by a preponderance of the evidence that no debt exists or that the amount of the debt is incorrect. In addition, the employee may present evidence that the proposed terms of the repayment schedule are unlawful, would cause a financial hardship to the employee, or that collection of the debt may not be pursued due to operation of law.

(9) *Record*. The hearing official shall maintain a summary record of any hearing provided by this part. Witnesses will testify under oath or affirmation in oral hearings.

(10) *Date of decision*. The hearing official shall issue a written opinion stating his or her decision, based upon documentary evidence and information developed at the hearing, as soon as practicable after the hearing, but not later than 60 days after the date on which the request for hearing was received by the Treasury entity. If the employee requests a delay in the proceedings, the deadline for the decision may be postponed by the number of days by which the hearing was postponed. When a decision is not timely rendered, the Treasury entity shall waive penalties applied to the debt for the period beginning with the date the decision is due and ending on the date the decision is issued.

(11) *Content of decision*. The written decision shall include:

(i) A statement of the facts presented to support the origin, nature, and amount of the debt;

(ii) The hearing official's findings, analysis, and conclusions; and

(iii) The terms of any repayment schedules, if applicable.

(12) *Final agency action*. The hearing official's decision shall be final.

(f) Waiver not precluded. Nothing in this part precludes an employee from requesting waiver of an overpayment under 5 U.S.C. 5584 or 8346(b), 10 U.S.C. 2774, 32 U.S.C. 716, or other statutory authority.

(g) *Salary offset process*—(1) *Determination of disposable pay*. The office of the Deputy Chief Financial Officer will consult with the appropriate Treasury entity payroll office to determine the amount of a Treasury Department employee's disposable pay (as defined in §5.1 of this part) and will implement salary offset when requested to do so by a Treasury entity, as described in paragraph (c) of this section, or another agency, as described in §5.20 of this part. If the debtor is not employed

by the Treasury Department, the agency employing the debtor will determine the amount of the employee's disposable pay and will implement salary offset upon request.

(2) *When salary offset begins.* Deductions shall begin within three official pay periods following receipt of the creditor agency's request for offset.

(3) *Amount of salary offset.* The amount to be offset from each salary payment will be up to 15 percent of a debtor's disposable pay, as follows:

(i) If the amount of the debt is equal to or less than 15 percent of the disposable pay, such debt generally will be collected in one lump sum payment;

(ii) Installment deductions will be made over a period of no greater than the anticipated period of employment. An installment deduction will not exceed 15 percent of the disposable pay from which the deduction is made unless the employee has agreed in writing to the deduction of a greater amount or the creditor agency has determined that smaller deductions are appropriate based on the employee's ability to pay.

(4) *Final salary payment.* After the employee has separated either voluntarily or involuntarily from the payment agency, the payment agency may make a lump sum deduction exceeding 15 percent of disposable pay from any final salary or other payments pursuant to 31 U.S.C. 3716 in order to satisfy a debt.

(h) *Payment agency's responsibilities.* (1) As required by 5 CFR 550.1109, if the employee separates from the payment agency from which a Treasury entity has requested salary offset, the payment agency must certify the total amount of its collection and notify the Treasury entity and the employee of the amounts collected. If the payment agency is aware that the employee is entitled to payments from the Civil Service Retirement Fund and Disability Fund, the Federal Employee Retirement System, or other similar payments, it must provide written notification to the payment agency responsible for making such payments that the debtor owes a debt, the amount of the debt, and that the Treasury entity has complied with the provisions of this section. Treasury entities must submit a properly certified claim to the new payment agency before the collection can be made.

(2) If the employee is already separated from employment and all payments due from his or her former payment agency have been made, Treasury entities may request that money due and payable to the employee from the Civil Service Retirement Fund and Disability Fund, the Federal Employee Retirement System, or other similar funds, be administratively offset to collect the debt. Generally, Treasury entities will collect such monies through the Treasury Offset Program as described in § 5.9(c) of this part.

(3) When an employee transfers to another agency, Treasury entities should resume collection with the employee's new payment agency in order to continue salary offset.

§ 5.13 How will Treasury entities use administrative wage garnishment to collect a Treasury debt from a debtor's wages?

(a) Treasury entities are authorized to collect debts from a debtor's wages by means of administrative wage garnishment in accordance with the requirements of 31 U.S.C. 3720D and 31 CFR 285.11. This part adopts and incorporates all of the provisions of 31 CFR 285.11 concerning administrative wage garnishment, including the hearing procedures described in 31 CFR 285.11(f). Treasury entities may use administrative wage garnishment to collect a delinquent Treasury debt unless the debtor is making timely payments under an agreement to pay the debt in installments (see § 5.6 of this part). At least thirty (30) days prior to initiating an administrative wage garnishment, Treasury entities will send notice to the debtor in accordance with the requirements of § 5.4 of this part, including the requirements of § 5.4(a)(10) of this part. For Treasury debts referred to the Financial Management Service under § 5.9 of this part, Treasury entities may authorize the Financial Management Service to send a notice informing the debtor that administrative wage garnishment will be initiated and how the debtor may request a hearing as described in § 5.4(a)(10) of this part. If a debtor makes a timely request for

a hearing, administrative wage garnishment will not begin until a hearing is held and a decision is sent to the debtor. See 31 CFR 285.11(f)(4). If a debtor's hearing request is not timely, Treasury entities may suspend collection by administrative wage garnishment in accordance with the provisions of 31 CFR 285.11(f)(5). All travel expenses incurred by the debtor in connection with an in-person hearing will be borne by the debtor.

(b) This section does not apply to Federal salary offset, the process by which Treasury entities collect debts from the salaries of Federal employees (see §5.12 of this part).

§5.14 How will Treasury entities report Treasury debts to credit bureaus?

Treasury entities shall report delinquent Treasury debts to credit bureaus in accordance with the provisions of 31 U.S.C. 3711(e), 31 CFR 901.4, and the Office of Management and Budget Circular A–129, ''Policies for Federal Credit Programs and Nontax Receivables.'' For additional information, see Financial Management Service's ''Guide to the Federal Credit Bureau Program,'' which may be found at *http://www.fms.treas.gov/debt*. At least sixty (60) days prior to reporting a delinquent debt to a consumer reporting agency, Treasury entities will send notice to the debtor in accordance with the requirements of §5.4 of this part. Treasury entities may authorize the Financial Management Service to report to credit bureaus those delinquent Treasury debts that have been transferred to the Financial Management Service under §5.9 of this part.

§5.15 How will Treasury entities refer Treasury debts to private collection agencies?

Treasury entities will transfer delinquent Treasury debts to the Financial Management Service to obtain debt collection services provided by private collection agencies. See §5.9 of this part.

§5.16 When will Treasury entities refer Treasury debts to the Department of Justice?

(a) *Compromise or suspension or termination of collection activity*. Treasury entities shall refer Treasury debts having a principal balance over $100,000, or such higher amount as authorized by the Attorney General, to the Department of Justice for approval of any compromise of a debt or suspension or termination of collection activity. *See* §§5.7 and 5.8 of this part; 31 CFR 902.1; 31 CFR 903.1.

(b) *Litigation*. Treasury entities shall promptly refer to the Department of Justice for litigation delinquent Treasury debts on which aggressive collection activity has been taken in accordance with this part and that should not be compromised, and on which collection activity should not be suspended or terminated. See 31 CFR part 904. Treasury entities may authorize the Financial Management Service to refer to the Department of Justice for litigation those delinquent Treasury debts that have been transferred to the Financial Management Service under §5.9 of this part.

§5.17 Will a debtor who owes a Treasury debt be ineligible for Federal loan assistance or Federal licenses, permits or privileges?

(a) *Delinquent debtors barred from obtaining Federal loans or loan insurance or guaranties*. As required by 31 U.S.C. 3720B and 31 CFR 901.6, Treasury entities will not extend financial assistance in the form of a loan, loan guarantee, or loan insurance to any person delinquent on a debt owed to a Federal agency. This prohibition does not apply to disaster loans. Treasury entities may extend credit after the delinquency has been resolved. See 31 CFR 285.13 for standards defining when a ''delinquency'' is ''resolved'' for purposes of this prohibition.

(b) *Suspension or revocation of eligibility for licenses, permits, or privileges*. Unless prohibited by law, Treasury entities should suspend or revoke licenses, permits, or other privileges for any inexcusable or willful failure of a debtor to pay a debt. The Treasury entity responsible for distributing the licenses, permits, or other privileges will establish policies and procedures governing suspension and revocation for delinquent debtors. If applicable, Treasury entities will advise the debtor in the notice required by §5.4 of this

part of the Treasury entities' ability to suspend or revoke licenses, permits or privileges. *See* § 5.4(a)(16) of this part.

§ 5.18 How does a debtor request a special review based on a change in circumstances such as catastrophic illness, divorce, death, or disability?

(a) *Material change in circumstances.* A debtor who owes a Treasury debt may, at any time, request a special review by the applicable Treasury entity of the amount of any offset, administrative wage garnishment, or voluntary payment, based on materially changed circumstances beyond the control of the debtor such as, but not limited to, catastrophic illness, divorce, death, or disability.

(b) *Inability to pay.* For purposes of this section, in determining whether an involuntary or voluntary payment would prevent the debtor from meeting essential subsistence expenses (costs incurred for food, housing, clothing, transportation, and medical care), the debtor shall submit a detailed statement and supporting documents for the debtor, his or her spouse, and dependents, indicating:

(1) Income from all sources;

(2) Assets;

(3) Liabilities;

(4) Number of dependents;

(5) Expenses for food, housing, clothing, and transportation;

(6) Medical expenses; and

(7) Exceptional expenses, if any.

(c) *Alternative payment arrangement.* If the debtor requests a special review under this section, the debtor shall submit an alternative proposed payment schedule and a statement to the Treasury entity collecting the debt, with supporting documents, showing why the current offset, garnishment or repayment schedule imposes an extreme financial hardship on the debtor. The Treasury entity will evaluate the statement and documentation and determine whether the current offset, garnishment, or repayment schedule imposes extreme financial hardship on the debtor. The Treasury entity shall notify the debtor in writing of such determination, including, if appropriate, a revised offset, garnishment, or payment schedule. If the special review results in a revised offset, garnishment, or repayment schedule, the Treasury entity will notify the appropriate agency or other persons about the new terms.

§ 5.19 Will Treasury entities issue a refund if money is erroneously collected on a debt?

Treasury entities shall promptly refund to a debtor any amount collected on a Treasury debt when the debt is waived or otherwise found not to be owed to the United States, or as otherwise required by law. Refunds under this part shall not bear interest unless required by law.

Subpart C—Procedures for Offset of Treasury Department Payments To Collect Debts Owed to Other Federal Agencies

§ 5.20 How do other Federal agencies use the offset process to collect debts from payments issued by a Treasury entity?

(a) *Offset of Treasury entity payments to collect debts owed to other Federal agencies.* (1) In most cases, Federal agencies submit eligible debts to the Treasury Offset Program to collect delinquent debts from payments issued by Treasury entities and other Federal agencies, a process known as ''centralized offset.'' When centralized offset is not available or appropriate, any Federal agency may ask a Treasury entity (when acting as a ''payment agency'') to collect a debt owed to such agency by offsetting funds payable to a debtor by the Treasury entity, including salary payments issued to Treasury entity employees. This section and § 5.21 of this subpart C apply when a Federal agency asks a Treasury entity to offset a payment issued by the Treasury entity to a person who owes a debt to the United States.

(2) This subpart C does not apply to Treasury debts. *See* §§ 5.10 through 5.12 of this part for offset procedures applicable to Treasury debts.

(3) This subpart C does not apply to the collection of non-Treasury debts through tax refund offset. *See* 31 CFR 285.2 for tax refund offset procedures.

(b) *Administrative offset (including salary offset); certification.* A Treasury entity will initiate a requested offset

only upon receipt of written certification from the creditor agency that the debtor owes the past-due, legally enforceable debt in the amount stated, and that the creditor agency has fully complied with all applicable due process and other requirements contained in 31 U.S.C. 3716, 5 U.S.C. 5514, and the creditor agency's regulations, as applicable. Offsets will continue until the debt is paid in full or otherwise resolved to the satisfaction of the creditor agency.

(c) *Where a creditor agency makes requests for offset.* Requests for offset under this section shall be sent to the U.S. Department of the Treasury, ATTN: Deputy Chief Financial Officer, 1500 Pennsylvania Avenue, NW., Attention: Metropolitan Square, Room 6228, Washington, DC 20220. The Deputy Chief Financial Officer will forward the request to the appropriate Treasury entity for processing in accordance with this subpart C.

(d) *Incomplete certification.* A Treasury entity will return an incomplete debt certification to the creditor agency with notice that the creditor agency must comply with paragraph (b) of this section before action will be taken to collect a debt from a payment issued by a Treasury entity.

(e) *Review.* A Treasury entity is not authorized to review the merits of the creditor agency's determination with respect to the amount or validity of the debt certified by the creditor agency.

(f) *When Treasury entities will not comply with offset request.* A Treasury entity will comply with the offset request of another agency unless the Treasury entity determines that the offset would not be in the best interests of the United States, or would otherwise be contrary to law.

(g) *Multiple debts.* When two or more creditor agencies are seeking offsets from payments made to the same person, or when two or more debts are owed to a single creditor agency, the Treasury entity that has been asked to offset the payments may determine the order in which the debts will be collected or whether one or more debts should be collected by offset simultaneously.

(h) *Priority of debts owed to Treasury entity.* For purposes of this section, debts owed to a Treasury entity generally take precedence over debts owed to other agencies. The Treasury entity that has been asked to offset the payments may determine whether to pay debts owed to other agencies before paying a debt owed to a Treasury entity. The Treasury entity that has been asked to offset the payments will determine the order in which the debts will be collected based on the best interests of the United States.

§5.21 What does a Treasury entity do upon receipt of a request to offset the salary of a Treasury entity employee to collect a debt owed by the employee to another Federal agency?

(a) *Notice to the Treasury employee.* When a Treasury entity receives proper certification of a debt owed by one of its employees, the Treasury entity will begin deductions from the employee's pay at the next officially established pay interval. The Treasury entity will send a written notice to the employee indicating that a certified debt claim has been received from the creditor agency, the amount of the debt claimed to be owed by the creditor agency, the date deductions from salary will begin, and the amount of such deductions.

(b) *Amount of deductions from Treasury employee's salary.* The amount deducted under §5.20(b) of this part will be the lesser of the amount of the debt certified by the creditor agency or an amount up to 15% of the debtor's disposable pay. Deductions shall continue until the Treasury entity knows that the debt is paid in full or until otherwise instructed by the creditor agency. Alternatively, the amount offset may be an amount agreed upon, in writing, by the debtor and the creditor agency. *See* §5.12(g) (salary offset process).

(c) *When the debtor is no longer employed by the Treasury entity*—(1) *Offset of final and subsequent payments.* If a Treasury entity employee retires or resigns or if his or her employment ends before collection of the debt is complete, the Treasury entity will continue to offset, under 31 U.S.C. 3716, up to 100% of an employee's subsequent payments until the debt is paid or otherwise resolved. Such payments include

a debtor's final salary payment, lump-sum leave payment, and other payments payable to the debtor by the Treasury entity. *See* 31 U.S.C. 3716 and 5 CFR 550.1104(l) and 550.1104(m).

(2) *Notice to the creditor agency*. If the employee is separated from the Treasury entity before the debt is paid in full, the Treasury entity will certify to the creditor agency the total amount of its collection. If the Treasury entity is aware that the employee is entitled to payments from the Civil Service Retirement and Disability Fund, Federal Employee Retirement System, or other similar payments, the Treasury entity will provide written notice to the agency making such payments that the debtor owes a debt (including the amount) and that the provisions of 5 CFR 550.1109 have been fully complied with. The creditor agency is responsible for submitting a certified claim to the agency responsible for making such payments before collection may begin. Generally, creditor agencies will collect such monies through the Treasury Offset Program as described in §5.9(c) of this part.

(3) *Notice to the debtor*. The Treasury entity will provide to the debtor a copy of any notices sent to the creditor agency under paragraph (c)(2) of this section.

(d) *When the debtor transfers to another Federal agency*—(1) *Notice to the creditor agency*. If the debtor transfers to another Federal agency before the debt is paid in full, the Treasury entity will notify the creditor agency and will certify the total amount of its collection on the debt. The Treasury entity will provide a copy of the certification to the creditor agency. The creditor agency is responsible for submitting a certified claim to the debtor's new employing agency before collection may begin.

(2) *Notice to the debtor*. The Treasury entity will provide to the debtor a copy of any notices and certifications sent to the creditor agency under paragraph (d)(1) of this section.

(e) *Request for hearing official*. A Treasury entity will provide a hearing official upon the creditor agency's request with respect to a Treasury entity employee. *See* 5 CFR 550.1107(a).

APPENDIX A TO PART 5—TREASURY DIRECTIVE 34–01—WAIVING CLAIMS AGAINST TREASURY EMPLOYEES FOR ERRONEOUS PAYMENTS

TREASURY DIRECTIVE 34–01

Date: July 12, 2000.

Sunset Review: July 12, 2004.

Subject: Waiving Claims Against Treasury Employees for Erroneous Payments.

1. Purpose

This Directive establishes the Department of the Treasury's policies and procedures for waiving claims by the Government against an employee for erroneous payments of: (1) Pay and allowances (e.g., health and life insurance) and (2) travel, transportation, and relocation expenses and allowances.

2. Background

a. 5 U.S.C. §5584 authorizes the waiver of claims by the United States in whole or in part against an employee arising out of erroneous payments of pay and allowances, travel, transportation, and relocation expenses and allowances. A waiver may be considered when collection of the claim would be against equity and good conscience and not in the best interest of the United States provided that there does not exist, in connection with the claim, an indication of fraud, misrepresentation, fault, or lack of good faith on the part of the employee or any other person having an interest in obtaining a waiver of the claim.

b. The General Accounting Office Act of 1996 (Pub. L. 104–316), Title I, §103(d), enacted October 19, 1996, amended 5 U.S.C. §5584 by transferring the authority to waive claims for erroneous payments exceeding $1,500 from the Comptroller General of the United States to the Office of Management and Budget (OMB). OMB subsequently redelegated this waiver authority to the executive agency that made the erroneous payment. The authority to waive claims not exceeding $1,500, which was vested in the head of each agency prior to the enactment of Pub. L. 104–316, was unaffected by the Act.

c. 5 U.S.C. §5514 authorizes the head of each agency, upon a determination that an employee is indebted to the United States for debts to which the United States is entitled to be repaid at the time of the determination, to deduct up to 15%, or a greater amount if agreed to by the employee, from the employee's pay at officially established pay intervals in order to repay the debt.

3. Delegation

a. The Deputy Assistant Secretary (Administration), the heads of bureaus, the Inspector General, and the Inspector General for

Tax Administration are delegated the authority to waive, in whole or in part, a claim of the United States against an employee for an erroneous payment of pay and allowances, travel, transportation, and relocation expenses and allowances, aggregating less than $5,000 per claim, in accordance with the limitations and standards in 5 U.S.C. §5584.

b. Treasury's Deputy Chief Financial Officer is delegated the authority to waive, in whole or in part, a claim of the United States against an employee for an erroneous payment of pay and allowances, travel, transportation, and relocation expenses and allowances, aggregating $5,000 or more per claim, in accordance with the limitations and standards in 5 U.S.C. §5584.

4. Appeals

a. Requests for waiver of claims aggregating less than $5,000 per claim which are denied in whole or in part may be appealed to the Deputy Chief Financial Officer for the Department of the Treasury.

b. Requests for waiver of claims aggregating $5,000 or more per claim which are denied in whole or in part may be appealed to the Assistant Secretary (Management)/Chief Financial Officer.

5. Redelegation

The Deputy Assistant Secretary (Administration), the heads of bureaus, the Inspector General, and the Inspector General for Tax Administration may redelegate their respective authority and responsibility in writing no lower than the bureau deputy chief financial officer unless authorized by Treasury's Deputy Chief Financial Officer. Copies of each redelegation shall be submitted to the Department's Deputy Chief Financial Officer.

6. Responsibilities

a. The Deputy Assistant Secretary (Administration), the heads of bureaus, the Inspector General, and the Inspector General for Tax Administration shall:

(1) Promptly notify an employee upon discovery of an erroneous payment to that employee;

(2) Promptly act to collect the erroneous overpayment, following established debt collection policies and procedures;

(3) Establish time frames for employees to request a waiver in writing and for the bureau to review the waiver request. These time frames must take into consideration the responsibilities of the United States to take prompt action to pursue enforced collection on overdue debts, which may arise from erroneous payments.

(4) Notify employees whose requests for waiver of claims aggregating less than $5,000 per claim are denied in whole or in part of the basis for the denial and the right to appeal the denial to the Deputy Chief Financial Officer of the Department of the Treasury. All such appeals shall:

(a) Be made in writing;

(b) Specify the basis for the appeal;

(c) Include a chronology of the events surrounding the erroneous payments;

(d) Include a statement regarding any mitigating factors; and

(e) Be submitted to the official who denied the waiver request no later than 60 days from receipt by the employee of written notice of the denial of the waiver; and

(f) Attach at least the following documents: the employee's original request for a waiver; the bureau's denial of the request; any personnel actions, e.g., promotions, demotions, step increases, etc. that relate to the overpayment.

(5) Forward to Treasury's Deputy Chief Financial Officer the appeal and supporting documentation, the bureau's recommendation as to why the appeal should be approved or denied; and a statement as to the action taken by the bureau to avoid a recurrence of the error.

(6) Pay a refund when appropriate if a waiver is granted;

(7) Fulfill all labor relations responsibilities when implementing this directive; and

(8) Fulfill any other responsibility of the agency imposed by 5 U.S.C. §5584, or other applicable laws and regulations.

b. Treasury's Deputy Chief Financial Officer shall advise employees whose requests for waiver of claims aggregating $5,000 or more per claim are denied in whole or in part of the basis for the denial and the right to appeal the denial to the Assistant Secretary (Management)/Chief Financial Officer. All such appeals shall be in the format and contain the information and documentation described in subsection 6.a.(4), above. The Deputy Chief Financial Officer shall forward to Assistant Secretary (Management)/Chief Financial Officer the appeal and supporting documentation, his/her recommendation as to why the appeal should be approved or denied, and a statement obtained from the bureau from which the claim arose as to the action taken by the bureau to avoid a recurrence of the error.

7. Reporting Requirements

a. Each bureau, the Deputy Assistant Secretary (Administration) for Departmental Offices, the Inspector General, and the Inspector General for Tax Administration shall maintain a register of waiver actions subject to Departmental review. The register shall cover each fiscal year and be prepared by December 31 of each year for the preceding fiscal year. The register shall contain the following information:

(1) The total amount waived by the bureau;

(2) The number and dollar amount of waiver applications granted in full;

(3) The number and dollar amount of waiver applications granted in part and denied in part, and the dollar amount of each;

(4) The number and dollar amount of waiver applications denied in their entirety;

(5) The number of waiver applications referred to the Deputy Chief Financial Officer for initial action or for appeal;

(6) The dollar amount refunded as a result of waiver action by the bureau; and

(7) The dollar amount refunded as a result of waiver action by the Deputy Chief Financial Officer or the Assistant Secretary (Management)/Chief Financial Officer.

b. Each bureau, the Deputy Assistant Secretary (Administration) for Departmental Offices, the Inspector General, and the Inspector General for Tax Administration shall retain a written record of each waiver action for 6 years and 3 months. At a minimum, the written record shall contain:

(1) The bureau's summary of the events surrounding the erroneous payment;

(2) Any written comments submitted by the employee from whom collection is sought;

(3) An account of the waiver action taken and the reasons for such action; and

(4) Other pertinent information such as any action taken to refund amounts repaid.

8. Effect of Request for Waiver

A request for a waiver of a claim shall not affect an employee's opportunity under 5 U.S.C. §5514(a)(2)(D) for a hearing on the determination of the agency concerning the existence or the amount of the debt, or the terms of the repayment schedule. A request by an employee for a hearing under 5 U.S.C. §5514(a)(2)(D) shall not affect an employee's right to request a waiver of the claim. The determination whether to waive a claim may be made at the discretion of the deciding official either before or after a final decision is rendered pursuant to 5 U.S.C. §5514(a)(2)(D) concerning the existence or the amount of the debt, or the terms of the repayment schedule.

9. Guidelines for Determining Requests

a. A request for a waiver shall *not* be granted if the deciding official determines there exists, in connection with the claim, an indication of fraud, misrepresentation, fault, or lack of good faith on the part of the employee or any other person having an interest in obtaining a waiver of the claim. There are no exceptions to this rule for financial hardship or otherwise.

(1) ''Fault'' exists if, in light of all the circumstances, it is determined that the employee knew or should have known that an error existed, but failed to take action to have it corrected. Fault can derive from an act or a failure to act. Unlike fraud, fault does not require a deliberate intent to deceive. Whether an employee should have known about an error in pay is determined from the perspective of a reasonable person. Pertinent considerations in finding fault include whether:

(a) The payment resulted from the employee's incorrect, but not fraudulent, statement that the employee should have known was incorrect;

(b) The payment resulted from the employee's failure to disclose material facts in the employee's possession which the employee should have known to be material; or

(c) The employee accepted a payment, which the employee knew or should have known to be erroneous.

(2) Every case must be examined in light of its particular facts. For example, where an employee is promoted to a higher grade but the step level for the employee's new grade is miscalculated, it may be appropriate to conclude that there is no fault on the employee's part because employees are not typically expected to be aware of and understand the rules regarding determination of step level upon promotion. On the other hand, a different conclusion as to fault potentially may be reached if the employee in question is a personnel specialist or an attorney who concentrates on personnel law.

b. If the deciding official finds an indication of fraud, misrepresentation, fault, or lack of good faith on the part of the employee or any other person having an interest in obtaining a waiver of the claim, then the request for a waiver must be denied.

c. If the deciding official finds no indication of fraud, misrepresentation, fault, or lack of good faith on the part of the employee or any other person having an interest in obtaining a waiver of the claim, the employee is *not* automatically entitled to a waiver. Before a waiver can be granted, the deciding official must also determine that collection of the claim against an employee would be against equity and good conscience and not in the best interests of the United States. Factors to consider when determining if collection of a claim against an employee would be against equity and good conscience and not in the best interests of the United States include, but are not limited to:

(1) Whether collection of the claim would cause serious financial hardship to the employee from whom collection is sought.

(2) Whether, because of the erroneous payment, the employee either has relinquished a valuable right or changed positions for the worse, regardless of the employee's financial circumstances.

(a) To establish that a valuable right has been relinquished, it must be shown that the right was, in fact, valuable; that it cannot be regained; and that the action was based chiefly or solely on reliance on the overpayment.

(b) To establish that the employee's position has changed for the worse, it must be shown that the decision would not have been made but for the overpayment, and that the decision resulted in a loss.

(c) An example of a ''detrimental reliance'' would be a decision to sign a lease for a more expensive apartment based chiefly or solely upon reliance on an erroneous calculation of salary, and the funds spent for rent cannot be recovered.

(3) The cost of collecting the claim equals or exceeds the amount of the claim;

(4) The time elapsed between the erroneous payment and discovery of the error and notification of the employee;

(5) Whether failure to make restitution would result in unfair gain to the employee;

(6) Whether recovery of the claim would be unconscionable under the circumstances.

d. The burden is on the employee to demonstrate that collection of the claim would be against equity and good conscience and not in the best interest of the United States.

10. Authorities

a. 5 U.S.C. §5584, ''Claims for Overpayment of Pay and Allowances, and of Travel, Transportation and Relocation Expenses and Allowances.''

b. 31 U.S.C. §3711, ''Collection and Compromise.''

c. 31 U.S.C. §3716, ''Administrative Offset.''

d. 31 U.S.C. §3717, ''Interest and Penalty on Claims.''

e. 5 CFR Part 550, subpart K, ''Collection by Offset from Indebted Government Employees.''

f. 31 CFR Part 5, subpart B, ''Salary Offset.''

g. Determination with Respect to Transfer of Functions Pursuant to Public Law 104–316, OMB, December 17, 1996.

11. Cancellation

TD 34–01, ''Waiver of Claims for Erroneous Payments,'' dated October 25, 1995, is superseded.

12. Office of Primary Interest

Office of Accounting and Internal Control.

PART 6—APPLICATIONS FOR AWARDS UNDER THE EQUAL ACCESS TO JUSTICE ACT

Subpart A—General Provisions

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AUTHORITY: Sec. 203(a)(1), Pub. L. 96–481, 94 Stat. 2325 (5 U.S.C. 504(c)(1)).

SOURCE: 47 FR 20765, May 14, 1982, unless otherwise noted.

Subpart A—General Provisions

§6.1 Purpose of these rules.

The Equal Access to Justice Act, 5 U.S.C. 504 (called ''the Act'' in this part), provides for the award of attorney fees and other expenses to eligible individuals and entities who are parties to certain administrative proceedings (called ''adversary adjudications'') before agencies of the Government of the United States. An eligible party may receive an award when it prevails over an agency, unless the agency's position in the proceeding was substantially justified or special circumstances make an award unjust. The rules in this part describe the parties eligible for awards and the proceedings that are covered. They also explain how to apply for awards, and the procedures and standards that the Treasury Department will use to make them.

§6.2 When the Act applies.

The Act applies to any adversary adjudication pending before an agency at any time between October 1, 1981 and September 30, 1984. This includes proceedings begun before October 1, 1981, if final agency action has not been taken before that date, and proceedings pending on September 30, 1984, regardless of when they were initiated or when final agency action occurs.

§ 6.3 Proceedings covered.

The Act applies to adversary adjudications required to be conducted by the Treasury Department under 5 U.S.C. 554. Within the Treasury Department, these proceedings are:

(a) Bureau of Alcohol, Tobacco and Firearms: (1) Permit proceedings under the Federal Alcohol Administration Act (27 U.S.C. 204); (2) Permit proceedings under the Internal Revenue Code of 1954 (26 U.S.C. 5171, 5271, 5713); (3) License and permit proceedings under the Federal Explosives Laws (18 U.S.C. 843).

(b) Comptroller of the Currency:

All proceedings conducted under 12 CFR part 19, subpart A.

§ 6.4 Eligibility of applicants.

(a) To be eligible for an award of attorney fees and other expenses under the Act, the applicant must be a party to the adversary adjudication for which it seeks an award. The term ''party'' is defined in 5 U.S.C. 551(3). The applicant must show that it meets all conditions of eligibility set out in this subpart and has complied with the requirements in Subpart B of this part.

(b) The types of eligible applicants are as follows:

(1) An individual with a net worth of not more than $1 million;

(2) The sole owner of an unincorporated business who has a net worth of not more than $5 million, including both personal and business interests, and not more than 500 employees;

(3) A charitable or other tax-exempt organization described in section 501(c)(3) of the Internal Revenue Code (26 U.S.C. 501(c)(3)) with not more than 500 employees;

(4) A cooperative association as defined in section 15(a) of the Agricultural Marketing Act (12 U.S.C. 1141(a)) with not more than 500 employees, or

(5) Any other partnership, corporation, association, or public or private organization with a net worth of not more than $5 million and not more than 500 employees.

(c) For the purpose of eligibility, the net worth and number of employees of an applicant shall be determined as of the date the proceeding was initiated.

(d) An applicant who owns an unincorporated business will be considered as an ''individual'' rather than a ''sole owner of an unincorporated business'' if the matter in controversy is primarily related to personal interests rather than to business interests.

(e) The employees of an applicant include all persons who regularly perform services for remuneration for the applicant, under the applicant's direction and control. Part-time employees shall be included.

(f) The net worth and number of employees of the applicant and all of its affiliates shall be aggregated to determine eligibility. Any individual or group of individuals, corporation or other entity that directly or indirectly controls or owns a majority of the voting shares of another business, or controls in any manner the election of a majority of that business's board of directors, trustees, or other persons exercising similar functions, will be considered an affiliate of that business for purposes of this part, unless the adjudicative officer determines that such treatment would be unjust and contrary to the purposes of the Act in light of the actual relationship between the affiliated entities. In addition, the adjudicative officer may determine that financial relationships of the applicant other than those described in this paragraph constitute special circumstances that would make an award unjust.

(g) An applicant that participates in a proceeding primarily on behalf of one or more other persons or entities that would be ineligible is not itself eligible for an award.

§ 6.5 Standards for awards.

(a) A prevailing applicant may receive an award for fees and expenses incurred in connection with the *final* disposition of a proceeding, unless (1) the position of the agency was substantially justified, or (2) special circumstances make the award unjust. No presumption arises that the agency's position was not substantially justified simply because the agency did not prevail.

(b) An award will be reduced or denied if the applicant has unduly or unreasonably protracted the proceeding or if special circumstances make the award sought unjust.

§ 6.6 Allowable fees and other expenses.

(a) The following fees and other expenses are allowable under the Act:

(1) Reasonable expenses of expert witnesses;

(2) Reasonable cost of any study, analysis, engineering report, test, or project which the agency finds necessary for the preparation of the party's case;

(3) Reasonable attorney or agent fees.

(b) The amount of fees awarded will be based upon the prevailing market rates for the kind and quality of services furnished, except that

(1) Compensation for an expert witness will not exceed the highest rate paid by the agency for expert witnesses; and

(2) Attorney or agent fees will not be in excess of $75 per hour.

§ 6.7 Delegations of authority.

The Director, Bureau of Alcohol, Tobacco and Firearms and the Comptroller of the Currency are authorized to take final action on matters pertaining to the Equal Access to Justice Act, 5 U.S.C. 504, in proceedings listed in § 6.3 under the respective bureau or office. The Secretary of the Treasury may by order delegate authority to take final action on matters pertaining to the Equal Access to Justice Act in particular cases to other subordinate officials.

Subpart B—Information Required From Applicants

§ 6.8 Contents of application.

(a) An application for an award of fees and expenses under the Act shall identify the applicant and the proceeding for which an award is sought. The application shall show that the applicant has prevailed and identify the position of the agency in the proceeding that the applicant alleges was not substantially justified. The application shall state the basis for the applicant's belief that the position was not substantially justified. Unless the applicant is an individual, the application shall also state the number of employees of the applicant and describe briefly the type and purpose of its organization or business.

(b) The application shall also include a statement that the applicant's net worth does not exceed $1 million (if an individual) or $5 million (for all other applicants, including their affiliates). However, an applicant may omit this statement if:

(1) It attaches a copy of a ruling by the Internal Revenue Service that it qualifies as an organization described in section 501(c)(3) of the Internal Revenue Code (26 U.S.C. 501(c)(3)) or, in the case of a tax-exempt organization not required to obtain a ruling from the Internal Revenue Service on its exempt status, a statement that describes the basis for the applicant's belief that it qualifies under such section; or

(2) It states that it is a cooperative association as defined in section 15(a) of the Agricultural Marketing Act (12 U.S.C. 1141j(a)).

(c) The application shall itemize the amount of fees and expenses for which an award is sought.

(d) The application may also include any other matters that the applicant wishes the agency to consider in determining whether and in what amount an award should be made.

(e) The application shall be signed by the applicant or an authorized officer with respect to the eligibility of the applicant and by the attorney of the applicant with respect to fees and expenses sought. It shall also contain or be accompanied by a written verification under oath or under penalty of perjury that the information provided in the application is true and correct.

(Approved by the Office of Management and Budget under control number 1512–0444, for applications filed with the Bureau of Alcohol, Tobacco and Firearms)

(5 U.S.C. 552(a) (80 Stat. 383, as amended))

[47 FR 20765, May 14, 1982, as amended at 49 FR 14944, Apr. 16, 1984]

§ 6.9 Net worth exhibit.

(a) Each applicant except a qualified tax-exempt organization, or cooperative association must provide with its application a detailed exhibit showing the net worth of the applicant and any affiliates (as defined in § 6.4(f)) when

the proceeding was initiated. In the case of national banking associations, ''net worth'' shall be considered to be the total capital and surplus as reported, in conformity with the applicable instructions and guidelines, on the bank's last Consolidated Report of Condition filed before the initiation of the underlying proceeding.

(b) The exhibit may be in any form convenient to the applicant that provides full disclosure of the applicant's and its affiliates assets and liabilities and is sufficient to determine whether the applicant qualifies under the standards in this part. The adjudicative officer may require an applicant to file additional information to determine its eligibility for an award.

§ 6.10 Documentation of fees and expenses.

(a) The application shall be accompanied by full documentation of the fees and expenses, including the cost of any study, engineering report, test, or project, for which an award is sought.

(b) The documentation shall include an affidavit from any attorney, agent, or expert witness representing or appearing in behalf of the party, stating the actual time expended and the rate at which fees and other expenses were computed and describing the specific services performed.

(1) The affidavit shall state the services performed. In order to establish the hourly rate, the affidavit shall state the hourly rate which is billed and paid by the majority of clients during the relevant time periods.

(2) If not hourly rate is paid by the majority of clients because, for instance, the attorney or agent represents most clients on a contingency basis, the attorney or agent shall provide information about two attorneys or agents with similar experience, who perform similar work, stating their hourly rate.

(c) The documentation shall also include a description of any expenses for which reimbursement is sought and a statement of the amounts paid and payable by the applicant or by any other person or entity for the services provided.

(d) The adjudicative officer may require the applicant to provide vouchers, receipts, or other substantiation for any expenses claimed.

§ 6.11 When an application may be filed.

(a) An application may be filed whenever the applicant has prevailed in the proceeding but in no case later than 30 days after the agency's final disposition of the proceeding.

(b) If review or reconsideration is sought or taken of a decision as to which an applicant believes it has prevailed, proceedings for the award of fees shall be stayed pending final disposition of the underlying controversy.

Subpart C—Procedures for Considering Applications

§ 6.12 Filing and service of documents.

Any application for an award or other pleading or document related to an application shall be filed and served on all parties to the proceeding in the same manner as other pleadings in the proceeding.

§ 6.13 Answer to application.

(a) Within 30 days after service of an application, counsel representing the agency against which an award is sought shall file an answer to the application.

(b) If agency counsel and the applicant believe that the issues in the fee application can be settled, they may jointly file a statement of their intent to negotiate a settlement. The filing of this statement shall extend the time for filing an answer for an additional 60 days and further extensions may be granted by the adjudicative officer upon request by agency counsel and the applicant.

(c) The answer shall explain any objections to the award requested and identify the facts relied on in support of agency counsel's position. If the answer is based on any alleged facts not already in the record of the proceeding, agency counsel shall include with the answer supporting affidavits.

§ 6.14 Decision.

The adjudicative officer shall issue an initial decision on the application

within 60 days after completion of proceedings on the application. The decision shall include written findings and conclusions on the applicant's eligibility and status as a prevailing party, and an explanation of the reasons for any difference between the amount requested and the amount awarded. The decision shall also include, if at issue, findings on whether the agency's position was substantially justified, whether the applicant unduly protracted the proceedings, or whether special circumstances make an award unjust.

§ 6.15 Agency review.

Either the applicant or agency counsel may seek review of the initial decision on the fee application, or the agency may decide to review the decision on its own initiative. If neither the applicant nor agency counsel seeks a review and the agncy does not take review on its own initiative, the initial decision on the application shall become a final decision of the agency 30 days after it is issued. Whether to review a decision is a matter within the discretion of the agency. If review is taken, the agency will issue a final decision on the application or remand the application to the adjudicative officer for further proceedings.

§ 6.16 Judicial review.

Judicial review of final agency decisions on awards may be sought as provided in 5 U.S.C. 504(c)(2).

§ 6.17 Payment of award.

An applicant seeking payment of an award shall submit to the agency a copy of the agency's final decision granting the award, accompanied by a statement that the applicant will not seek review of the decision in the United States courts. An applicant shall be paid the amount awarded unless judicial review of the award or of the underlying decision of the adversary adjudication has been sought by the applicant or any other party to the proceeding.

PART 7—EMPLOYEE INVENTIONS

Sec.

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7.3 Responsibilities of heads of offices.
7.4 Responsibilities of the General Counsel.
7.5 Responsibilities of employees.
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7.7 Appeals.
7.8 Delegation.

AUTHORITY: 80 Stat. 379; 5 U.S.C. 301, sec. 6, E.O. 10096; 3 CFR, 1949–1953 Comp., p. 292, as amended by E.O. 10930; 3 CFR, 1959–1963 Comp., p. 456.

SOURCE: 33 FR 10088, July 13, 1968, unless otherwise noted.

§ 7.1 Purpose.

Provisions defining the right, title, and interest of the Government in and to an invention made by a Government employee under various circumstances and the duties of Government agencies with respect thereto are set forth in Executive Order 10096, 15 FR 389, as amended (35 U.S.C. 266 note). Further definition of the circumstances under which the Government will acquire the right to a patent in such an invention or a nonexclusive, irrevocable, royalty-free license in the invention, and the procedures for the determination of these interests, are set forth in the regulations issued under that Executive order by the Patent Office, 37 CFR part 100. The purpose of this part 7 is to implement for the Treasury Department the foregoing Executive order and regulations of the Patent Office by (a) bringing to the attention of Treasury employees the law and procedure governing their rights to, and interest in, inventions made by them, (b) defining responsibility within the Department for making the necessary determinations, and, (c) establishing internal procedures for action in conformity with the Executive order and the Patent Office regulations.

§ 7.2 Responsibilities of the Department.

The responsibilities of the Treasury Department are to determine initially (a) the occurrence of an invention by an employee, (b) his rights in the invention and the rights of the Government therein, and (c) whether patent protection will be sought in the United States by the Department, and to furnish the required reports to the Patent Office.

§ 7.3 Responsibilities of heads of offices.

(a) Heads of bureaus or offices in the Department shall be responsible for determining initially whether the results of research, development, or other activity of an employee within that bureau or office constitute an invention which falls within the purview of Executive Order 10096, as amended, and is to be handled in accordance with the regulations in this part.

(b) Heads of bureaus or offices are responsible for obtaining from the employee the necessary information and, if the determination under paragraph (a) of this section is affirmative, preparing on behalf of the bureau or office a description of the invention and its relationship to the employee's duties and work assignments.

(c) Heads of bureaus or offices, after such examination and investigation as may be necessary, shall refer to the General Counsel all information obtained concerning the invention and such determination as the head of the bureau or office has made with respect to the character of the activity as an invention. These reports shall include any determination as to the giving of a cash award to the employee for his performance relating to that invention.

§ 7.4 Responsibilities of the General Counsel.

(a) The General Counsel shall be responsible for determining, subject to review by the Commissioner of Patents, the respective rights of the Government and of the inventor in and to any invention made by an employee of the Department.

(b) On the basis of the foregoing determination, the General Counsel shall determine whether patent protection will be sought by the Department for such an invention.

(c) The General Counsel will prepare and furnish to the Patent Office the reports required by the regulations of that Office and will serve as the liaison officer between the Department and the Commissioner of Patents.

§ 7.5 Responsibilities of employees.

All employees are required to report to the heads of their bureaus or offices any result of research, development, or other activity on their part which may constitute an invention and the circumstances under which this possible invention came into being.

§ 7.6 Effect of awards.

The acceptance by an employee of a cash award for performance which constitutes an invention shall, in accordance with 5 U.S.C. 4502(c), constitute an agreement that the use by the Government of the idea, method, or device for which the award is made does not form the basis of any further claim against the Government by the employee, his heirs or assigns.

§ 7.7 Appeals.

(a) Any employee who is aggrieved by a determination made by the head of his bureau or office under this part may obtain a review of the determination by filing an appeal with the General Counsel within 30 days after receiving the notice of the determination complained of.

(b) Any employee who is aggrieved by a determination made by the General Counsel under this part may obtain a review of the determination by filing a written appeal with the Commissioner of Patents within 30 days after receiving notice of the determination complained of, or within such longer period as the Commissioner may provide. The appeal to the Commissioner shall be processed in accordance with the provisions in the regulations of the Patent Office for an appeal from an agency determination.

§ 7.8 Delegation.

The heads of bureaus or offices and the General Counsel may delegate, as appropriate, the performance of the responsibilities assigned to them under this part.

PART 8—PRACTICE BEFORE THE BUREAU OF ALCOHOL, TOBACCO AND FIREARMS

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AUTHORITY: Sec. 3, 23 Stat. 258 (31 U.S.C. 1026); 5 U.S.C. 301, 500, 551–559; and Reorganization Plan No. 26 of 1950, 15 FR 4935, 64 Stat. 1280, as amended.

SOURCE: 42 FR 33026, June 29, 1977, unless otherwise noted.

Subpart A—General Requirements

§ 8.1 Scope.

This part contains rules governing the recognition of attorneys, certified public accountants, enrolled practitioners, and other persons representing clients before the Bureau of Alcohol, Tobacco and Firearms.

§ 8.2 Persons who may practice.

(a) *Attorneys.* Any attorney who is not currently under suspension or disbarment from practice before the Bureau of Alcohol, Tobacco and Firearms, may practice before the Bureau upon filing a written declaration with the Bureau, that he or she is currently qualified as an attorney and is authorized to represent the particular party on whose behalf he or she acts.

(b) *Certified public accountants.* Any certified public accountant who is not currently under suspension or disbarment before the Bureau of Alcohol, Tobacco and Firearms, may practice before the Bureau upon filing a written declaration with the Bureau, that he or she is currently qualified as a certified public accountant and is authorized to represent the particular party on whose behalf he or she acts.

(c) *Enrollment practitioners.* Any person enrolled as a practitioner under the provisions of subpart C of this part and who is not under suspension or disbarment from enrollment may practice before the Bureau.

(d) *Limited practitioners.* Any person qualified for limited practice without enrollment under the provisions of § 8.29 may practice before the Bureau.

(e) *Restrictions on Government officers and employees.* Any officer or employee of the United States in the executive, legislative, or judicial branch of the Government, or in any agency of the United States, including the District of Columbia, who is otherwise eligible to practice under the provisions of this part, may represent parties before the Bureau when doing so in the conduct of his or her official duties. A Government officer or employee may not otherwise practice before the Bureau except that, subject to the requirements

of 18 U.S.C. 205, he or she may represent a member of his or her immediate family or a person or estate for which he or she serves as guardian, executor, administrator, trustee or other personal fiduciary. Member of Congress or Resident Commissioners (elect or serving) may not practice before the Bureau in connection with any matter for which they directly or indirectly seek any compensation.

(f) *Restrictions on State officers and employees.* No officer or employee of any State, or subdivision thereof, whose official responsibilities require him or her to pass upon, investigate, or deal with any State law or regulation concerning alcohol, tobacco, firearms, explosives matters or wagering, may practice before the Bureau if his or her official responsibility may disclose pertinent facts or information relating to matters administered by the Bureau.

(g) *Customhouse brokers.* Customhouse brokers, licensed by the Commissioner of Customs according to 19 CFR part 111, may represent a party for whom they have acted as a customhouse broker before the Bureau with respect to matters relating to the importation or exportation of merchandise under customs or intenal revenue laws.

(Approved by the Office of Management and Budget under control number 1512–0418)

(18 U.S.C. 203, 205; 5 U.S.C. 552(a) (80 Stat. 383, as amended))

[42 FR 33026, June 29, 1977, as amended at 49 FR 14944, Apr. 16, 1984]

§ 8.3 Conference and practice requirements.

Conference and practice requrements of the Bureau of Alcohol, Tobacco and Firearms, including requirements for powers of attorney are set forth in:

(a) 26 CFR part 601, subpart E (or those regulations as recodified in 27 CFR part 71 subsequent to the effective date of these regulations, 31 CFR part 8) with respect to all representations before the Bureau except those concerning license or permit proceedings;

(b) 27 CFR part 200 with respect to proceedings concerning permits issued under the Federal Alcohol Administration Act or the Internal Revenue Code;

(c) 27 CFR 47.44 with respect to proceedings concerning licenses issued under the Arms Export Control Act (22 U.S.C. 2778);

(d) 27 CFR part 178, subpart E, with respect to proceedings concerning licenses issued under the Gun Control Act of 1968 (18 U.S.C. Chapter 44); and

(e) 27 CFR part 181, subpart E, with respect to proceedings concerning licenses or permits issued under the Organized Crime Control Act of 1970 (18 U.S.C. Chapter 40).

§ 8.4 Director of Practice.

(a) *Appointment.* The Secretary shall appoint the Director of Practice. In the event of the absence of the Director of Practice or a vacancy in that office, the Secretary shall designate an officer or employee of the Treasury Department to act as Director of Practice.

(b) *Duties.* The Director of Practice, Office of the Secretary of the Treasury, shall: Act upon appeals from decisions of the Director denying applications for enrollment to practice before the Bureau; institute and provide for the conduct of disciplinary proceedings relating to attorneys, certified public accountants, and enrolled practitioners; make inquiries with respect to matters under his or her jurisdiction; and perform other duties as are necessary or appropriate to carry out his or her functions under this part or as are prescribed by the Secretary.

§ 8.5 Records.

(a) *Availability.* Registers of all persons admitted to practice before the Bureau, and of all persons disbarred or suspended from practice, which are required to be maintained by the director under the provisions of § 8.27, will be available for public inspection at the Office of the Director. Other records may be disclosed upon specific request in accordance with the disclosure regulations of the Bureau (27 CFR part 71) and the Office of the Secretary.

(b) *Disciplinary proceedings.* The Director, may grant a request by an attorney, certified public accountant, or enrolled practitioner to make public a hearing in a disciplinary proceeding, conducted under the provisions of subpart E of this part concerning the attorney, certified public accountant or enrolled practioner, and to make the record of the proceeding available for

public inspection by interested persons, if an agreement is reached by stipulation in advance to prevent disclosure of any information which is confidential, in accordance with applicable laws and regulations.

§ 8.6 Special orders.

The secretary reserves the power to issue special orders as he or she may deem proper in any cases within the scope of this part.

Subpart B—Definitions

§ 8.11 Meaning of terms.

As used in this part, terms shall have the meaning given in this section. Words in the plural shall include the singular, and vice versa. The terms *include* and *including* do not exclude things not enumerated which are in the same general class.

Administrative Law Judge. The person appointed pursuant to 5 U.S.C. 3105, designated to preside over any administrative proceedings under this part.

Attorney. A person who is a member in good standing of the bar of the highest court of any State, possession, territory, Commonwealth, or the District of Columbia.

Bureau. The Bureau of Alcohol, Tobacco and Firearms, the Department of the Treasury, Washington, DC 20226.

Certified public accountant. Any person who is qualified to practice as a certified public accountant in any State, possession, territory, Commonwealth, or the District of Columbia.

CFR. The Code of Federal Regulations.

Director. The Director, Bureau of Alcohol, Tobacco and Firearms, the Department of the Treasury, Washington, DC.

Enrolled practitioner. Any person enrolled to practice before the Bureau of Alcohol, Tobacco and Firearms pursuant to Subpart C of this part.

Practice before the Bureau. This comprehends all matters connected with presentation to the Bureau or any of its officers or employees relating to a client's rights, privileges or liabilities under laws or regulations administered by the Bureau. Presentations include the preparation and filing of necessary documents, correspondence with and communications to the Bureau, and the representation of a client at conferences, hearings, and meetings. Preparation of a tax return, appearance of an individual as a witness for any party, or furnishing information at the request of the Bureau of any of its officers or employees is not considered practice before the Bureau.

Secretary. The Secretary of the Treasury.

U.S.C. The United States Code.

Subpart C—Enrollment Procedures

§ 8.21 Eligibility for enrollment.

(a) *General qualifications*. The Director may grant enrollment to practice to any person who has not engaged in conduct which would justify the disbarment or suspension of any attorney, certified public accountant, or enrolled practioner. Each person shall demonstrate to the satisfaction of the Director that he or she possesses the necessary technical qualifications to enable him or her to render valuable service before the Bureau, and that he or she is otherwise competent to advise and assists in the presentation of matters before the Bureau.

(b) *Technical qualifications*. The Director may grant enrollment to practice only to persons possessing technical knowledge of the laws and regulations administered by the Bureau.

(1) Minimum criteria required of an enrolled practioner will consist of: 5 years employment with the Treasury Department in a responsible position which would familiarize the person with applicable laws and regulations; or 5 years employment in a regulated industry in a responsible position which would familiarize the person with applicable laws and regulations; or possession of a law degree; or other significant experience such as the prior respresentation of persons before the Internal Revenue Service or the Bureau of Alcohol, Tobacco and Firearms.

(2) An enrolled paractioner may demonstrate technical knowledge in one or more of the several areas of laws and regulations administered by the Bureau (alcohol, tobacco firearms, or explosives matters).

(c) *Natural persons.* Enrollment to practice may only be granted to natural persons who have become 18 years of age.

(d) *Attorneys, certified public accountants.* Enrollment if not available to persons who are attorneys or certified public accountants who qualify to practice without enrollment under § 8.2 (a) or (b).

[42 FR 33026, June 29, 1977; 42 FR 36455, July 15, 1977]

§ 8.22 Application for enrollment.

(a) *Information to be furnished.* An applicant for enrollment to practice shall state his or her name, address, and business address, citizenship, and age on the application. The applicant shall also state if he or she has ever been suspended or disbarred as an attorney or certified public accountant, or if the applicant's right to practice has ever been revoked by any court, commission, or administrative agency in any jurisdiction. The applicant shall set forth his or her technical qualifications as required by § 8.21(b) which enable him or her to render valuable service before the Bureau. The applicant shall indicate which area or areas of Bureau matters in which he or she desires to practice (alcohol, tobacco, firearms, or explosives matters).

(b) *Fee.* Each application for enrollment will be accompanied by a check or money order in the amount of $25, payable to the Bureau of Alcohol, Tobacco and Firearms. This fee will be retained by the United States whether or not the applicant is granted enrollment. Agents who are enrolled to practice before the Internal Revenue Service prior to September 27, 1977, need not include this fee and should indicate their enrollment number on the application.

(c) *Execution under oath.* All applications for enrollment will be executed under oath or affirmation.

(d) *Filing.* Applications for enrollment will be filed with the Assistant Director, Regulatory Enforcement, Bureau of Alcohol, Tobacco and Firearms, 1200 Pensylvania Avenue NW., Washington, DC 20226.

(e) *Additional information.* The Director, as a condition to consideration for enrollment, may require the applicant to file additional information as necessary to determine if the applicant is qualified. The Director shall, upon written request, afford an applicant the opportunity to be heard with respect to his or her application for enrollment.

(Approved by the Office of Management and Budget under control number 1512–0418)

(Sec. 501, Pub. L. 82–137, 65 Stat. 290 (31 U.S.C. 483a); 5 U.S.C. 552(a) (80 Stat. 383, as amended))

[42 FR 33026, June 29, 1977; 42 FR 36455, July 15, 1977, as amended at 49 FR 14944, Apr. 16, 1984]

§ 8.23 Denial of enrollment; appeal.

(a) The Director, in denying an application for enrollment, shall inform the applicant as to the reasons. The applicant may, within 30 days after receipt of the notice of denial, file a written appeal together with reasons in support thereof, with the Director of Practice. The Director of Practice shall render a decision on the appeal as soon as practicable.

(b) An applicant may, within 30 days after receipt of the decision of the Director of Practice in sustaining a denial of enrollment, appeal the decision to the Secretary.

§ 8.24 Enrollment cards.

The Director shall issue an enrollment card to each practitioner who is enrolled to practice before the Bureau. Each enrollment card is valid for a period of 5 years as long as the holder remains enrolled and in good standing before the Bureau. Unless advised to the contrary by the Director, any officer or employee of the Bureau may consider the holder of an unexpired enrollment card to be authorized to practice before the Bureau in the subject area or areas indicated upon the card (alcohol, tobacco, firearms, or explosives matters).

§ 8.25 Renewal of enrollment card.

(a) *Period of renewal.* An enrolled practitioner may apply for renewal of his or her enrollment card during a 12-month period prior to the expiration of the enrollment card.

(b) *Application.* Each enrolled practitioner applying for a renewal of enrollment shall apply to the Director. The

enrolled practitioner shall include in the application all information required by § 8.22 except information relating to technical qualifications unless the enrolled practitioner is applying for enrollment in a subject area or areas in which he or she was not previously qualified to practice.

(c) *Fee*. Each application for renewal of enrollment will be accompanied by a check or money order in the amount of $5, payable to the Bureau of Alcohol, Tobacco and Firearms.

(Approved by the Office of Management and Budget under control number 1512–0418)

(5 U.S.C. 552(a) (80 Stat. 383, as amended))

[42 FR 33026, June 29, 1977, as amended at 49 FR 14944, Apr. 16, 1984]

§ 8.26 Change in enrollment.

(a) *Change in area of practice*. At any time during a period of enrollment, an enrolled practitioner may apply to practice in a subject area or areas in which he or she was not previously qualified to practice (alcohol, tobacco, firearms, or explosives matters).

(b) *Application*. Each enrolled practitioner applying for a change in enrollment shall apply to the Director. The enrolled practitioner shall include in the application all information required by § 8.22 but shall include information relating to technical qualifications only in those additional subject areas in which he or she is applying to practice.

(c) *Fee*. Each application for change in enrollment will be accompanied by a check or money order in the amount of $5, payable to the Bureau of Alcohol, Tobacco and Firearms.

(Approved by the Office of Management and Budget under control number 1512–0418)

(5 U.S.C. 552(a) (80 Stat. 383, as amended))

[42 FR 33026, June 29, 1977, as amended at 49 FR 14944, Apr. 16, 1984]

§ 8.27 Enrollment registers.

The Director shall maintain, for public inspection, a register of all persons enrolled to practice before the Bureau and the subject areas in which each person is enrolled to practice, a register of all persons disbarred or suspended from practice, and a register of all persons whose applications for enrollment before the Bureau have been denied.

§ 8.28 Termination of enrollment.

(a) *Attorneys, certified public accountants*. The enrollment of a practitioner to whom an enrollment card has been issued will terminate when that person becomes eligible to practice without enrollment under § 8.2 (a) or (b), and that person shall surrender his or her enrollment card to the Director for cancellation.

(b) *Expiration of enrollment*. The enrollment of any person will automatically terminate after the date indicated on the enrollment card unless, during the 12-month period prior to the expiration date, that person applies for renewal of enrollment with the Director as provided in § 8.25. In this case, the person may continue to practice before the Bureau until his or her application has been finally determined.

§ 8.29 Limited practice without enrollment.

(a) *General*. Individuals may appear on their own behalf and may otherwise appear without enrollment, providing they present satisfactory identification, in the following classes of cases:

(1) An individual may represent another individual who is his or her regular full-time employer, may represent a partnership of which he or she is a member or a regular full-time employee, of may represent without compensation a member of his or her immediate family.

(2) Corporations (including parent corporations, subsidiaries or affiliated corporations), trusts, estates, associations, or organized groups may be represented by bona fide officers or regular full-time employees.

(3) Trusts, receiverships, guardianships, or estates may be represented by their trustees, receivers, guardians, administrators, executors, or their regular full-time employees.

(4) Any government unit, agency, or authority may be represented by an officer or regular employee in the course of his or her official duties.

(5) Unenrolled persons may participate in rulemaking as provided in 5 U.S.C. 553.

(b) *Special appearances.* The Director, subject to conditions he or she deems appropriate, may authorize any person to represent a party without enrollment, for the purpose of a particular matter.

Subpart D—Duties and Restrictions Relating to Practice

§ 8.31 Furnishing of information.

(a) *To the Bureau.* No attorney, certified public accountant, or enrolled practitioner may neglect or refuse promptly to submit records or information in any matter before the Bureau, upon proper and lawful request by an authorized officer or employee of the Bureau, or may interfere, or attempt to interfere, with any proper and lawful effort by the Bureau or its officers or employees, to obtain the requested record or information, unless he or she believes in good faith and on reasonable grounds that the record or information is privileged or that the request for, or effort to obtain, that record or information is of doubtful legality.

(b) *To the Director of Practice.* It is the duty of an attorney or certified public accountant, who practices before the Bureau, or enrolled practitioner when requested by the Director of Practice, to provide the Director of Practice with any information he or she may have concerning violation of the regulations in this part by any person, and to testify thereto in any proceeding instituted under this part for the disbarment or suspension of an attorney, certified public accountant, or enrolled practitioner, unless he or she believes in good faith and on reasonable grounds that that information is privileged or that the request is of doubtful legality.

§ 8.32 Prompt disposition of pending matters.

No attorney, certified public accountant, or enrolled practitioner may unreasonably delay the prompt disposition of any matter before the Bureau.

§ 8.33 Accuracy.

Each attorney, certified public accountant, and enrolled practitioner shall exercise due diligence in:

(a) Preparing or assisting in the preparation of, approving, and filing returns, documents, affidavits, and other papers relating to Bureau matters;

(b) Determining the correctness of any representations made by him or her to the Bureau; and

(c) Determining the correctness of any information which he or she imparts to a client with reference to any matter administered by the Bureau.

§ 8.34 Knowledge of client's omission.

Each attorney, certified public accountant, or enrolled practitioner who knows that a client has not complied with applicable law, or has made an error in or omission from any document, affidavit, or other paper which the law requires the client to execute, shall advise the client promptly of the fact of such noncompliance, error, or omission.

§ 8.35 Assistance from disbarred or suspended persons and former Treasury employees.

No attorney, certified public accountant or enrolled practitioner shall, in practice before the Bureau, knowingly and directly or indirectly:

(a) Employ or accept assistance from any person who is under disbarment or suspension from practice before any agency of the Treasury Department;

(b) Accept employment as associate, correspondent, or subagent from, or share fees with, any such person;

(c) Accept assistance in a specific matter from any person who participated personally and substantially in the matter as an employee of the Treasury Department.

[44 FR 47059, Aug. 10, 1979]

§ 8.36 Practice by partners of Government employees.

No partner of an officer or employee of the executive branch of the U.S. Government, of any independent agency of the United States, or of the District of Columbia, may represent anyone in any matter administered by the Bureau in which the Government employee participates or has participated personally and substantially as a Government employee, or which is the subject of that employee's official responsibility.

§ 8.37 Practice by former Government employees.

(a) *Violation of law*. No former officer or employee of the U.S. Government, of any independent agency of the United States, or of the District of Columbia, may represent anyone in any matter administered by the Bureau if the representation would violate any of the laws of the United States.

(b) *Personal and substantial participation*. No former officer or employee of the executive branch of the U.S. Government, of any independent agency of the United States, or of the District of Columbia, may represent anyone with repect to any matter under the administration of the Bureau, if he or she participated personally and substantially in that matter as a Government employee.

(c) *Official responsibility*. No former officer or employee of the executive branch of the U.S. Government, of any indepenednt agency of the United States, or of the District of Columbia, may within one year after his or her employment has ceased, appear personally as a practitioner before the Bureau with respect to any matter administered by the Bureau if that representation involves a specific matter under the former employee's official responsibility as a Government employee, within a one-year period prior to the termination of that responsibility.

(d) *Aid or assistance*. No former officer or employee of the Bureau, who is eligible to practice before the Bureau, may aid or assist any person in the representation of a specific matter in which the former officer or employee participated personally and substantially as an officer or employee of the Bureau.

(18 U.S.C. 207)

§ 8.38 Notaries.

No attorney, certified public accountant, or enrolled practitioner may, with respect to any matter administered by the Bureau, take acknowledgements, administer oaths, certify papers, or perform any official act in connection with matters in which he or she is employed as counsel, attorney, or practioner, or in which he or she may be in any way interested before the Bureau.

(26 Op. Atty. Gen. 236)

§ 8.39 Fees.

No attorney, certified public accountant, or enrolled practitioner may charge an unconscionable fee for representing a client in any matter before the Bureau.

§ 8.40 Conflicting interests.

No attorney, certified public accountant, or enrolled practitioner may represent conflicting interests in practice before the Bureau, except by express consent of all directly interested parties after full disclosure has been made.

§ 8.41 Solicitation.

(a) *Advertising and solicitation restrictions*. (1) No attorney, certified public accountant or enrolled practitioner shall, with respect to any Bureau matter, in any way use or participate in the use of any form of public communication containing a false, fraudulent, misleading, deceptive, unduly influencing, coercive or unfair statement or claim. For the purposes of this subsection, the prohibition includes, but is not limited to, statements pertaining to the quality of services rendered unless subject to factual verification, claims of specialized expertise not authorized by State or Federal agencies having jurisdiction over the practitioner, and statements or suggestions that the ingenuity and/or prior record of a representative rather than the merit of the matter are principal factors likely to determine the result of the matter.

(2) No attorney, certified public accountant or enrolled practitioner shall make, directly or indirectly, an uninvited solicitation of employment, in matters related to the Bureau. Solicitation includes, but is not limited to, in-person contacts, telephone communications, and personal mailings directed to the specific circumstances unique to the recipient. This restriction does not apply to: (i) Seeking new business from an existing or former client in a related matter; (ii) solicitation by mailings, the contents of which are

designed for the general public; or (iii) non-coercive in-person solicitation by those eligible to practice before the Bureau while acting as an employee, member, or officer of an exempt organization listed in sections 501(c) (3) or (4) of the Internal Revenue Code of 1954 (26 U.S.C.).

(b) *Permissible advertising.* (1) Attorneys, certified public accountants and enrolled practitioners may publish, broadcast, or use in a dignified manner through any means of communication set forth in paragraph (d) of this section:

(i) The name, address, telephone number, and office hours of the practitioner or firm.

(ii) The names of individuals associated with the firm.

(iii) A factual description of the services offered.

(iv) Acceptable credit cards and other credit arrangements.

(v) Foreign language ability.

(vi) Membership in pertinent, professional organizations.

(vii) Pertinent professional licenses.

(viii) A statement that an individual's or firm's practice is limited to certain areas.

(ix) In the case of an enrolled practitioner, the phrase ''enrolled to practice before the Bureau of Alcohol, Tobacco and Firearms.''

(x) Other facts relevant to the selection of a practitioner in matters related to the Bureau which are not prohibited by these regulations.

(2) Attorneys, certified public accountants and enrolled practitioners may use, to the extent they are consistent with the regulations in this section, customary biographical insertions in approved law lists and reputable professional journals and directories, as well as professional cards, letterheads and announcements: *Provided,* That (i) attorneys do not violate applicable standards of ethical conduct adopted by the American Bar Association, (ii) certified public accountants do not violate applicable standards of ethical conduct adopted by the American Institute of Certified Public Accountants, and (iii) enrolled practitioners do not violate applicable standards of ethical conduct adopted by the National Society of Public Accountants.

(c) *Fee information.* (1) Attorneys, certified public accountants and enrolled practitioners may disseminate the following fee information:

(i) Fixed fees for specific routine services.

(ii) Hourly rates.

(iii) Range of fees for particular services.

(iv) Fee charged for an initial consultation.

(2) Attorneys, certified public accountants and enrolled practitioners may also publish the availability of a written schedule of fees.

(3) Attorneys, certified public accountants and enrolled practitioners shall be bound to charge the hourly rate, the fixed fee for specific routine services, the range of fees for particular services, or the fee for an initial consultation published for a reasonable period of time, but no less than thirty days from the last publication of such hourly rate or fees.

(d) *Communications.* Communications, including fee information, shall be limited to professional lists, telephone directories, print media, permissible mailings as provided in these regulations, radio and television. In the case of radio and television broadcasting, the broadcast shall be pre-recorded and the practitioner shall retain a recording of the actual audio transmission.

(e) *Improper associations.* An attorney, certified public accountant or enrolled practitioner may, in matters related to the Bureau, employ or accept employment or assistance as an associate, correspondent, or subagent from, or share fees with, any person or entity who, to the knowledge of the practitioner, obtains clients or otherwise practices in a manner forbidden under this section: *Provided,* That an attorney, certified public accountant or enrolled practitioner does not, directly or indirectly, act or hold himself out as authorized to practice before the Bureau in connection with that relationship. Nothing herein shall prohibit an attorney, certified public accountant, or enrolled practitioner from practice before the Bureau in a capacity other than that described above.

[44 FR 47060, Aug. 10, 1979]

§ 8.42 Practice of law.

Nothing in the regulations in this part may be construed as authorizing persons not members of the bar to practice law.

Subpart E—Disciplinary Proceedings

§ 8.51 Authority to disbar or suspend.

The Secretary, after due notice and opportunity for hearing, may suspend or disbar from practice before the Bureau any attorney, certified public accountant, or enrolled practitioner shown to be incompetent, disreputable or who refuses to comply with the rules and regulations in this part or who shall, with intent to defraud, in any manner willfully and knowingly deceive, mislead, or threaten any client or prospective client, by word, circular, letter, or by advertisement.

(Sec. 3, 23 Stat. 258 (31 U.S.C. 1026))

§ 8.52 Disreputable conduct.

Disreputable conduct for which an attorney, certified public accountant, or enrolled practitioner may be disbarred or suspended from practice before the Bureau includes, but is not limited to:

(a) Conviction of any criminal offense under the revenue laws of the United States; under any other law of the United States which the Bureau enforces pursuant to Treasury Department Order No. 221 (37 FR 11696) effective July 1, 1972; or for any offense involving dishonesty or breach of trust.

(b) Giving false or misleading information, or participating in any way in the giving of false or misleading information, to the Bureau or any officer or employee thereof, or to any tribunal authorized to pass upon matters administered by the Bureau in connection with any matter pending or likely to be pending before them, knowing the information to be false or misleading. Facts or other matters contained in testimony, Federal tax returns, financial statements, applications for enrollment, affidavits, declarations, or any other document or statement, written or oral, are included in the term ''information''.

(c) Solicitation of employment as prohibited under § 8.41, the use of false or misleading representations with intent to deceive a client or a prospective client in order to procure employment, or intimating that the practitioner is able improperly to obtain special consideration or action from the Bureau or an officer or employee thereof.

(d) Willfully failing to make a Federal tax return in violation of the revenue laws of the United States, or evading, attempting to evade, or participating in any way in evading or attempting to evade any Federal tax or payment thereof; knowingly counseling or suggesting to a client or prospective client an illegal plan to evade Federal taxes or payment thereof, or concealing assets of himself or herself, or of another in order to evade Federal taxes or payment thereof.

(e) Misappropriation of, or failure properly and promptly to remit funds received from a client for the purpose of payment of taxes or other obligations due the United States.

(f) Directly or indirectly attempting to influence, or offering or agreeing to attempt to influence, the official action of any officer or employee of the Bureau by the use of threats, false accusations, duress or coercion, by the offer of any special inducement or promise of advantage or by the bestowing of any gift, favor, or thing of value.

(g) Disbarment or suspension from practice as an attorney or certified public accountant by any duly constituted authority of any State, possession, Commonwealth, the District of Columbia, or by any Federal court of record.

(h) Disbarment or suspension from practice as an attorney, certified public accountant, or other person admitted to practice before the Internal Revenue Service.

(i) Knowingly aiding and abetting another person to practice before the Bureau during a period of suspension, disbarment, or ineligibility of the other person. Maintaining a partnership for the practice of law, accountancy, or other related professional service with a person who is under disbarment from practice before the Bureau or the

Intenal Revenue Service is presumed to be a violation of this provision.

(j) Contemptuous conduct in connection with practice before the Bureau, including the use of abusive language, making false accusations and statements knowing them to be false, or circulating or publishing malicious or libelous matter.

(k) Willful violatin of any of the regulations contained in this part.

[42 FR 33026, June 29, 1977; 42 FR 36455, July 15, 1977]

§ 8.53 Initiation of disciplinary proceedings.

(a) *Receipt of information*. If an officer or employee of the Bureau has reason to believe that an attorney, certified public accountant, or enrolled practitioner has violated any of the provisions of this part or engaged in any disreputable conduct as defined in § 8.52, the employee shall promptly make a report thereof which will be forwarded to the Director of Practice. Any other person possessing information concerning violations or disreputable conduct may make a report thereof to the Director of Practice or to any officer or employee of the Bureau.

(b) *Institution of proceeding*. When the Director of Practice has reason to believe that any attorney, certified public accountant, or enrolled practitioner has violated any provisions of the laws or regulations governing practice before the Bureau, he or she may reprimand the person or institute a proceeding for the disbarment or suspension of that person. The proceeding will be instituted by a complaint which names the respondent and is signed by the Director of Practice and filed in his or her office. Except in cases of willfulness, or when time, the nature of the proceeding, or the public interest does not permit, the Director of Practice may not institute a proceeding until he or she has called to the attention of the proposed respondent, in writing, facts or conduct which warrant institution of a proceeding, and has accorded the proposed respondent the opportuity to demonstrate or achieve compliance with all lawful requirements.

§ 8.54 Conferences.

(a) *General*. The Director of Practice may confer with an attorney, certified public accountant, or enrolled practioner concerning allegations of misconduct whether or not a proceeding for disbarment or suspension has been instituted. If a conference results in a stipulation in connection with a proceeding in which that person is the respondent, the stipulation may be entered in the record at the instance of either party to the proceeding.

(b) *Resignation or voluntary suspension*. An attorney, certified public accountant, or enrolled practitioner, in order to avoid the institution or conclusion of a disbarment or suspension proceeding, may offer his or her consent to suspension from practice before the Bureau. An enrolled practitioner may also offer a resignation. The Director of Practice, at his or her discretion, may accept the offered resignation of an enrolled practitioner and may suspend an attorney, certified public accountant, or enrolled practitioner in accordance with the consent offered.

§ 8.55 Contents of complaint.

(a) *Charges*. A complaint will give a plain and concise description of the allegations which constitute the basis for the proceeding. A complaint will be deemed sufficient if it fairly informs the respondent of the charges to that he or she is able to prepare a defense.

(b) *Demand for answer*. The complaint will give notification of the place and time prescribed for the filing of an answer by the respondent; that time will be not less than 15 days from the date of service of the complaint. Notice will be given that a decision by default may be rendered against the respondent if the complaint is not answered as required.

§ 8.56 Service of complaint and other papers.

(a) *Complaint*. A copy of the complaint may be served upon the respondent by certified mail or by first-class mail. The copy of the complaint may be delivered to the respondent or the respondent's attorney or agent of record either in person or by leaving it at the office or place of business of the

respondent, attorney or agent, or the complaint may be delivered in any manner which has been agreed to by the respondent. If the service is by certified mail, the post office receipt signed by or on behalf of the respondent will be proof of service. If the certified matter is not claimed or accepted by the respondent and is returned undelivered, complete service may be made upon the respondent by mailing the complaint to him or her by first-class mail, addressed to the respondent at the address under which he or she is enrolled or at the last address known to the Director of Practice. If service is made upon the respondent or the respondent's attorney or agent in person, or by leaving the complaint at the office or place of business of the respondent, attorney or agent, the verified return by the person making service, setting forth the manner of service, will be proof of service.

(b) *Service of other papers.* Any paper other than the complaint may be served upon an attorney, certified public accountant, or enrolled practitioner as provided in paragraph (a) of this section, or by mailing the paper by first-class mail to the respondent at the last address known to the Director of Practice, or by mailing the paper by first-class mail to the respondent's attorney or agent of record. This mailing will constitute complete service. Notices may be served upon the respondent or his attorney or agent by telegram.

(c) *Filing of papers.* When the filing of a paper is required or permitted in connection with a disbarment or suspension proceeding, and the place of filing is not specified by this subpart or by rule or order of the Administrative Law Judge, the papers will be filed with the Director of Practice, Treasury Department, Washington, DC 20220. All papers will be filed in duplicate.

§ 8.57 Answer.

(a) *Filing.* The respondent shall file the answer in writing within the time specified in the complaint or notice of institution of the proceeding, unless on application the time is extended by the Director of Practice or the Administrative Law Judge. The respondent shall file the answer in duplicate with the director of Practice.

(b) *Contents.* The respondent shall include in the answer a statement of facts which constitute the grounds of defense, and shall specifically admit or deny each allegation set forth in the complaint, except that the respondent shall not deny a material allegation in the complaint which he or she knows to be true, or state that he or she is without sufficient information to form a belief when in fact the respondent possesses that information. The respondent may also state affirmatively special matters of defense.

(c) *Failure to deny or answer allegations in the complaint.* Every allegation in the complaint which is not denied in the answer is deemed to be admitted and may be considered as proven, and no further evidence in respect of that allegation need be adduced at a hearing. Failure to file an answer within the time prescribed in the notice to the respondent, except as the time for answer is extended by the Director of Practice or the Administrative Law Judge, will constitute an admission of the allegations of the complaint and a waiver of hearing, and the Administrative Law Judge may make a decision by default without a hearing or further procedure.

(d) *Reply by Director of Practice.* No reply to the respondent's answer is required, and new matter in the answer will be deemed to be denied, but the Director of Practice may file a reply at his or her discretion or at the request of the Administrative Law Judge.

§ 8.58 Supplemental charges.

If it appears that the respondent in his or her answer, falsely and in bad faith, denies a material allegation of fact in the complaint or states that the respondent has no knowledge sufficient to form a belief, when he or she in fact possesses that information, or if it appears that the respondent has knowingly introduced false testimony during proceedings for his or her disbarment or suspension, the Director of Practice may file supplemental charges against the respondent. These supplemental charges may be tried with other charges in the case, provided the respondent is given due notice and is afforded an opportunity to prepare to a defense to them.

§ 8.59 Proof; variance; amendment of pleadings.

In the case of a variance between the allegations in a pleading, the Administrative Law Judge may order or authorize amendment of the pleading to conform to the evidence. The party who would otherwise be prejudiced by the amendment will be given reasonable opportunty to meet the allegation of the pleading as amended, and the Administrative Law Judge shall make findings on an issue presented by the pleadings as so amended.

§ 8.60 Motions and requests.

Motions and requests may be filed with the Director of Practice or with the Administrative Law Judge.

§ 8.61 Representation.

A respondent or proposed respondent may appear in person or be represented by counsel or other representative who need not be enrolled to practice before the Bureau. The Director of Practice may be represented by an Attorney or other employee of the Treasury Department.

§ 8.62 Administrative Law Judge.

(a) *Appointment*. An Administrative Law Judge, appointed as provided by 5 U.S.C. 3105, shall conduct proceedings upon complaints for the disbarment or suspension of attorneys, certified public accountants, or enrolled practitioners.

(b) *Responsibilities*. The Administrative Law Judge in connection with any disbarment or suspension proceeding shall have authority to:

(1) Administer oaths and affirmation;

(2) Make rulings upon motions and requests; these rulings may not be appealed prior to the close of the hearing except at the discretion of the Administrative Law Judge in extraordinary circumstances;

(3) Rule upon offers of proof, receive relevant evidence, and examine witnesses;

(4) Take or authorize to the taking of depositions;

(5) Determine the time and place of hearing and regulate its course and conduct;

(6) Hold or provide for the holding of conferences to settle or simplify the issues by consent of the parties;

(7) Receive and consider oral or written arguments on facts or law;

(8) Make initial decisions;

(9) Adopt rules of procedure and modify them from time to time as occasion requires for the orderly disposition of proceedings; and

(10) Perform acts and take measures as necessary to promote the efficient conduct of any proceeding.

§ 8.63 Hearings.

(a) *Conduct*. The Administrative Law Judge shall preside at the hearing on a complaint for the disbarment or suspension of an attorney, certified public accountant, or enrolled practitioner. Hearings will be stenographically recorded and transcribed and the testimony of witnesses will be received under oath or affirmation. The Administrative Law Judge shall conduct hearings pursuant to 5 U.S.C. 556.

(b) *Failure to appear*. If either party to the proceedings fails to appear at the hearing, after due notice has been sent, the Administrative Law Judge may deem them to have waived the right to a hearing and may make a decision against the absent party by default.

§ 8.64 Evidence.

(a) *Rules of evidence*. The rules of evidence prevailing in courts of law and equity are not controlling in hearings. However, the Administrative Law Judge shall exclude evidence which is irrelevant, immaterial, or unduly repetitious.

(b) *Depositions*. Depositions of witnesses taken pursuant to § 8.65 may be admitted as evidence.

(c) *Government documents*. Official documents, records, and papers of the Bureau of Alcohol, Tobacco and Firearms and the Office of the Director of Practice are admissible in evidence without the prouction of an officer or employee to authenticate them. These documents, records and papers may be evidenced by a copy attested or identified by an officer or employee of the Bureau or the Treasury Department.

(d) *Exhibits.* If any document, record, or other paper is introduced in evidence as an exhibit, the Administrative Law Judge may authorize the withdrawal of the exhibit subject to any conditions he or she deems proper.

(e) *Objections.* Objections to evidence will be in short form, stating the grounds of objection and the record may not include arguments thereon, except as ordered by the Administrative Law Judge. Rulings on objections will be a part of the record. No exception to the ruling is necessary to preserve the rights of the parties.

§ 8.65 Depositions.

Depositions for use at a hearing may, with the written approval of the Administrative Law Judge, be taken by either the Director of Practice or the respondent or their authorized representatives. Depositions may be taken upon oral or written questioning, upon not less than 10 days' written notice to the other party before any officer authorized to administer an oath for general purposes or before an officer or employee of the Bureau authorized to administer an oath pursuant to 27 CFR 70.35. The written notice will state the names of the witnesses and the time and place where the depositions are to be taken. The requirement of 10 days' notice may be waived by the parties in writing, and depositions may then be taken from the persons and at the times and places mutually agreed to by the parties. When a deposition is taken upon written questioning, any cross-examination will be upon written questioning. Copies of the written questioning will be served upon the other party with the notice, and copies of any written cross-interrogation will be mailed or delivered to the opposing party at least 5 days before the date of taking the depositions, unless the parties mutually agree otherwise. A party on whose behalf a deposition is taken must file it with the Administrative Law Judge and serve one copy upon the opposing party. Expenses in the reproduction of depositions will be borne by the party at whose instance the deposition is taken.

§ 8.66 Transcript.

In cases in which the hearing is stenographically reported by a Government contract reporter, copies of the transcript may be obtained from the reporter at rates not to exceed the maximum rates fixed by contract between the Government and the reporter. If the hearing is stenographically reported by a regular employee of the Bureau, a copy of the hearing will be supplied to the respondent either without charge or upon the payment of a reasonable fee. Copies of exhibits introduced at the hearing or at the taking of depositions will be supplied to the parties upon the payment of a reasonable fee.

(Sec. 501, Pub. L. 82–137, 65 Stat. 290 (31 U.S.C. 483a))

§ 8.67 Proposed findings and conclusions.

Except in cases when the respondent has failed to answer the complaint or when a party has failed to appear at the hearing, the Administrative Law Judge, prior to making his or her decision, shall afford the parties a reasonable opportunity to submit proposed findings and conclusions and their supporting reasons.

§ 8.68 Decision of Administrative Law Judge.

As soon as practicable after the conclusion of a hearing and the receipt of any proposed findings and conclusions timely submitted by the parties, the Administrative Law Judge shall make the initial decision in the case. The decision will include (a) a statement of findings and conclusions, as well as the reasons or basis therefor, upon all the material issues of fact, law, or discretion presented on the record, and (b) an order of disbarment, suspension, or reprimand or an order of dismissal of the complaint. The Administrative Law Judge shall file the decision with the Director of Practice and shall transmit a copy to the respondent or the respondent's attorney of record. In the absence of an appeal to the Secretary, or review of the decision upon motion of the Secretary, the decision of the

Administrative Law Judge will, without further proceedings, become the decision of the Secretary of the Treasury 30 days from the date of the Administrative Law Judge's decision.

§ 8.69 Appeal to the Secretary.

Within 30 days from the date of the Administrative Law Judge's decision, either party may appeal to the Secretary. The appeal will be filed with the Director of Practice in duplicate and will include exceptions to the decision of the Administrative Law Judge and supporting reasons for those exceptions. If the Director of Practice files the appeal, he or she shall transmit a copy of it to the respondent. Within 30 days after receipt of an appeal or copy thereof, the other party may file a reply brief in duplicate with the Director of Practice. If the Director of Practice files the reply brief, he or she shall transmit a copy of it to the respondent. Upon the filing of an appeal and a reply brief, if any, the Director of Practice shall transmit the entire record to the Secretary.

§ 8.70 Decision of the Secretary.

On appeal from or review of the intial decision of the Administrative Law Judge, the Secretary shall make the agency decision. In making this decision, the Secretary shall review the record or those portions of the records as may be cited by the parties in order to limit the issues. The Director of Prasctice shall transmit a copy of the Secretary's decision to the respondent.

§ 8.71 Effect of disbarment or suspension.

(a) *Disbarment*. If the final order against the respondent is for disbarment, the respondent will not thereafter be permitted to practice before the Bureau unless authorized to do so by the Director of Practice pursuant to § 8.72.

(b) *Suspension*. If the final order against the respondent is for suspension, the respondent will not thereafter be permitted to practice before the Bureau during the period of suspension.

(c) *Surrender of enrollment card*. If an enrolled practitioner is disbarred or suspended, he or she shall surrender the enrollment card to the Director of Practice for cancellation, in the case of disbarment, or for retention during the period of suspension.

(d) *Notice of disbarment or suspension*. Upon the issuance of a final order for suspension or disbarment, the Director of Practice shall give notice of the order to appropriate officers and employees of the Bureau of Alcohol, Tobacco and Firearms and to interested departments and agencies of the Federal Government. The Director of Practice may also give notice as he or she may determine to the proper authorities of the State in which the disbarred or suspended person was licensed to practice as an attorney or certified public accountant.

§ 8.72 Petition for reinstatement.

The Director of Practice may entertain a petition for reinstatement from any person disbarred from practice before the Bureau after the expiration of 5 years following disbarment. The director of Practice may not grant reinstatement unless he or she is satisfied that the petitioner is not likely to conduct himself or herself contrary to the regulations in this part, and that granting reinstatement would not be contrary to the public interest.

PART 9—EFFECTS OF IMPORTED ARTICLES ON THE NATIONAL SECURITY

Sec.
9.2 Definitions.
9.3 General.
9.4 Criteria for determining effects of imports on national security.
9.5 Applications for investigation.
9.6 Confidential information.
9.7 Conduct of investigation.
9.8 Emergency action.
9.9 Report.

AUTHORITY: Sec. 232, as amended, 76 Stat. 877, 80 Stat. 369 (19 U.S.C. 1862); 5 U.S.C. 301; Reorg. Plan No. 1 of 1973; and E.O. 11725, June 27, 1973 (38 FR 17175).

§ 9.2 Definitions.

As used herein, *Secretary* means the Secretary of the Treasury and *Assistant Secretary* means the Assistant Secretary of the Treasury (Enforcement, Operations, and Tariff Affairs).

[40 FR 50717, Oct. 31, 1975]

§9.3 General.

(a) Upon request of the head of any Government department or agency, upon application of an interested party, or upon his own motion, the Assistant Secretary shall set in motion an immediate investigation to determine the effects on the national security of imports of any article.

(b) The Secretary shall report the findings of his investigation under paragraph (a) of this section with respect to the effect of the importation of such article in such quantities or under such circumstances upon the national security and, based on such findings, his recommendation for action or inaction to the President within one year after receiving an application from an interested party or otherwise beginning an investigation under this section.

[39 FR 10898, Mar. 22, 1974, as amended at 40 FR 50717, Oct. 31, 1975]

§9.4 Criteria for determining effects of imports on national security.

(a) In determining the effect on the national security of imports of the article which is the subject of the investigation, the Secretary is required to take into consideration the following:

(1) Domestic production needed for projected national defense requirements including restoration and rehabilitation.

(2) The capacity of domestic industries to meet such projected requirements, including existing and anticipated availabilities of:

(i) Human resources.

(ii) Products.

(iii) Raw materials.

(iv) Production equipment and facilities.

(v) Other supplies and services essential to the national defense.

(3) The requirement of growth of such industries and such supplies and services including the investment, exploration and development necessary to assure capacity to meet projected defense requirements.

(4) The effect which the quantities, availabilities, character and uses of imported goods have or will have on such industries and the capacity of the United States to meet national security requirements.

(5) The economic welfare of the Nation as it is related to our national security, including the impact of foreign competition on the economic welfare of individual domestic industries. In determining whether such impact may impair the national security, any substantial unemployment, decrease in revenues of government, loss of skills or investment, or other serious effects shall be considered.

(b) The Secretary shall also consider other relevant factors in determining whether the national security is affected by imports of the article.

[39 FR 10898, Mar. 22, 1974]

§9.5 Applications for investigation.

(a) Applications shall be in writing. Twenty-five copies shall be filed by mail with the Assistant Secretary (Enforcement, Operations, and Tariff Affairs), Department of the Treasury, Washington, DC 20220.

(b) Applications shall describe how the quantities or circumstances of imports of the particular article affect the national security and shall contain the following information:

(1) Identification of the person, partnership, association, corporation, or other entity on whose behalf the application is filed.

(2) A precise description of the article.

(3) Description of the applicant and the domestic industry concerned, including pertinent information regarding companies and their plants, locations, capacity and current output of the domestic industry concerned with the article in question.

(4) Pertinent statistics showing the quantities and values of both imports and production in the United States.

(5) Nature, sources, and degree of the competition created by imports of the article in question.

(6) The effect, if any, of imports of the article in question upon the restoration of domestic production capacity in an emergency.

(7) Employment and special skills involved in the domestic production of the article.

(8) Extent to which investment and specialized productive capacity is or will be adversely affected.

(9) Revenues of Federal, State, or local Governments which are or may be affected by the volume or circumstances of imports of the article.

(10) Defense or defense supporting uses of the article including data on defense contracts or sub-contracts, both past and current.

(c) Statistical material presented should be on a calendar-year basis for sufficient periods of time to indicate trends and afford the greatest possible assistance to the Assistant Secretary. Monthly or quarterly data for the latest complete years should be included as well as any other breakdowns which may be pertinent to show seasonal or short-term factors.

[39 FR 10898, Mar. 22, 1974, as amended at 40 FR 50717, Oct. 31, 1975]

§ 9.6 Confidential information.

Information submitted in confidence which the Assistant Secretary determines would disclose trade secrets and commercial or financial information obtained from a person and privileged, within the meaning of 5 U.S.C. 552 and 31 CFR part 1, will be accorded confidential treatment. All information submitted in confidence must be on separate pages marked ''Business Confidential.''

[40 FR 50717, Oct. 31, 1975]

§ 9.7 Conduct of investigation.

(a) The investigation by the Assistant Secretary or by such official or agency as he may designate, shall be such as to enable the Secretary to arrive at a fully informed opinion as to the effect on the national security of imports of the article in question.

(b) If the Assistant Secretary determines that it is appropriate to hold public hearings or otherwise afford interested parties an opportunity to present information and advice relevant to an investigation, he shall issue a public notice which shall be published in the FEDERAL REGISTER. Such notice shall include a statement of the time, place and nature of any public hearing or shall solicit from any interested party written comments, opinions, or data relative to the investigation, to be submitted to the Assistant Secretary within the time period specified in the notice. Rebuttal to material so submitted may be filed with the Assistant Secretary within such time as is specified in the public notice. All data, comments and opinions shall be submitted with 25 copies.

(c) All applications filed and all comments, opinions, and data submitted pursuant to paragraph (b) of this section, except information determined to be confidential as provided in § 9.6, will be available for inspection and copying at the Office of the Assistant Secretary (Enforcement, Operations, and Tariff Affairs), Department of the Treasury, in Washington, DC. The Assistant Secretary will maintain a roster of persons who have submitted materials.

(d) The Assistant Secretary or his designee may also request further data from other sources through the use of questionnaires, correspondence, or other means.

(e) The Assistant Secretary or his delegate shall, in the course of the investigation, seek information or advice from, and consult with, the Secretary of Defense, the Secretary of Commerce, or their delegates, and any other appropriate officer of the United States as the Assistant Secretary shall determine.

(f) In addition, the Assistant Secretary, or his designee, may, when he deems it appropriate, hold public hearings to elicit further information. If a hearing is held:

(1) The time and place thereof will be published in the FEDERAL REGISTER.

(2) It will be conducted by the Assistant Secretary or his designee, and the full record will be considered by the Secretary in arriving at his determination.

(3) Interested parties may appear, either in person or by representation, and produce oral or written evidence relevant and material to the subject matter of the investigation.

(4) After a witness has testified the Assistant Secretary or his designee may question the witness. Questions submitted to the Assistant Secretary or his designee in writing by any interested party may, at the discretion of the Assistant Secretary or his designee, be posed to the witness for reply

for the purpose of assisting the Assistant Secretary in obtaining the material facts with respect to the subject matter of the investigation.

(5) The hearing will be stenographically reported. The Assistant Secretary will not cause transcripts of the record of the hearing to be distributed to the interested parties, but a transcript may be inspected at the Office of the Assistant Secretary (Enforcement, Operations, and Tariff Affairs), Department of the Treasury, in Washington, DC, or purchased from the reporter.

[39 FR 10898, Mar. 22, 1974, as amended at 40 FR 50717, Oct. 31, 1975]

§ 9.8 Emergency action.

In emergency situations or when in his judgment national security interests require it, the Secretary may vary or dispense with any of the procedures set forth above and may formulate his views without following such procedures.

[39 FR 10898, Mar. 22, 1974]

§ 9.9 Report.

A report will be made and published in the FEDERAL REGISTER upon the disposition of each request, application or motion under § 9.3. Copies of the report will be available at the Office of the Assistant Secretary (Enforcement, Operations, and Tariff Affairs), Department of the Treasury.

[40 FR 50718, Oct. 31, 1975]

PART 10—PRACTICE BEFORE THE INTERNAL REVENUE SERVICE

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AUTHORITY: Sec. 3, 23 Stat. 258, secs. 2–12, 60 Stat. 237 *et seq.*; 5 U.S.C. 301, 500, 551–559; 31 U.S.C. 321; 31 U.S.C. 330; Reorg. Plan No. 26 of 1950, 15 FR 4935, 64 Stat. 1280, 3 CFR, 1949–1953 Comp., p. 1017.

SOURCE: Department Circular 230, Revised, 31 FR 10773, Aug. 13, 1966, unless otherwise noted.

EDITORIAL NOTE: Nomenclature changes to part 10 appear by T.D. 9359, 72 FR 54544, Sept. 26, 2007.

§ 10.0 Scope of part.

(a) This part contains rules governing the recognition of attorneys, certified public accountants, enrolled agents, enrolled retirement plan agents, registered tax return preparers, and other persons representing taxpayers before the Internal Revenue Service. Subpart A of this part sets forth rules relating to the authority to practice before the Internal Revenue Service; subpart B of this part prescribes the duties and restrictions relating to such practice; subpart C of this part prescribes the sanctions for violating the regulations; subpart D of this part contains the rules applicable to disciplinary proceedings; and subpart E of this part contains general provisions relating to the availability of official records.

(b) *Effective/applicability date.* This section is applicable beginning August 2, 2011.

[T.D. 9527, 76 FR 32300, June 3, 2011]

Subpart A—Rules Governing Authority to Practice

SOURCE: T.D. 9011, 67 FR 48765, July 26, 2002, unless otherwise noted.

§ 10.1 Offices.

(a) *Establishment of office(s).* The Commissioner shall establish the Office of Professional Responsibility and any other office(s) within the Internal Revenue Service necessary to administer and enforce this part. The Commissioner shall appoint the Director of the Office of Professional Responsibility and any other Internal Revenue official(s) to manage and direct any office(s) established to administer or enforce this part. Offices established under this part include, but are not limited to:

(1) The Office of Professional Responsibility, which shall generally have responsibility for matters related to practitioner conduct and shall have exclusive responsibility for discipline, including disciplinary proceedings and sanctions; and

(2) An office with responsibility for matters related to authority to practice before the Internal Revenue Service, including acting on applications for enrollment to practice before the Internal Revenue Service and administering competency testing and continuing education.

(b) Officers and employees within any office established under this part may perform acts necessary or appropriate to carry out the responsibilities of their office(s) under this part or as otherwise prescribed by the Commissioner.

(c) *Acting.* The Commissioner will designate an officer or employee of the Internal Revenue Service to perform the duties of an individual appointed under paragraph (a) of this section in the absence of that officer or employee or during a vacancy in that office.

(d) *Effective/applicability date.* This section is applicable beginning August 2, 2011, except that paragraph (a)(1) is applicable beginning June 12, 2014.

[T.D. 9527, 76 FR 32300, June 3, 2011, as amended by T.D. 9668, 79 FR 33692, June 12, 2014]

§ 10.2 Definitions.

(a) As used in this part, except where the text provides otherwise—

(1) *Attorney* means any person who is a member in good standing of the bar of the highest court of any state, territory, or possession of the United States, including a Commonwealth, or the District of Columbia.

(2) *Certified public accountant* means any person who is duly qualified to practice as a certified public accountant in any state, territory, or possession of the United States, including a Commonwealth, or the District of Columbia.

(3) *Commissioner* refers to the Commissioner of Internal Revenue.

(4) *Practice before the Internal Revenue Service* comprehends all matters connected with a presentation to the Internal Revenue Service or any of its officers or employees relating to a taxpayer's rights, privileges, or liabilities under laws or regulations administered by the Internal Revenue Service. Such presentations include, but are not limited to, preparing documents; filing documents; corresponding and communicating with the Internal Revenue Service; rendering written advice with respect to any entity, transaction, plan or arrangement, or other plan or arrangement having a potential for tax avoidance or evasion; and representing a client at conferences, hearings, and meetings.

(5) *Practitioner* means any individual described in paragraphs (a), (b), (c), (d), (e), or (f) of § 10.3.

(6) A *tax return* includes an amended tax return and a claim for refund.

(7) *Service* means the Internal Revenue Service.

(8) *Tax return preparer* means any individual within the meaning of section 7701(a)(36) and 26 CFR 301.7701–15.

(b) *Effective/applicability date.* This section is applicable beginning August 2, 2011.

[T.D. 9359, 72 FR 54544, Sept. 26, 2007, as amended by T.D. 9527, 76 FR 32300, June 3, 2011]

§ 10.3 Who may practice.

(a) *Attorneys.* Any attorney who is not currently under suspension or disbarment from practice before the Internal Revenue Service may practice before the Internal Revenue Service by filing with the Internal Revenue Service a written declaration that the attorney is currently qualified as an attorney and is authorized to represent the party or parties. Notwithstanding the preceding sentence, attorneys who are not currently under suspension or disbarment from practice before the Internal Revenue Service are not required to file a written declaration with the IRS before rendering written advice covered under § 10.37, but their rendering of this advice is practice before the Internal Revenue Service.

(b) *Certified public accountants.* Any certified public accountant who is not currently under suspension or disbarment from practice before the Internal Revenue Service may practice before the Internal Revenue Service by filing with the Internal Revenue Service a written declaration that the certified public accountant is currently qualified as a certified public accountant and is authorized to represent the party or parties. Notwithstanding the preceding sentence, certified public accountants who are not currently under suspension or disbarment from practice before the Internal Revenue Service are not required to file a written declaration with the IRS before rendering written advice covered under § 10.37, but their rendering of this advice is practice before the Internal Revenue Service.

(c) *Enrolled agents.* Any individual enrolled as an agent pursuant to this part who is not currently under suspension or disbarment from practice before the Internal Revenue Service may practice before the Internal Revenue Service.

(d) *Enrolled actuaries.* (1) Any individual who is enrolled as an actuary by the Joint Board for the Enrollment of Actuaries pursuant to 29 U.S.C. 1242 who is not currently under suspension or disbarment from practice before the Internal Revenue Service may practice before the Internal Revenue Service by filing with the Internal Revenue Service a written declaration stating that he or she is currently qualified as an enrolled actuary and is authorized to represent the party or parties on whose behalf he or she acts.

(2) Practice as an enrolled actuary is limited to representation with respect

to issues involving the following statutory provisions in title 26 of the United States Code: sections 401 (relating to qualification of employee plans), 403(a) (relating to whether an annuity plan meets the requirements of section 404(a)(2)), 404 (relating to deductibility of employer contributions), 405 (relating to qualification of bond purchase plans), 412 (relating to funding requirements for certain employee plans), 413 (relating to application of qualification requirements to collectively bargained plans and to plans maintained by more than one employer), 414 (relating to definitions and special rules with respect to the employee plan area), 419 (relating to treatment of funded welfare benefits), 419A (relating to qualified asset accounts), 420 (relating to transfers of excess pension assets to retiree health accounts), 4971 (relating to excise taxes payable as a result of an accumulated funding deficiency under section 412), 4972 (relating to tax on nondeductible contributions to qualified employer plans), 4976 (relating to taxes with respect to funded welfare benefit plans), 4980 (relating to tax on reversion of qualified plan assets to employer), 6057 (relating to annual registration of plans), 6058 (relating to information required in connection with certain plans of deferred compensation), 6059 (relating to periodic report of actuary), 6652(e) (relating to the failure to file annual registration and other notifications by pension plan), 6652(f) (relating to the failure to file information required in connection with certain plans of deferred compensation), 6692 (relating to the failure to file actuarial report), 7805(b) (relating to the extent to which an Internal Revenue Service ruling or determination letter coming under the statutory provisions listed here will be applied without retroactive effect); and 29 U.S.C. 1083 (relating to the waiver of funding for nonqualified plans).

(3) An individual who practices before the Internal Revenue Service pursuant to paragraph (d)(1) of this section is subject to the provisions of this part in the same manner as attorneys, certified public accountants, enrolled agents, enrolled retirement plan agents, and registered tax return preparers.

(e) *Enrolled Retirement Plan Agents*—(1) Any individual enrolled as a retirement plan agent pursuant to this part who is not currently under suspension or disbarment from practice before the Internal Revenue Service may practice before the Internal Revenue Service.

(2) Practice as an enrolled retirement plan agent is limited to representation with respect to issues involving the following programs: Employee Plans Determination Letter program; Employee Plans Compliance Resolution System; and Employee Plans Master and Prototype and Volume Submitter program. In addition, enrolled retirement plan agents are generally permitted to represent taxpayers with respect to IRS forms under the 5300 and 5500 series which are filed by retirement plans and plan sponsors, but not with respect to actuarial forms or schedules.

(3) An individual who practices before the Internal Revenue Service pursuant to paragraph (e)(1) of this section is subject to the provisions of this part in the same manner as attorneys, certified public accountants, enrolled agents, enrolled actuaries, and registered tax return preparers.

(f) *Registered tax return preparers.* (1) Any individual who is designated as a registered tax return preparer pursuant to § 10.4(c) of this part who is not currently under suspension or disbarment from practice before the Internal Revenue Service may practice before the Internal Revenue Service.

(2) Practice as a registered tax return preparer is limited to preparing and signing tax returns and claims for refund, and other documents for submission to the Internal Revenue Service. A registered tax return preparer may prepare all or substantially all of a tax return or claim for refund of tax. The Internal Revenue Service will prescribe by forms, instructions, or other appropriate guidance the tax returns and claims for refund that a registered tax return preparer may prepare and sign.

(3) A registered tax return preparer may represent taxpayers before revenue agents, customer service representatives, or similar officers and employees of the Internal Revenue Service (including the Taxpayer Advocate Service) during an examination if the registered tax return preparer

signed the tax return or claim for refund for the taxable year or period under examination. Unless otherwise prescribed by regulation or notice, this right does not permit such individual to represent the taxpayer, regardless of the circumstances requiring representation, before appeals officers, revenue officers, Counsel or similar officers or employees of the Internal Revenue Service or the Treasury Department. A registered tax return preparer's authorization to practice under this part also does not include the authority to provide tax advice to a client or another person except as necessary to prepare a tax return, claim for refund, or other document intended to be submitted to the Internal Revenue Service.

(4) An individual who practices before the Internal Revenue Service pursuant to paragraph (f)(1) of this section is subject to the provisions of this part in the same manner as attorneys, certified public accountants, enrolled agents, enrolled retirement plan agents, and enrolled actuaries.

(g) *Others*. Any individual qualifying under § 10.5(e) or § 10.7 is eligible to practice before the Internal Revenue Service to the extent provided in those sections.

(h) *Government officers and employees, and others*. An individual, who is an officer or employee of the executive, legislative, or judicial branch of the United States Government; an officer or employee of the District of Columbia; a Member of Congress; or a Resident Commissioner may not practice before the Internal Revenue Service if such practice violates 18 U.S.C. 203 or 205.

(i) *State officers and employees*. No officer or employee of any State, or subdivision of any State, whose duties require him or her to pass upon, investigate, or deal with tax matters for such State or subdivision, may practice before the Internal Revenue Service, if such employment may disclose facts or information applicable to Federal tax matters.

(j) *Effective/applicability date*. Paragraphs (a), (b), and (g) of this section are applicable beginning June 12, 2014. Paragraphs (c) through (f), (h), and (i) of this section are applicable beginning August 2, 2011.

[T.D. 9011, 67 FR 48765, July 26, 2002, as amended by T.D. 9359, 72 FR 54545, Sept. 26, 2007; T.D. 9527, 76 FR 32300, June 3, 2011; T.D. 9668, 79 FR 33693, June 12, 2014]

§ 10.4 Eligibility to become an enrolled agent, enrolled retirement plan agent, or registered tax return preparer.

(a) *Enrollment as an enrolled agent upon examination*. The Commissioner, or delegate, will grant enrollment as an enrolled agent to an applicant eighteen years of age or older who demonstrates special competence in tax matters by written examination administered by, or administered under the oversight of, the Internal Revenue Service, who possesses a current or otherwise valid preparer tax identification number or other prescribed identifying number, and who has not engaged in any conduct that would justify the suspension or disbarment of any practitioner under the provisions of this part.

(b) *Enrollment as a retirement plan agent upon examination*. The Commissioner, or delegate, will grant enrollment as an enrolled retirement plan agent to an applicant eighteen years of age or older who demonstrates special competence in qualified retirement plan matters by written examination administered by, or administered under the oversight of, the Internal Revenue Service, who possesses a current or otherwise valid preparer tax identification number or other prescribed identifying number, and who has not engaged in any conduct that would justify the suspension or disbarment of any practitioner under the provisions of this part.

(c) *Designation as a registered tax return preparer*. The Commissioner, or delegate, may designate an individual eighteen years of age or older as a registered tax return preparer provided an applicant demonstrates competence in Federal tax return preparation matters by written examination administered by, or administered under the oversight of, the Internal Revenue Service, or otherwise meets the requisite standards prescribed by the Internal Revenue Service, possesses a current or

otherwise valid preparer tax identification number or other prescribed identifying number, and has not engaged in any conduct that would justify the suspension or disbarment of any practitioner under the provisions of this part.

(d) *Enrollment of former Internal Revenue Service employees.* The Commissioner, or delegate, may grant enrollment as an enrolled agent or enrolled retirement plan agent to an applicant who, by virtue of past service and technical experience in the Internal Revenue Service, has qualified for such enrollment and who has not engaged in any conduct that would justify the suspension or disbarment of any practitioner under the provisions of this part, under the following circumstances:

(1) The former employee applies for enrollment on an Internal Revenue Service form and supplies the information requested on the form and such other information regarding the experience and training of the applicant as may be relevant.

(2) The appropriate office of the Internal Revenue Service provides a detailed report of the nature and rating of the applicant's work while employed by the Internal Revenue Service and a recommendation whether such employment qualifies the applicant technically or otherwise for the desired authorization.

(3) Enrollment as an enrolled agent based on an applicant's former employment with the Internal Revenue Service may be of unlimited scope or it may be limited to permit the presentation of matters only of the particular specialty or only before the particular unit or division of the Internal Revenue Service for which the applicant's former employment has qualified the applicant. Enrollment as an enrolled retirement plan agent based on an applicant's former employment with the Internal Revenue Service will be limited to permit the presentation of matters only with respect to qualified retirement plan matters.

(4) Application for enrollment as an enrolled agent or enrolled retirement plan agent based on an applicant's former employment with the Internal Revenue Service must be made within three years from the date of separation from such employment.

(5) An applicant for enrollment as an enrolled agent who is requesting such enrollment based on former employment with the Internal Revenue Service must have had a minimum of five years continuous employment with the Internal Revenue Service during which the applicant must have been regularly engaged in applying and interpreting the provisions of the Internal Revenue Code and the regulations relating to income, estate, gift, employment, or excise taxes.

(6) An applicant for enrollment as an enrolled retirement plan agent who is requesting such enrollment based on former employment with the Internal Revenue Service must have had a minimum of five years continuous employment with the Internal Revenue Service during which the applicant must have been regularly engaged in applying and interpreting the provisions of the Internal Revenue Code and the regulations relating to qualified retirement plan matters.

(7) For the purposes of paragraphs (d)(5) and (6) of this section, an aggregate of 10 or more years of employment in positions involving the application and interpretation of the provisions of the Internal Revenue Code, at least three of which occurred within the five years preceding the date of application, is the equivalent of five years continuous employment.

(e) *Natural persons.* Enrollment or authorization to practice may be granted only to natural persons.

(f) *Effective/applicability date.* This section is applicable beginning August 2, 2011.

[T.D. 9527, 76 FR 32301, June 3, 2011]

§ 10.5 Application to become an enrolled agent, enrolled retirement plan agent, or registered tax return preparer.

(a) *Form; address.* An applicant to become an enrolled agent, enrolled retirement plan agent, or registered tax return preparer must apply as required by forms or procedures established and published by the Internal Revenue Service, including proper execution of required forms under oath or affirmation. The address on the application

will be the address under which a successful applicant is enrolled or registered and is the address to which all correspondence concerning enrollment or registration will be sent.

(b) *Fee*. A reasonable nonrefundable fee may be charged for each application to become an enrolled agent, enrolled retirement plan agent, or registered tax return preparer. See 26 CFR part 300.

(c) *Additional information; examination*. The Internal Revenue Service may require the applicant, as a condition to consideration of an application, to file additional information and to submit to any written or oral examination under oath or otherwise. Upon the applicant's written request, the Internal Revenue Service will afford the applicant the opportunity to be heard with respect to the application.

(d) *Compliance and suitability checks*. (1) As a condition to consideration of an application, the Internal Revenue Service may conduct a Federal tax compliance check and suitability check. The tax compliance check will be limited to an inquiry regarding whether an applicant has filed all required individual or business tax returns and whether the applicant has failed to pay, or make proper arrangements with the Internal Revenue Service for payment of, any Federal tax debts. The suitability check will be limited to an inquiry regarding whether an applicant has engaged in any conduct that would justify suspension or disbarment of any practitioner under the provisions of this part on the date the application is submitted, including whether the applicant has engaged in disreputable conduct as defined in § 10.51. The application will be denied only if the results of the compliance or suitability check are sufficient to establish that the practitioner engaged in conduct subject to sanctions under §§ 10.51 and 10.52.

(2) If the applicant does not pass the tax compliance or suitability check, the applicant will not be issued an enrollment or registration card or certificate pursuant to § 10.6(b) of this part. An applicant who is initially denied enrollment or registration for failure to pass a tax compliance check may reapply after the initial denial if the applicant becomes current with respect to the applicant's tax liabilities.

(e) *Temporary recognition*. On receipt of a properly executed application, the Commissioner, or delegate, may grant the applicant temporary recognition to practice pending a determination as to whether status as an enrolled agent, enrolled retirement plan agent, or registered tax return preparer should be granted. Temporary recognition will be granted only in unusual circumstances and it will not be granted, in any circumstance, if the application is not regular on its face, if the information stated in the application, if true, is not sufficient to warrant granting the application to practice, or the Commissioner, or delegate, has information indicating that the statements in the application are untrue or that the applicant would not otherwise qualify to become an enrolled agent, enrolled retirement plan agent, or registered tax return preparer. Issuance of temporary recognition does not constitute either a designation or a finding of eligibility as an enrolled agent, enrolled retirement plan agent, or registered tax return preparer, and the temporary recognition may be withdrawn at any time.

(f) *Protest of application denial*. The applicant will be informed in writing as to the reason(s) for any denial of an application. The applicant may, within 30 days after receipt of the notice of denial of the application, file a written protest of the denial as prescribed by the Internal Revenue Service in forms, guidance, or other appropriate guidance. A protest under this section is not governed by subpart D of this part.

(g) *Effective/applicability date*. This section is applicable to applications received on or after August 2, 2011.

[T.D. 9527, 63 FR 32302, June 3, 2011, as amended at 76 FR 49650, Aug. 11, 2011]

§ 10.6 Term and renewal of status as an enrolled agent, enrolled retirement plan agent, or registered tax return preparer.

(a) *Term*. Each individual authorized to practice before the Internal Revenue Service as an enrolled agent, enrolled retirement plan agent, or registered tax return preparer will be accorded active enrollment or registration status

subject to renewal of enrollment or registration as provided in this part.

(b) *Enrollment or registration card or certificate.* The Internal Revenue Service will issue an enrollment or registration card or certificate to each individual whose application to practice before the Internal Revenue Service is approved. Each card or certificate will be valid for the period stated on the card or certificate. An enrolled agent, enrolled retirement plan agent, or registered tax return preparer may not practice before the Internal Revenue Service if the card or certificate is not current or otherwise valid. The card or certificate is in addition to any notification that may be provided to each individual who obtains a preparer tax identification number.

(c) *Change of address.* An enrolled agent, enrolled retirement plan agent, or registered tax return preparer must send notification of any change of address to the address specified by the Internal Revenue Service within 60 days of the change of address. This notification must include the enrolled agent's, enrolled retirement plan agent's, or registered tax return preparer's name, prior address, new address, tax identification number(s) (including preparer tax identification number), and the date the change of address is effective. Unless this notification is sent, the address for purposes of any correspondence from the appropriate Internal Revenue Service office responsible for administering this part shall be the address reflected on the practitioner's most recent application for enrollment or registration, or application for renewal of enrollment or registration. A practitioner's change of address notification under this part will not constitute a change of the practitioner's last known address for purposes of section 6212 of the Internal Revenue Code and regulations thereunder.

(d) *Renewal*—(1) *In general.* Enrolled agents, enrolled retirement plan agents, and registered tax return preparers must renew their status with the Internal Revenue Service to maintain eligibility to practice before the Internal Revenue Service. Failure to receive notification from the Internal Revenue Service of the renewal requirement will not be justification for the individual's failure to satisfy this requirement.

(2) *Renewal period for enrolled agents.* (i) All enrolled agents must renew their preparer tax identification number as prescribed by forms, instructions, or other appropriate guidance.

(ii) Enrolled agents who have a Social Security number or tax identification number that ends with the numbers 0, 1, 2, or 3, except for those individuals who received their initial enrollment after November 1, 2003, must apply for renewal between November 1, 2003, and January 31, 2004. The renewal will be effective April 1, 2004.

(iii) Enrolled agents who have a social security number or tax identification number that ends with the numbers 4, 5, or 6, except for those individuals who received their initial enrollment after November 1, 2004, must apply for renewal between November 1, 2004, and January 31, 2005. The renewal will be effective April 1, 2005.

(iv) Enrolled agents who have a social security number or tax identification number that ends with the numbers 7, 8, or 9, except for those individuals who received their initial enrollment after November 1, 2005, must apply for renewal between November 1, 2005, and January 31, 2006. The renewal will be effective April 1, 2006.

(v) Thereafter, applications for renewal as an enrolled agent will be required between November 1 and January 31 of every subsequent third year as specified in paragraph (d)(2)(i), (d)(2)(ii), or (d)(2)(iii) of this section according to the last number of the individual's Social Security number or tax identification number. Those individuals who receive initial enrollment as an enrolled agent after November 1 and before April 2 of the applicable renewal period will not be required to renew their enrollment before the first full renewal period following the receipt of their initial enrollment.

(3) *Renewal period for enrolled retirement plan agents.* (i) All enrolled retirement plan agents must renew their preparer tax identification number as prescribed by the Internal Revenue Service in forms, instructions, or other appropriate guidance.

(ii) Enrolled retirement plan agents will be required to renew their status

as enrolled retirement plan agents between April 1 and June 30 of every third year subsequent to their initial enrollment.

(4) *Renewal period for registered tax return preparers.* Registered tax return preparers must renew their preparer tax identification number and their status as a registered tax return preparer as prescribed by the Internal Revenue Service in forms, instructions, or other appropriate guidance.

(5) *Notification of renewal.* After review and approval, the Internal Revenue Service will notify the individual of the renewal and will issue the individual a card or certificate evidencing current status as an enrolled agent, enrolled retirement plan agent, or registered tax return preparer.

(6) *Fee.* A reasonable nonrefundable fee may be charged for each application for renewal filed. See 26 CFR part 300.

(7) *Forms.* Forms required for renewal may be obtained by sending a written request to the address specified by the Internal Revenue Service or from such other source as the Internal Revenue Service will publish in the Internal Revenue Bulletin (see 26 CFR 601.601(d)(2)(ii)(*b*)) and on the Internal Revenue Service webpage (*http://www.irs.gov*).

(e) *Condition for renewal: continuing education.* In order to qualify for renewal as an enrolled agent, enrolled retirement plan agent, or registered tax return preparer, an individual must certify, in the manner prescribed by the Internal Revenue Service, that the individual has satisfied the requisite number of continuing education hours.

(1) *Definitions.* For purposes of this section—

(i) *Enrollment year* means January 1 to December 31 of each year of an enrollment cycle.

(ii) *Enrollment cycle* means the three successive enrollment years preceding the effective date of renewal.

(iii) *Registration year* means each 12-month period the registered tax return preparer is authorized to practice before the Internal Revenue Service.

(iv) The *effective date of renewal* is the first day of the fourth month following the close of the period for renewal described in paragraph (d) of this section.

(2) *For renewed enrollment as an enrolled agent or enrolled retirement plan agent*—(i) *Requirements for enrollment cycle.* A minimum of 72 hours of continuing education credit, including six hours of ethics or professional conduct, must be completed during each enrollment cycle.

(ii) *Requirements for enrollment year.* A minimum of 16 hours of continuing education credit, including two hours of ethics or professional conduct, must be completed during each enrollment year of an enrollment cycle.

(iii) *Enrollment during enrollment cycle*—(A) *In general.* Subject to paragraph (e)(2)(iii)(B) of this section, an individual who receives initial enrollment during an enrollment cycle must complete two hours of qualifying continuing education credit for each month enrolled during the enrollment cycle. Enrollment for any part of a month is considered enrollment for the entire month.

(B) *Ethics.* An individual who receives initial enrollment during an enrollment cycle must complete two hours of ethics or professional conduct for each enrollment year during the enrollment cycle. Enrollment for any part of an enrollment year is considered enrollment for the entire year.

(3) *Requirements for renewal as a registered tax return preparer.* A minimum of 15 hours of continuing education credit, including two hours of ethics or professional conduct, three hours of Federal tax law updates, and 10 hours of Federal tax law topics, must be completed during each registration year.

(f) *Qualifying continuing education*—(1) *General*—(i) *Enrolled agents.* To qualify for continuing education credit for an enrolled agent, a course of learning must—

(A) Be a qualifying continuing education program designed to enhance professional knowledge in Federal taxation or Federal tax related matters (programs comprised of current subject matter in Federal taxation or Federal tax related matters, including accounting, tax return preparation software, taxation, or ethics); and

(B) Be a qualifying continuing education program consistent with the Internal Revenue Code and effective tax administration.

(ii) *Enrolled retirement plan agents.* To qualify for continuing education credit for an enrolled retirement plan agent, a course of learning must—

(A) Be a qualifying continuing education program designed to enhance professional knowledge in qualified retirement plan matters; and

(B) Be a qualifying continuing education program consistent with the Internal Revenue Code and effective tax administration.

(iii) *Registered tax return preparers.* To qualify for continuing education credit for a registered tax return preparer, a course of learning must—

(A) Be a qualifying continuing education program designed to enhance professional knowledge in Federal taxation or Federal tax related matters (programs comprised of current subject matter in Federal taxation or Federal tax related matters, including accounting, tax return preparation software, taxation, or ethics); and

(B) Be a qualifying continuing education program consistent with the Internal Revenue Code and effective tax administration.

(2) *Qualifying programs*—(i) *Formal programs.* A formal program qualifies as a continuing education program if it—

(A) Requires attendance and provides each attendee with a certificate of attendance;

(B) Is conducted by a qualified instructor, discussion leader, or speaker (in other words, a person whose background, training, education, and experience is appropriate for instructing or leading a discussion on the subject matter of the particular program);

(C) Provides or requires a written outline, textbook, or suitable electronic educational materials; and

(D) Satisfies the requirements established for a qualified continuing education program pursuant to § 10.9.

(ii) *Correspondence or individual study programs (including taped programs).* Qualifying continuing education programs include correspondence or individual study programs that are conducted by continuing education providers and completed on an individual basis by the enrolled individual. The allowable credit hours for such programs will be measured on a basis comparable to the measurement of a seminar or course for credit in an accredited educational institution. Such programs qualify as continuing education programs only if they—

(A) Require registration of the participants by the continuing education provider;

(B) Provide a means for measuring successful completion by the participants (for example, a written examination), including the issuance of a certificate of completion by the continuing education provider;

(C) Provide a written outline, textbook, or suitable electronic educational materials; and

(D) Satisfy the requirements established for a qualified continuing education program pursuant to § 10.9.

(iii) *Serving as an instructor, discussion leader or speaker.* (A) One hour of continuing education credit will be awarded for each contact hour completed as an instructor, discussion leader, or speaker at an educational program that meets the continuing education requirements of paragraph (f) of this section.

(B) A maximum of two hours of continuing education credit will be awarded for actual subject preparation time for each contact hour completed as an instructor, discussion leader, or speaker at such programs. It is the responsibility of the individual claiming such credit to maintain records to verify preparation time.

(C) The maximum continuing education credit for instruction and preparation may not exceed four hours annually for registered tax return preparers and six hours annually for enrolled agents and enrolled retirement plan agents.

(D) An instructor, discussion leader, or speaker who makes more than one presentation on the same subject matter during an enrollment cycle or registration year will receive continuing education credit for only one such presentation for the enrollment cycle or registration year.

(3) *Periodic examination.* Enrolled Agents and Enrolled Retirement Plan Agents may establish eligibility for renewal of enrollment for any enrollment cycle by—

(i) Achieving a passing score on each part of the Special Enrollment Examination administered under this part during the three year period prior to renewal; and

(ii) Completing a minimum of 16 hours of qualifying continuing education during the last year of an enrollment cycle.

(g) *Measurement of continuing education coursework.* (1) All continuing education programs will be measured in terms of contact hours. The shortest recognized program will be one contact hour.

(2) A contact hour is 50 minutes of continuous participation in a program. Credit is granted only for a full contact hour, which is 50 minutes or multiples thereof. For example, a program lasting more than 50 minutes but less than 100 minutes will count as only one contact hour.

(3) Individual segments at continuous conferences, conventions and the like will be considered one total program. For example, two 90-minute segments (180 minutes) at a continuous conference will count as three contact hours.

(4) For university or college courses, each semester hour credit will equal 15 contact hours and a quarter hour credit will equal 10 contact hours.

(h) *Recordkeeping requirements.* (1) Each individual applying for renewal must retain for a period of four years following the date of renewal the information required with regard to qualifying continuing education credit hours. Such information includes—

(i) The name of the sponsoring organization;

(ii) The location of the program;

(iii) The title of the program, qualified program number, and description of its content;

(iv) Written outlines, course syllibi, textbook, and/or electronic materials provided or required for the course;

(v) The dates attended;

(vi) The credit hours claimed;

(vii) The name(s) of the instructor(s), discussion leader(s), or speaker(s), if appropriate; and

(viii) The certificate of completion and/or signed statement of the hours of attendance obtained from the continuing education provider.

(2) To receive continuing education credit for service completed as an instructor, discussion leader, or speaker, the following information must be maintained for a period of four years following the date of renewal—

(i) The name of the sponsoring organization;

(ii) The location of the program;

(iii) The title of the program and copy of its content;

(iv) The dates of the program; and

(v) The credit hours claimed.

(i) *Waivers.* (1) Waiver from the continuing education requirements for a given period may be granted for the following reasons—

(i) Health, which prevented compliance with the continuing education requirements;

(ii) Extended active military duty;

(iii) Absence from the United States for an extended period of time due to employment or other reasons, provided the individual does not practice before the Internal Revenue Service during such absence; and

(iv) Other compelling reasons, which will be considered on a case-by-case basis.

(2) A request for waiver must be accompanied by appropriate documentation. The individual is required to furnish any additional documentation or explanation deemed necessary. Examples of appropriate documentation could be a medical certificate or military orders.

(3) A request for waiver must be filed no later than the last day of the renewal application period.

(4) If a request for waiver is not approved, the individual will be placed in inactive status. The individual will be notified that the waiver was not approved and that the individual has been placed on a roster of inactive enrolled agents, enrolled retirement plan agents, or registered tax return preparers.

(5) If the request for waiver is not approved, the individual may file a protest as prescribed by the Internal Revenue Service in forms, instructions, or other appropriate guidance. A protest filed under this section is not governed by subpart D of this part.

(6) If a request for waiver is approved, the individual will be notified and

issued a card or certificate evidencing renewal.

(7) Those who are granted waivers are required to file timely applications for renewal of enrollment or registration.

(j) *Failure to comply*. (1) Compliance by an individual with the requirements of this part is determined by the Internal Revenue Service. The Internal Revenue Service will provide notice to any individual who fails to meet the continuing education and fee requirements of eligibility for renewal. The notice will state the basis for the determination of noncompliance and will provide the individual an opportunity to furnish the requested information in writing relating to the matter within 60 days of the date of the notice. Such information will be considered in making a final determination as to eligibility for renewal. The individual must be informed of the reason(s) for any denial of a renewal. The individual may, within 30 days after receipt of the notice of denial of renewal, file a written protest of the denial as prescribed by the Internal Revenue Service in forms, instructions, or other appropriate guidance. A protest under this section is not governed by subpart D of this part.

(2) The continuing education records of an enrolled agent, enrolled retirement plan agent, or registered tax return preparer may be reviewed to determine compliance with the requirements and standards for renewal as provided in paragraph (f) of this section. As part of this review, the enrolled agent, enrolled retirement plan agent or registered tax return preparer may be required to provide the Internal Revenue Service with copies of any continuing education records required to be maintained under this part. If the enrolled agent, enrolled retirement plan agent or registered tax return preparer fails to comply with this requirement, any continuing education hours claimed may be disallowed.

(3) An individual who has not filed a timely application for renewal, who has not made a timely response to the notice of noncompliance with the renewal requirements, or who has not satisfied the requirements of eligibility for renewal will be placed on a roster of inactive enrolled individuals or inactive registered individuals. During this time, the individual will be ineligible to practice before the Internal Revenue Service.

(4) Individuals placed in inactive status and individuals ineligible to practice before the Internal Revenue Service may not state or imply that they are eligible to practice before the Internal Revenue Service, or use the terms enrolled agent, enrolled retirement plan agent, or registered tax return preparer, the designations ''EA'' or ''ERPA'' or other form of reference to eligibility to practice before the Internal Revenue Service.

(5) An individual placed in inactive status may be reinstated to an active status by filing an application for renewal and providing evidence of the completion of all required continuing education hours for the enrollment cycle or registration year. Continuing education credit under this paragraph (j)(5) may not be used to satisfy the requirements of the enrollment cycle or registration year in which the individual has been placed back on the active roster.

(6) An individual placed in inactive status must file an application for renewal and satisfy the requirements for renewal as set forth in this section within three years of being placed in inactive status. Otherwise, the name of such individual will be removed from the inactive status roster and the individual's status as an enrolled agent, enrolled retirement plan agent, or registered tax return preparer will terminate. Future eligibility for active status must then be reestablished by the individual as provided in this section.

(7) Inactive status is not available to an individual who is the subject of a pending disciplinary matter before the Internal Revenue Service.

(k) *Inactive retirement status*. An individual who no longer practices before the Internal Revenue Service may request to be placed in an inactive retirement status at any time and such individual will be placed in an inactive retirement status. The individual will be ineligible to practice before the Internal Revenue Service. An individual who is placed in an inactive retirement status may be reinstated to an active status by filing an application for renewal and providing evidence of the

completion of the required continuing education hours for the enrollment cycle or registration year. Inactive retirement status is not available to an individual who is ineligible to practice before the Internal Revenue Service or an individual who is the subject of a pending disciplinary matter under this part.

(l) *Renewal while under suspension or disbarment*. An individual who is ineligible to practice before the Internal Revenue Service by virtue of disciplinary action under this part is required to conform to the requirements for renewal of enrollment or registration before the individual's eligibility is restored.

(m) *Enrolled actuaries*. The enrollment and renewal of enrollment of actuaries authorized to practice under paragraph (d) of § 10.3 are governed by the regulations of the Joint Board for the Enrollment of Actuaries at 20 CFR 901.1 through 901.72.

(n) *Effective/applicability date*. This section is applicable to enrollment or registration effective beginning August 2, 2011.

[T.D. 9527, 76 FR 32302, June 3, 2011]

§ 10.7 Representing oneself; participating in rulemaking; limited practice; and special appearances.

(a) *Representing oneself*. Individuals may appear on their own behalf before the Internal Revenue Service provided they present satisfactory identification.

(b) *Participating in rulemaking*. Individuals may participate in rulemaking as provided by the Administrative Procedure Act. *See* 5 U.S.C. 553.

(c) *Limited practice*—(1) *In general*. Subject to the limitations in paragraph (c)(2) of this section, an individual who is not a practitioner may represent a taxpayer before the Internal Revenue Service in the circumstances described in this paragraph (c)(1), even if the taxpayer is not present, provided the individual presents satisfactory identification and proof of his or her authority to represent the taxpayer. The circumstances described in this paragraph (c)(1) are as follows:

(i) An individual may represent a member of his or her immediate family.

(ii) A regular full-time employee of an individual employer may represent the employer.

(iii) A general partner or a regular full-time employee of a partnership may represent the partnership.

(iv) A bona fide officer or a regular full-time employee of a corporation (including a parent, subsidiary, or other affiliated corporation), association, or organized group may represent the corporation, association, or organized group.

(v) A regular full-time employee of a trust, receivership, guardianship, or estate may represent the trust, receivership, guardianship, or estate.

(vi) An officer or a regular employee of a governmental unit, agency, or authority may represent the governmental unit, agency, or authority in the course of his or her official duties.

(vii) An individual may represent any individual or entity, who is outside the United States, before personnel of the Internal Revenue Service when such representation takes place outside the United States.

(2) *Limitations*. (i) An individual who is under suspension or disbarment from practice before the Internal Revenue Service may not engage in limited practice before the Internal Revenue Service under paragraph (c)(1) of this section.

(ii) The Commissioner, or delegate, may, after notice and opportunity for a conference, deny eligibility to engage in limited practice before the Internal Revenue Service under paragraph (c)(1) of this section to any individual who has engaged in conduct that would justify a sanction under § 10.50.

(iii) An individual who represents a taxpayer under the authority of paragraph (c)(1) of this section is subject, to the extent of his or her authority, to such rules of general applicability regarding standards of conduct and other matters as prescribed by the Internal Revenue Service.

(d) *Special appearances*. The Commissioner, or delegate, may, subject to conditions deemed appropriate, authorize an individual who is not otherwise eligible to practice before the Internal Revenue Service to represent another person in a particular matter.

(e) *Fiduciaries.* For purposes of this part, a fiduciary (for example, a trustee, receiver, guardian, personal representative, administrator, or executor) is considered to be the taxpayer and not a representative of the taxpayer.

(f) *Effective/applicability date.* This section is applicable beginning August 2, 2011.

[T.D. 9011, 67 FR 48765, July 26, 2002, as amended by T.D. 9359, 72 FR 54544, 54547, Sept. 26, 2007; T.D. 9527, 76 FR 32305, June 3, 2011]

§ 10.8 Return preparation and application of rules to other individuals.

(a) *Preparing all or substantially all of a tax return.* Any individual who for compensation prepares or assists with the preparation of all or substantially all of a tax return or claim for refund must have a preparer tax identification number. Except as otherwise prescribed in forms, instructions, or other appropriate guidance, an individual must be an attorney, certified public accountant, enrolled agent, or registered tax return preparer to obtain a preparer tax identification number. Any individual who for compensation prepares or assists with the preparation of all or substantially all of a tax return or claim for refund is subject to the duties and restrictions relating to practice in subpart B, as well as subject to the sanctions for violation of the regulations in subpart C.

(b) *Preparing a tax return and furnishing information.* Any individual may for compensation prepare or assist with the preparation of a tax return or claim for refund (provided the individual prepares less than substantially all of the tax return or claim for refund), appear as a witness for the taxpayer before the Internal Revenue Service, or furnish information at the request of the Internal Revenue Service or any of its officers or employees.

(c) *Application of rules to other individuals.* Any individual who for compensation prepares, or assists in the preparation of, all or a substantial portion of a document pertaining to any taxpayer's tax liability for submission to the Internal Revenue Service is subject to the duties and restrictions relating to practice in subpart B, as well as subject to the sanctions for violation of the regulations in subpart C. Unless otherwise a practitioner, however, an individual may not for compensation prepare, or assist in the preparation of, all or substantially all of a tax return or claim for refund, or sign tax returns and claims for refund. For purposes of this paragraph, an individual described in 26 CFR 301.7701–15(f) is not treated as having prepared all or a substantial portion of the document by reason of such assistance.

(d) *Effective/applicability date.* This section is applicable beginning August 2, 2011.

[T.D. 9527, 76 FR 32306, June 3, 2011]

§ 10.9 Continuing education providers and continuing education programs.

(a) *Continuing education providers*—(1) *In general.* Continuing education providers are those responsible for presenting continuing education programs. A continuing education provider must—

(i) Be an accredited educational institution;

(ii) Be recognized for continuing education purposes by the licensing body of any State, territory, or possession of the United States, including a Commonwealth, or the District of Columbia;

(iii) Be recognized and approved by a qualifying organization as a provider of continuing education on subject matters within § 10.6(f) of this part. The Internal Revenue Service may, at its discretion, identify a professional organization, society or business entity that maintains minimum education standards comparable to those set forth in this part as a qualifying organization for purposes of this part in appropriate forms, instructions, and other appropriate guidance; or

(iv) Be recognized by the Internal Revenue Service as a professional organization, society, or business whose programs include offering continuing professional education opportunities in subject matters within § 10.6(f) of this part. The Internal Revenue Service, at its discretion, may require such professional organizations, societies, or businesses to file an agreement and/or obtain Internal Revenue Service approval

of each program as a qualified continuing education program in appropriate forms, instructions or other appropriate guidance.

(2) *Continuing education provider numbers*—(i) *In general.* A continuing education provider is required to obtain a continuing education provider number and pay any applicable user fee.

(ii) *Renewal.* A continuing education provider maintains its status as a continuing education provider during the continuing education provider cycle by renewing its continuing education provider number as prescribed by forms, instructions or other appropriate guidance and paying any applicable user fee.

(3) *Requirements for qualified continuing education programs.* A continuing education provider must ensure the qualified continuing education program complies with all the following requirements—

(i) Programs must be developed by individual(s) qualified in the subject matter;

(ii) Program subject matter must be current;

(iii) Instructors, discussion leaders, and speakers must be qualified with respect to program content;

(iv) Programs must include some means for evaluation of the technical content and presentation to be evaluated;

(v) Certificates of completion bearing a current qualified continuing education program number issued by the Internal Revenue Service must be provided to the participants who successfully complete the program; and

(vi) Records must be maintained by the continuing education provider to verify the participants who attended and completed the program for a period of four years following completion of the program. In the case of continuous conferences, conventions, and the like, records must be maintained to verify completion of the program and attendance by each participant at each segment of the program.

(4) *Program numbers*—(i) *In general.* Every continuing education provider is required to obtain a continuing education provider program number and pay any applicable user fee for each program offered. Program numbers shall be obtained as prescribed by forms, instructions or other appropriate guidance. Although, at the discretion of the Internal Revenue Service, a continuing education provider may be required to demonstrate that the program is designed to enhance professional knowledge in Federal taxation or Federal tax related matters (programs comprised of current subject matter in Federal taxation or Federal tax related matters, including accounting, tax return preparation software, taxation, or ethics) and complies with the requirements in paragraph (a)(2)of this section before a program number is issued.

(ii) *Update programs.* Update programs may use the same number as the program subject to update. An update program is a program that instructs on a change of existing law occurring within one year of the update program offering. The qualifying education program subject to update must have been offered within the two year time period prior to the change in existing law.

(iii) *Change in existing law.* A change in existing law means the effective date of the statute or regulation, or date of entry of judicial decision, that is the subject of the update.

(b) *Failure to comply.* Compliance by a continuing education provider with the requirements of this part is determined by the Internal Revenue Service. A continuing education provider who fails to meet the requirements of this part will be notified by the Internal Revenue Service. The notice will state the basis for the determination of noncompliance and will provide the continuing education provider an opportunity to furnish the requested information in writing relating to the matter within 60 days of the date of the notice. The continuing education provider may, within 30 days after receipt of the notice of denial, file a written protest as prescribed by the Internal Revenue Service in forms, instructions, or other appropriate guidance. A protest under this section is not governed by subpart D of this part.

(c) *Effective/applicability date.* This section is applicable beginning August 2, 2011.

[T.D. 9527, 76 FR 32306, June 3, 2011]

Subpart B—Duties and Restrictions Relating to Practice Before the Internal Revenue Service

SOURCE: T.D. 9011, 67 FR 48771, July 26, 2002, unless otherwise noted.

§ 10.20 Information to be furnished.

(a) *To the Internal Revenue Service.* (1) A practitioner must, on a proper and lawful request by a duly authorized officer or employee of the Internal Revenue Service, promptly submit records or information in any matter before the Internal Revenue Service unless the practitioner believes in good faith and on reasonable grounds that the records or information are privileged.

(2) Where the requested records or information are not in the possession of, or subject to the control of, the practitioner or the practitioner's client, the practitioner must promptly notify the requesting Internal Revenue Service officer or employee and the practitioner must provide any information that the practitioner has regarding the identity of any person who the practitioner believes may have possession or control of the requested records or information. The practitioner must make reasonable inquiry of his or her client regarding the identity of any person who may have possession or control of the requested records or information, but the practitioner is not required to make inquiry of any other person or independently verify any information provided by the practitioner's client regarding the identity of such persons.

(3) When a proper and lawful request is made by a duly authorized officer or employee of the Internal Revenue Service, concerning an inquiry into an alleged violation of the regulations in this part, a practitioner must provide any information the practitioner has concerning the alleged violation and testify regarding this information in any proceeding instituted under this part, unless the practitioner believes in good faith and on reasonable grounds that the information is privileged.

(b) *Interference with a proper and lawful request for records or information.* A practitioner may not interfere, or attempt to interfere, with any proper and lawful effort by the Internal Revenue Service, its officers or employees, to obtain any record or information unless the practitioner believes in good faith and on reasonable grounds that the record or information is privileged.

(c) *Effective/applicability date.* This section is applicable beginning August 2, 2011.

[T.D. 9011, 67 FR 48771, July 26, 2002, as amended by T.D. 9527, 76 FR 32307, June 3, 2011]

§ 10.21 Knowledge of client's omission.

A practitioner who, having been retained by a client with respect to a matter administered by the Internal Revenue Service, knows that the client has not complied with the revenue laws of the United States or has made an error in or omission from any return, document, affidavit, or other paper which the client submitted or executed under the revenue laws of the United States, must advise the client promptly of the fact of such noncompliance, error, or omission. The practitioner must advise the client of the consequences as provided under the Code and regulations of such noncompliance, error, or omission.

§ 10.22 Diligence as to accuracy.

(a) *In general.* A practitioner must exercise due diligence—

(1) In preparing or assisting in the preparation of, approving, and filing tax returns, documents, affidavits, and other papers relating to Internal Revenue Service matters;

(2) In determining the correctness of oral or written representations made by the practitioner to the Department of the Treasury; and

(3) In determining the correctness of oral or written representations made by the practitioner to clients with reference to any matter administered by the Internal Revenue Service.

(b) *Reliance on others.* Except as modified by §§ 10.34 and 10.37, a practitioner will be presumed to have exercised due diligence for purposes of this section if the practitioner relies on the work product of another person and the practitioner used reasonable care in engaging, supervising, training, and evaluating the person, taking proper account of the nature of the relationship between the practitioner and the person.

(c) *Effective/applicability date.* Paragraph (a) of this section is applicable on September 26, 2007. Paragraph (b) of this section is applicable beginning June 12, 2014.

[T.D. 9011, 67 FR 48765, July 26, 2002, as amended by T.D. 9359, 72 FR 54547, Sept. 26, 2007; T.D. 9668, 79 FR 33693, June 12, 2014]

§ 10.23 Prompt disposition of pending matters.

A practitioner may not unreasonably delay the prompt disposition of any matter before the Internal Revenue Service.

§ 10.24 Assistance from or to disbarred or suspended persons and former Internal Revenue Service employees.

A practitioner may not, knowingly and directly or indirectly:

(a) Accept assistance from or assist any person who is under disbarment or suspension from practice before the Internal Revenue Service if the assistance relates to a matter or matters constituting practice before the Internal Revenue Service.

(b) Accept assistance from any former government employee where the provisions of § 10.25 or any Federal law would be violated.

§ 10.25 Practice by former government employees, their partners and their associates.

(a) *Definitions.* For purposes of this section—

(1) *Assist* means to act in such a way as to advise, furnish information to, or otherwise aid another person, directly, or indirectly.

(2) *Government employee* is an officer or employee of the United States or any agency of the United States, including a special Government employee as defined in 18 U.S.C. 202(a), or of the District of Columbia, or of any State, or a member of Congress or of any State legislature.

(3) *Member of a firm* is a sole practitioner or an employee or associate thereof, or a partner, stockholder, associate, affiliate or employee of a partnership, joint venture, corporation, professional association or other affiliation of two or more practitioners who represent nongovernmental parties.

(4) *Particular matter involving specific parties* is defined at 5 CFR 2637.201(c), or superseding post-employment regulations issued by the U.S. Office of Government Ethics.

(5) *Rule* includes Treasury regulations, whether issued or under preparation for issuance as notices of proposed rulemaking or as Treasury decisions, revenue rulings, and revenue procedures published in the Internal Revenue Bulletin (see 26 CFR 601.601(d)(2)(ii)(*b*)).

(b) *General rules.* (1) No former Government employee may, subsequent to Government employment, represent anyone in any matter administered by the Internal Revenue Service if the representation would violate 18 U.S.C. 207 or any other laws of the United States.

(2) No former Government employee who personally and substantially participated in a particular matter involving specific parties may, subsequent to Government employment, represent or knowingly assist, in that particular matter, any person who is or was a specific party to that particular matter.

(3) A former Government employee who within a period of one year prior to the termination of Government employment had official responsibility for a particular matter involving specific parties may not, within two years after Government employment is ended, represent in that particular matter any person who is or was a specific party to that particular matter.

(4) No former Government employee may, within one year after Government employment is ended, communicate with or appear before, with the intent to influence, any employee of the Treasury Department in connection with the publication, withdrawal, amendment, modification, or interpretation of a rule the development of which the former Government employee participated in, or for which, within a period of one year prior to the termination of Government employment, the former government employee had official responsibility. This paragraph (b)(4) does not, however, preclude any former employee from appearing on one's own behalf or from representing a taxpayer before the Internal Revenue Service in connection

with a particular matter involving specific parties involving the application or interpretation of a rule with respect to that particular matter, provided that the representation is otherwise consistent with the other provisions of this section and the former employee does not utilize or disclose any confidential information acquired by the former employee in the development of the rule.

(c) *Firm representation.* (1) No member of a firm of which a former Government employee is a member may represent or knowingly assist a person who was or is a specific party in any particular matter with respect to which the restrictions of paragraph (b)(2) of this section apply to the former Government employee, in that particular matter, unless the firm isolates the former Government employee in such a way to ensure that the former Government employee cannot assist in the representation.

(2) When isolation of a former Government employee is required under paragraph (c)(1) of this section, a statement affirming the fact of such isolation must be executed under oath by the former Government employee and by another member of the firm acting on behalf of the firm. The statement must clearly identify the firm, the former Government employee, and the particular matter(s) requiring isolation. The statement must be retained by the firm and, upon request, provided to the office(s) of the Internal Revenue Service administering or enforcing this part.

(d) *Pending representation.* The provisions of this regulation will govern practice by former Government employees, their partners and associates with respect to representation in particular matters involving specific parties where actual representation commenced before the effective date of this regulation.

(e) *Effective/applicability date.* This section is applicable beginning August 2, 2011.

[T.D. 9359, 72 FR 54548, Sept. 26, 2007, as amended by T.D. 9527, 76 FR 32307, June 3, 2011]

§ 10.26 Notaries.

A practitioner may not take acknowledgments, administer oaths, certify papers, or perform any official act as a notary public with respect to any matter administered by the Internal Revenue Service and for which he or she is employed as counsel, attorney, or agent, or in which he or she may be in any way interested.

§ 10.27 Fees.

(a) *In general.* A practitioner may not charge an unconscionable fee in connection with any matter before the Internal Revenue Service.

(b) *Contingent fees.* (1) Except as provided in paragraphs (b)(2), (3), and (4) of this section, a practitioner may not charge a contingent fee for services rendered in connection with any matter before the Internal Revenue Service.

(2) A practitioner may charge a contingent fee for services rendered in connection with the Service's examination of, or challenge to—

(i) An original tax return; or

(ii) An amended return or claim for refund or credit where the amended return or claim for refund or credit was filed within 120 days of the taxpayer receiving a written notice of the examination of, or a written challenge to the original tax return.

(3) A practitioner may charge a contingent fee for services rendered in connection with a claim for credit or refund filed solely in connection with the determination of statutory interest or penalties assessed by the Internal Revenue Service.

(4) A practitioner may charge a contingent fee for services rendered in connection with any judicial proceeding arising under the Internal Revenue Code.

(c) *Definitions.* For purposes of this section—

(1) *Contingent fee* is any fee that is based, in whole or in part, on whether or not a position taken on a tax return or other filing avoids challenge by the Internal Revenue Service or is sustained either by the Internal Revenue Service or in litigation. A contingent fee includes a fee that is based on a percentage of the refund reported on a return, that is based on a percentage of

the taxes saved, or that otherwise depends on the specific result attained. A contingent fee also includes any fee arrangement in which the practitioner will reimburse the client for all or a portion of the client's fee in the event that a position taken on a tax return or other filing is challenged by the Internal Revenue Service or is not sustained, whether pursuant to an indemnity agreement, a guarantee, rescission rights, or any other arrangement with a similar effect.

(2) *Matter before the Internal Revenue Service* includes tax planning and advice, preparing or filing or assisting in preparing or filing returns or claims for refund or credit, and all matters connected with a presentation to the Internal Revenue Service or any of its officers or employees relating to a taxpayer's rights, privileges, or liabilities under laws or regulations administered by the Internal Revenue Service. Such presentations include, but are not limited to, preparing and filing documents, corresponding and communicating with the Internal Revenue Service, rendering written advice with respect to any entity, transaction, plan or arrangement, and representing a client at conferences, hearings, and meetings.

(d) *Effective/applicability date.* This section is applicable for fee arrangements entered into after March 26, 2008.

[T.D. 9359, 72 FR 54548, Sept. 26, 2007]

§ 10.28 Return of client's records.

(a) In general, a practitioner must, at the request of a client, promptly return any and all records of the client that are necessary for the client to comply with his or her Federal tax obligations. The practitioner may retain copies of the records returned to a client. The existence of a dispute over fees generally does not relieve the practitioner of his or her responsibility under this section. Nevertheless, if applicable state law allows or permits the retention of a client's records by a practitioner in the case of a dispute over fees for services rendered, the practitioner need only return those records that must be attached to the taxpayer's return. The practitioner, however, must provide the client with reasonable access to review and copy any additional records of the client retained by the practitioner under state law that are necessary for the client to comply with his or her Federal tax obligations.

(b) For purposes of this section, *Records of the client* include all documents or written or electronic materials provided to the practitioner, or obtained by the practitioner in the course of the practitioner's representation of the client, that preexisted the retention of the practitioner by the client. The term also includes materials that were prepared by the client or a third party (not including an employee or agent of the practitioner) at any time and provided to the practitioner with respect to the subject matter of the representation. The term also includes any return, claim for refund, schedule, affidavit, appraisal or any other document prepared by the practitioner, or his or her employee or agent, that was presented to the client with respect to a prior representation if such document is necessary for the taxpayer to comply with his or her current Federal tax obligations. The term does not include any return, claim for refund, schedule, affidavit, appraisal or any other document prepared by the practitioner or the practitioner's firm, employees or agents if the practitioner is withholding such document pending the client's performance of its contractual obligation to pay fees with respect to such document.

§ 10.29 Conflicting interests.

(a) Except as provided by paragraph (b) of this section, a practitioner shall not represent a client before the Internal Revenue Service if the representation involves a conflict of interest. A conflict of interest exists if—

(1) The representation of one client will be directly adverse to another client; or

(2) There is a significant risk that the representation of one or more clients will be materially limited by the practitioner's responsibilities to another client, a former client or a third person, or by a personal interest of the practitioner.

(b) Notwithstanding the existence of a conflict of interest under paragraph (a) of this section, the practitioner may represent a client if—

(1) The practitioner reasonably believes that the practitioner will be able to provide competent and diligent representation to each affected client;

(2) The representation is not prohibited by law; and

(3) Each affected client waives the conflict of interest and gives informed consent, confirmed in writing by each affected client, at the time the existence of the conflict of interest is known by the practitioner. The confirmation may be made within a reasonable period after the informed consent, but in no event later than 30 days.

(c) Copies of the written consents must be retained by the practitioner for at least 36 months from the date of the conclusion of the representation of the affected clients, and the written consents must be provided to any officer or employee of the Internal Revenue Service on request.

(d) *Effective/applicability date.* This section is applicable on September 26, 2007.

[T.D. 9359, 72 FR 54549, Sept. 26, 2007]

§ 10.30 Solicitation.

(a) *Advertising and solicitation restrictions.* (1) A practitioner may not, with respect to any Internal Revenue Service matter, in any way use or participate in the use of any form of public communication or private solicitation containing a false, fraudulent, or coercive statement or claim; or a misleading or deceptive statement or claim. Enrolled agents, enrolled retirement plan agents, or registered tax return preparers, in describing their professional designation, may not utilize the term ''certified'' or imply an employer/employee relationship with the Internal Revenue Service. Examples of acceptable descriptions for enrolled agents are ''enrolled to represent taxpayers before the Internal Revenue Service,'' ''enrolled to practice before the Internal Revenue Service,'' and ''admitted to practice before the Internal Revenue Service.'' Similarly, examples of acceptable descriptions for enrolled retirement plan agents are ''enrolled to represent taxpayers before the Internal Revenue Service as a retirement plan agent'' and ''enrolled to practice before the Internal Revenue Service as a retirement plan agent.'' An example of an acceptable description for registered tax return preparers is ''designated as a registered tax return preparer by the Internal Revenue Service.''

(2) A practitioner may not make, directly or indirectly, an uninvited written or oral solicitation of employment in matters related to the Internal Revenue Service if the solicitation violates Federal or State law or other applicable rule, e.g., attorneys are precluded from making a solicitation that is prohibited by conduct rules applicable to all attorneys in their State(s) of licensure. Any lawful solicitation made by or on behalf of a practitioner eligible to practice before the Internal Revenue Service must, nevertheless, clearly identify the solicitation as such and, if applicable, identify the source of the information used in choosing the recipient.

(b) *Fee information.* (1)(i) A practitioner may publish the availability of a written schedule of fees and disseminate the following fee information—

(A) Fixed fees for specific routine services.

(B) Hourly rates.

(C) Range of fees for particular services.

(D) Fee charged for an initial consultation.

(ii) Any statement of fee information concerning matters in which costs may be incurred must include a statement disclosing whether clients will be responsible for such costs.

(2) A practitioner may charge no more than the rate(s) published under paragraph (b)(1) of this section for at least 30 calendar days after the last date on which the schedule of fees was published.

(c) *Communication of fee information.* Fee information may be communicated in professional lists, telephone directories, print media, mailings, electronic mail, facsimile, hand delivered flyers, radio, television, and any other method. The method chosen, however, must not cause the communication to become untruthful, deceptive, or otherwise in violation of this part. A practitioner may not persist in attempting to contact a prospective client if the prospective client has made it known to the practitioner that he or she does

not desire to be solicited. In the case of radio and television broadcasting, the broadcast must be recorded and the practitioner must retain a recording of the actual transmission. In the case of direct mail and e-commerce communications, the practitioner must retain a copy of the actual communication, along with a list or other description of persons to whom the communication was mailed or otherwise distributed. The copy must be retained by the practitioner for a period of at least 36 months from the date of the last transmission or use.

(d) *Improper associations.* A practitioner may not, in matters related to the Internal Revenue Service, assist, or accept assistance from, any person or entity who, to the knowledge of the practitioner, obtains clients or otherwise practices in a manner forbidden under this section.

(e) *Effective/applicability date.* This section is applicable beginning August 2, 2011.

(Approved by the Office of Management and Budget under Control No. 1545–1726)

[T.D. 9011, 67 FR 48765, July 26, 2002, as amended by T.D. 9359, 72 FR 54549, Sept. 26, 2007; T.D. 9527, 76 FR 32307, June 3, 2011]

§ 10.31 Negotiation of taxpayer checks.

(a) A practitioner may not endorse or otherwise negotiate any check (including directing or accepting payment by any means, electronic or otherwise, into an account owned or controlled by the practitioner or any firm or other entity with whom the practitioner is associated) issued to a client by the government in respect of a Federal tax liability.

(b) *Effective/applicability date.* This section is applicable beginning June 12, 2014.

[T.D. 9668, 79 FR 33693, June 12, 2014]

§ 10.32 Practice of law.

Nothing in the regulations in this part may be construed as authorizing persons not members of the bar to practice law.

§ 10.33 Best practices for tax advisors.

(a) *Best practices.* Tax advisors should provide clients with the highest quality representation concerning Federal tax issues by adhering to best practices in providing advice and in preparing or assisting in the preparation of a submission to the Internal Revenue Service. In addition to compliance with the standards of practice provided elsewhere in this part, best practices include the following:

(1) Communicating clearly with the client regarding the terms of the engagement. For example, the advisor should determine the client's expected purpose for and use of the advice and should have a clear understanding with the client regarding the form and scope of the advice or assistance to be rendered.

(2) Establishing the facts, determining which facts are relevant, evaluating the reasonableness of any assumptions or representations, relating the applicable law (including potentially applicable judicial doctrines) to the relevant facts, and arriving at a conclusion supported by the law and the facts.

(3) Advising the client regarding the import of the conclusions reached, including, for example, whether a taxpayer may avoid accuracy-related penalties under the Internal Revenue Code if a taxpayer acts in reliance on the advice.

(4) Acting fairly and with integrity in practice before the Internal Revenue Service.

(b) *Procedures to ensure best practices for tax advisors.* Tax advisors with responsibility for overseeing a firm's practice of providing advice concerning Federal tax issues or of preparing or assisting in the preparation of submissions to the Internal Revenue Service should take reasonable steps to ensure that the firm's procedures for all members, associates, and employees are consistent with the best practices set forth in paragraph (a) of this section.

(c) *Applicability date.* This section is effective after June 20, 2005.

[T.D. 9011, 67 FR 48771, July 26, 2002, as amended by T.D. 9165, 69 FR 75841, Dec. 20, 2004]

§ 10.34 Standards with respect to tax returns and documents, affidavits and other papers.

(a) *Tax returns.* (1) A practitioner may not willfully, recklessly, or through gross incompetence—

(i) Sign a tax return or claim for refund that the practitioner knows or reasonably should know contains a position that—

(A) Lacks a reasonable basis;

(B) Is an unreasonable position as described in section 6694(a)(2) of the Internal Revenue code (Code) (including the related regulations and other published guidance); or

(C) Is a willful attempted by the practitioner to understate the liability for tax or a reckless or intentional disregard of rules or regulations by the practitioner as described in section 6694(b)(2) of the Code (including the related regulations and other published guidance).

(ii) Advise a client to take a position on a tax return or claim for refund, or prepare a portion off a tax return or claim for refund containing a position, that—

(A) Lacks a reasonable basis;

(B) Is an unreasonable position as described in section 6694(a)(2) of the Code (including the related regulations and other published guidance); or

(C) Is a willful attempt by the practitioner to understate the liability for tax or a reckless or intentional disregard of rules or regulations by the practitioner as described in section 6694(b)(2) of the Code (including the related regulations and other published guidance).

(2) A pattern of conduct is a factor that will be taken into account in determining whether a practitioner acted willfully, recklessly, or through gross incompetence.

(b) *Documents, affidavits and other papers.* (1) A practitioner may not advise a client to take a position on a document, affidavit or other paper submitted to the Internal Revenue Service unless the position is not frivolous.

(2) A practitioner may not advise a client to submit a document, affidavit or other paper to the Internal Revenue Service—

(i) The purpose of which is to delay or impede the administration of the Federal tax laws;

(ii) That is frivolous; or

(iii) That contains or omits information in a manner that demonstrates an intentional disregard of a rule or regulation unless the practitioner also advises the client to submit a document that evidences a good faith challenge to the rule or regulation.

(c) *Advising clients on potential penalties.* (1) A practitioner must inform a client of any penalties that are reasonably likely to apply to the client with respect to—

(i) A position taken on a tax return if—

(A) The practitioner advised the client with respect to the position; or

(B) The practitioner prepared or signed the tax return; and

(ii) Any document, affidavit or other paper submitted to the Internal Revenue Service.

(2) The practitioner also must inform the client of any opportunity to avoid any such penalties by disclosure, if relevant, and of the requirements for adequate disclosure.

(3) This paragraph (c) applies even if the practitioner is not subject to a penalty under the Internal Revenue Code with respect to the position or with respect to the document, affidavit or other paper submitted.

(d) *Relying on information furnished by clients.* A practitioner advising a client to take a position on a tax return, document, affidavit or other paper submitted to the Internal Revenue Service, or preparing or signing a tax return as a preparer, generally may rely in good faith without verification upon information furnished by the client. The practitioner may not, however, ignore the implications of information furnished to, or actually known by, the practitioner, and must make reasonable inquiries if the information as furnished appears to be incorrect, inconsistent with an important fact or another factual assumption, or incomplete.

(e) *Effective/applicability date.* Paragraph (a) of this section is applicable for returns or claims for refund filed, or advice provided, beginning August 2, 2011. Paragraphs (b) through (d) of this

section are applicable to tax returns, documents, affidavits, and other papers filed on or after September 26, 2007.

[T.D. 9359, 72 FR 54549, Sept. 26, 2007, as amended by T.D. 9527, 76 FR 32307, June 3, 2011]

§ 10.35 Competence.

(a) A practitioner must possess the necessary competence to engage in practice before the Internal Revenue Service. Competent practice requires the appropriate level of knowledge, skill, thoroughness, and preparation necessary for the matter for which the practitioner is engaged. A practitioner may become competent for the matter for which the practitioner has been engaged through various methods, such as consulting with experts in the relevant area or studying the relevant law.

(b) *Effective/applicability date.* This section is applicable beginning June 12, 2014.

[T.D. 9668, 79 FR 33693, June 12, 2014]

§ 10.36 Procedures to ensure compliance.

(a) Any individual subject to the provisions of this part who has (or individuals who have or share) principal authority and responsibility for overseeing a firm's practice governed by this part, including the provision of advice concerning Federal tax matters and preparation of tax returns, claims for refund, or other documents for submission to the Internal Revenue Service, must take reasonable steps to ensure that the firm has adequate procedures in effect for all members, associates, and employees for purposes of complying with subparts A, B, and C of this part, as applicable. In the absence of a person or persons identified by the firm as having the principal authority and responsibility described in this paragraph, the Internal Revenue Service may identify one or more individuals subject to the provisions of this part responsible for compliance with the requirements of this section.

(b) Any such individual who has (or such individuals who have or share) principal authority as described in paragraph (a) of this section will be subject to discipline for failing to comply with the requirements of this section if—

(1) The individual through willfulness, recklessness, or gross incompetence does not take reasonable steps to ensure that the firm has adequate procedures to comply with this part, as applicable, and one or more individuals who are members of, associated with, or employed by, the firm are, or have, engaged in a pattern or practice, in connection with their practice with the firm, of failing to comply with this part, as applicable;

(2) The individual through willfulness, recklessness, or gross incompetence does not take reasonable steps to ensure that firm procedures in effect are properly followed, and one or more individuals who are members of, associated with, or employed by, the firm are, or have, engaged in a pattern or practice, in connection with their practice with the firm, of failing to comply with this part, as applicable; or

(3) The individual knows or should know that one or more individuals who are members of, associated with, or employed by, the firm are, or have, engaged in a pattern or practice, in connection with their practice with the firm, that does not comply with this part, as applicable, and the individual, through willfulness, recklessness, or gross incompetence fails to take prompt action to correct the noncompliance.

(c) *Effective/applicability date.* This section is applicable beginning June 12, 2014.

[T.D. 9668, 79 FR 33693, June 12, 2014]

§ 10.37 Requirements for written advice.

(a) *Requirements.* (1) A practitioner may give written advice (including by means of electronic communication) concerning one or more Federal tax matters subject to the requirements in paragraph (a)(2) of this section. Government submissions on matters of general policy are not considered written advice on a Federal tax matter for purposes of this section. Continuing education presentations provided to an audience solely for the purpose of enhancing practitioners' professional knowledge on Federal tax matters are

not considered written advice on a Federal tax matter for purposes of this section. The preceding sentence does not apply to presentations marketing or promoting transactions.

(2) The practitioner must—

(i) Base the written advice on reasonable factual and legal assumptions (including assumptions as to future events);

(ii) Reasonably consider all relevant facts and circumstances that the practitioner knows or reasonably should know;

(iii) Use reasonable efforts to identify and ascertain the facts relevant to written advice on each Federal tax matter;

(iv) Not rely upon representations, statements, findings, or agreements (including projections, financial forecasts, or appraisals) of the taxpayer or any other person if reliance on them would be unreasonable;

(v) Relate applicable law and authorities to facts; and

(vi) Not, in evaluating a Federal tax matter, take into account the possibility that a tax return will not be audited or that a matter will not be raised on audit.

(3) Reliance on representations, statements, findings, or agreements is unreasonable if the practitioner knows or reasonably should know that one or more representations or assumptions on which any representation is based are incorrect, incomplete, or inconsistent.

(b) *Reliance on advice of others.* A practitioner may only rely on the advice of another person if the advice was reasonable and the reliance is in good faith considering all the facts and circumstances. Reliance is not reasonable when—

(1) The practitioner knows or reasonably should know that the opinion of the other person should not be relied on;

(2) The practitioner knows or reasonably should know that the other person is not competent or lacks the necessary qualifications to provide the advice; or

(3) The practitioner knows or reasonably should know that the other person has a conflict of interest in violation of the rules described in this part.

(c) *Standard of review.* (1) In evaluating whether a practitioner giving written advice concerning one or more Federal tax matters complied with the requirements of this section, the Commissioner, or delegate, will apply a reasonable practitioner standard, considering all facts and circumstances, including, but not limited to, the scope of the engagement and the type and specificity of the advice sought by the client.

(2) In the case of an opinion the practitioner knows or has reason to know will be used or referred to by a person other than the practitioner (or a person who is a member of, associated with, or employed by the practitioner's firm) in promoting, marketing, or recommending to one or more taxpayers a partnership or other entity, investment plan or arrangement a significant purpose of which is the avoidance or evasion of any tax imposed by the Internal Revenue Code, the Commissioner, or delegate, will apply a reasonable practitioner standard, considering all facts and circumstances, with emphasis given to the additional risk caused by the practitioner's lack of knowledge of the taxpayer's particular circumstances, when determining whether a practitioner has failed to comply with this section.

(d) *Federal tax matter.* A Federal tax matter, as used in this section, is any matter concerning the application or interpretation of—

(1) A revenue provision as defined in section 6110(i)(1)(B) of the Internal Revenue Code;

(2) Any provision of law impacting a person's obligations under the internal revenue laws and regulations, including but not limited to the person's liability to pay tax or obligation to file returns; or

(3) Any other law or regulation administered by the Internal Revenue Service.

(e) *Effective/applicability date.* This section is applicable to written advice rendered after June 12, 2014.

[T.D. 9668, 79 FR 33693, June 12, 2014]

§ 10.38 Establishment of advisory committees.

(a) *Advisory committees.* To promote and maintain the public's confidence in

tax advisors, the Internal Revenue Service is authorized to establish one or more advisory committees composed of at least six individuals authorized to practice before the Internal Revenue Service. Membership of an advisory committee must be balanced among those who practice as attorneys, accountants, enrolled agents, enrolled actuaries, enrolled retirement plan agents, and registered tax return preparers. Under procedures prescribed by the Internal Revenue Service, an advisory committee may review and make general recommendations regarding the practices, procedures, and policies of the offices described in § 10.1.

(b) *Effective/applicability date.* This section is applicable beginning August 2, 2011.

[T.D. 9527, 76 FR 32308, June 3, 2011]

Subpart C—Sanctions for Violation of the Regulations

SOURCE: T.D. 9011, 67 FR 48774, July 26, 2002, unless otherwise noted.

§ 10.50 Sanctions.

(a) *Authority to censure, suspend, or disbar.* The Secretary of the Treasury, or delegate, after notice and an opportunity for a proceeding, may censure, suspend, or disbar any practitioner from practice before the Internal Revenue Service if the practitioner is shown to be incompetent or disreputable (within the meaning of § 10.51), fails to comply with any regulation in this part (under the prohibited conduct standards of § 10.52), or with intent to defraud, willfully and knowingly misleads or threatens a client or prospective client. Censure is a public reprimand.

(b) *Authority to disqualify.* The Secretary of the Treasury, or delegate, after due notice and opportunity for hearing, may disqualify any appraiser for a violation of these rules as applicable to appraisers.

(1) If any appraiser is disqualified pursuant to this subpart C, the appraiser is barred from presenting evidence or testimony in any administrative proceeding before the Department of Treasury or the Internal Revenue Service, unless and until authorized to do so by the Internal Revenue Service pursuant to § 10.81, regardless of whether the evidence or testimony would pertain to an appraisal made prior to or after the effective date of disqualification.

(2) Any appraisal made by a disqualified appraiser after the effective date of disqualification will not have any probative effect in any administrative proceeding before the Department of the Treasury or the Internal Revenue Service. An appraisal otherwise barred from admission into evidence pursuant to this section may be admitted into evidence solely for the purpose of determining the taxpayer's reliance in good faith on such appraisal.

(c) *Authority to impose monetary penalty*—(1) *In general.* (i) The Secretary of the Treasury, or delegate, after notice and an opportunity for a proceeding, may impose a monetary penalty on any practitioner who engages in conduct subject to sanction under paragraph (a) of this section.

(ii) If the practitioner described in paragraph (c)(1)(i) of this section was acting on behalf of an employer or any firm or other entity in connection with the conduct giving rise to the penalty, the Secretary of the Treasury, or delegate, may impose a monetary penalty on the employer, firm, or entity if it knew, or reasonably should have known, of such conduct.

(2) *Amount of penalty.* The amount of the penalty shall not exceed the gross income derived (or to be derived) from the conduct giving rise to the penalty.

(3) *Coordination with other sanctions.* Subject to paragraph (c)(2) of this section—

(i) Any monetary penalty imposed on a practitioner under this paragraph (c) may be in addition to or in lieu of any suspension, disbarment or censure and may be in addition to a penalty imposed on an employer, firm or other entity under paragraph (c)(1)(ii) of this section.

(ii) Any monetary penalty imposed on an employer, firm or other entity may be in addition to or in lieu of penalties imposed under paragraph (c)(1)(i) of this section.

(d) *Authority to accept a practitioner's consent to sanction.* The Internal Revenue Service may accept a practitioner's offer of consent to be sanctioned under § 10.50 in lieu of instituting or continuing a proceeding under § 10.60(a).

(e) *Sanctions to be imposed.* The sanctions imposed by this section shall take into account all relevant facts and circumstances.

(f) *Effective/applicability date.* This section is applicable to conduct occurring on or after August 2, 2011, except that paragraphs (a), (b)(2), and (e) apply to conduct occurring on or after September 26, 2007, and paragraph (c) applies to prohibited conduct that occurs after October 22, 2004.

[T.D. 9359, 72 FR 54549, Sept. 26, 2007, as amended by T.D. 9527, 76 FR 32308, June 3, 2011]

§ 10.51 Incompetence and disreputable conduct.

(a) *Incompetence and disreputable conduct.* Incompetence and disreputable conduct for which a practitioner may be sanctioned under § 10.50 includes, but is not limited to—

(1) Conviction of any criminal offense under the Federal tax laws.

(2) Conviction of any criminal offense involving dishonesty or breach of trust.

(3) Conviction of any felony under Federal or State law for which the conduct involved renders the practitioner unfit to practice before the Internal Revenue Service.

(4) Giving false or misleading information, or participating in any way in the giving of false or misleading information to the Department of the Treasury or any officer or employee thereof, or to any tribunal authorized to pass upon Federal tax matters, in connection with any matter pending or likely to be pending before them, knowing the information to be false or misleading. Facts or other matters contained in testimony, Federal tax returns, financial statements, applications for enrollment, affidavits, declarations, and any other document or statement, written or oral, are included in the term ''information.''

(5) Solicitation of employment as prohibited under § 10.30, the use of false or misleading representations with intent to deceive a client or prospective client in order to procure employment, or intimating that the practitioner is able improperly to obtain special consideration or action from the Internal Revenue Service or any officer or employee thereof.

(6) Willfully failing to make a Federal tax return in violation of the Federal tax laws, or willfully evading, attempting to evade, or participating in any way in evading or attempting to evade any assessment or payment of any Federal tax.

(7) Willfully assisting, counseling, encouraging a client or prospective client in violating, or suggesting to a client or prospective client to violate, any Federal tax law, or knowingly counseling or suggesting to a client or prospective client an illegal plan to evade Federal taxes or payment thereof.

(8) Misappropriation of, or failure properly or promptly to remit, funds received from a client for the purpose of payment of taxes or other obligations due the United States.

(9) Directly or indirectly attempting to influence, or offering or agreeing to attempt to influence, the official action of any officer or employee of the Internal Revenue Service by the use of threats, false accusations, duress or coercion, by the offer of any special inducement or promise of an advantage, or by the bestowing of any gift, favor or thing of value.

(10) Disbarment or suspension from practice as an attorney, certified public accountant, public accountant or actuary by any duly constituted authority of any State, territory, or possession of the United States, including a Commonwealth, or the District of Columbia, any Federal court of record or any Federal agency, body or board.

(11) Knowingly aiding and abetting another person to practice before the Internal Revenue Service during a period of suspension, disbarment or ineligibility of such other person.

(12) Contemptuous conduct in connection with practice before the Internal Revenue Service, including the use of abusive language, making false accusations or statements, knowing them to be false or circulating or publishing malicious or libelous matter.

(13) Giving a false opinion, knowingly, recklessly, or through gross incompetence, including an opinion which is intentionally or recklessly misleading, or engaging in a pattern of providing incompetent opinions on questions arising under the Federal tax laws. False opinions described in this paragraph (a)(13) include those which reflect or result from a knowing misstatement of fact or law, from an assertion of a position known to be unwarranted under existing law, from counseling or assisting in conduct known to be illegal or fraudulent, from concealing matters required by law to be revealed, or from consciously disregarding information indicating that material facts expressed in the opinion or offering material are false or misleading. For purposes of this paragraph (a)(13), reckless conduct is a highly unreasonable omission or misrepresentation involving an extreme departure from the standards of ordinary care that a practitioner should observe under the circumstances. A pattern of conduct is a factor that will be taken into account in determining whether a practitioner acted knowingly, recklessly, or through gross incompetence. Gross incompetence includes conduct that reflects gross indifference, preparation which is grossly inadequate under the circumstances, and a consistent failure to perform obligations to the client.

(14) Willfully failing to sign a tax return prepared by the practitioner when the practitioner's signature is required by the Federal tax laws unless the failure is due to reasonable cause and not due to willful neglect.

(15) Willfully disclosing or otherwise using a tax return or tax return information in a manner not authorized by the Internal Revenue Code, contrary to the order of a court of competent jurisdiction, or contrary to the order of an administrative law judge in a proceeding instituted under § 10.60.

(16) Willfully failing to file on magnetic or other electronic media a tax return prepared by the practitioner when the practitioner is required to do so by the Federal tax laws unless the failure is due to reasonable cause and not due to willful neglect.

(17) Willfully preparing all or substantially all of, or signing, a tax return or claim for refund when the practitioner does not possess a current or otherwise valid preparer tax identification number or other prescribed identifying number.

(18) Willfully representing a taxpayer before an officer or employee of the Internal Revenue Service unless the practitioner is authorized to do so pursuant to this part.

(b) *Effective/applicability date.* This section is applicable beginning August 2, 2011.

[T.D. 9359, 72 FR 54550, Sept. 26, 2007, as amended by T.D. 9527, 76 FR 32308, June 3, 2011]

§ 10.52 Violations subject to sanction.

(a) A practitioner may be sanctioned under § 10.50 if the practitioner—

(1) Willfully violates any of the regulations (other than § 10.33) contained in this part; or

(2) Recklessly or through gross incompetence (within the meaning of § 10.51(a)(13)) violates § 10.34, § 10.35, § 10.36 or § 10.37.

(b) *Effective/applicability date.* This section is applicable to conduct occurring on or after September 26, 2007.

[T.D. 9359, 72 FR 54551, Sept. 26, 2007]

§ 10.53 Receipt of information concerning practitioner.

(a) *Officer or employee of the Internal Revenue Service.* If an officer or employee of the Internal Revenue Service has reason to believe a practitioner has violated any provision of this part, the officer or employee will promptly make a written report of the suspected violation. The report will explain the facts and reasons upon which the officer's or employee's belief rests and must be submitted to the office(s) of the Internal Revenue Service responsible for administering or enforcing this part.

(b) *Other persons.* Any person other than an officer or employee of the Internal Revenue Service having information of a violation of any provision of this part may make an oral or written report of the alleged violation to the office(s) of the Internal Revenue Service responsible for administering

or enforcing this part or any officer or employee of the Internal Revenue Service. If the report is made to an officer or employee of the Internal Revenue Service, the officer or employee will make a written report of the suspected violation and submit the report to the office(s) of the Internal Revenue Service responsible for administering or enforcing this part.

(c) *Destruction of report.* No report made under paragraph (a) or (b) of this section shall be maintained unless retention of the report is permissible under the applicable records control schedule as approved by the National Archives and Records Administration and designated in the Internal Revenue Manual. Reports must be destroyed as soon as permissible under the applicable records control schedule.

(d) *Effect on proceedings under subpart D.* The destruction of any report will not bar any proceeding under subpart D of this part, but will preclude the use of a copy of the report in a proceeding under subpart D of this part.

(e) *Effective/applicability date.* This section is applicable beginning August 2, 2011.

[T.D. 9527, 76 FR 32308, June 3, 2011]

Subpart D—Rules Applicable to Disciplinary Proceedings

SOURCE: T.D. 9011, 67 FR 48774, July 26, 2002, unless otherwise noted.

§ 10.60 Institution of proceeding.

(a) Whenever it is determined that a practitioner (or employer, firm or other entity, if applicable) violated any provision of the laws governing practice before the Internal Revenue Service or the regulations in this part, the practitioner may be reprimanded or, in accordance with § 10.62, subject to a proceeding for sanctions described in § 10.50.

(b) Whenever a penalty has been assessed against an appraiser under the Internal Revenue Code and an appropriate officer or employee in an office established to enforce this part determines that the appraiser acted willfully, recklessly, or through gross incompetence with respect to the proscribed conduct, the appraiser may be reprimanded or, in accordance with § 10.62, subject to a proceeding for disqualification. A proceeding for disqualification of an appraiser is instituted by the filing of a complaint, the contents of which are more fully described in § 10.62.

(c) Except as provided in § 10.82, a proceeding will not be instituted under this section unless the proposed respondent previously has been advised in writing of the law, facts and conduct warranting such action and has been accorded an opportunity to dispute facts, assert additional facts, and make arguments (including an explanation or description of mitigating circumstances).

(d) *Effective/applicability date.* This section is applicable beginning August 2, 2011.

[T.D. 9011, 67 FR 48765, July 26, 2002, as amended by T.D. 9359, 72 FR 54544, 54551, Sept. 26, 2007; T.D. 9527, 76 FR 32309, June 3, 2011; 76 FR 49650, Aug. 11, 2011]

§ 10.61 Conferences.

(a) *In general.* The Commissioner, or delegate, may confer with a practitioner, employer, firm or other entity, or an appraiser concerning allegations of misconduct irrespective of whether a proceeding has been instituted. If the conference results in a stipulation in connection with an ongoing proceeding in which the practitioner, employer, firm or other entity, or appraiser is the respondent, the stipulation may be entered in the record by either party to the proceeding.

(b) *Voluntary sanction*—(1) *In general.* In lieu of a proceeding being instituted or continued under § 10.60(a), a practitioner or appraiser (or employer, firm or other entity, if applicable) may offer a consent to be sanctioned under § 10.50.

(2) *Discretion; acceptance or declination.* The Commissioner, or delegate, may accept or decline the offer described in paragraph (b)(1) of this section. When the decision is to decline the offer, the written notice of declination may state that the offer described in paragraph (b)(1) of this section would be accepted if it contained different terms. The Commissioner, or delegate, has the discretion to accept or reject a revised offer submitted in response to the declination or may

counteroffer and act upon any accepted counteroffer.

(c) *Effective/applicability date.* This section is applicable beginning August 2, 2011.

[T.D. 9359, 72 FR 54551, Sept. 26, 2007, as amended by T.D. 9527, 76 FR 32309, June 3, 2011]

§ 10.62 Contents of complaint.

(a) *Charges.* A complaint must name the respondent, provide a clear and concise description of the facts and law that constitute the basis for the proceeding, and be signed by an authorized representative of the Internal Revenue Service under § 10.69(a)(1). A complaint is sufficient if it fairly informs the respondent of the charges brought so that the respondent is able to prepare a defense.

(b) *Specification of sanction.* The complaint must specify the sanction sought against the practitioner or appraiser. If the sanction sought is a suspension, the duration of the suspension sought must be specified.

(c) *Demand for answer.* The respondent must be notified in the complaint or in a separate paper attached to the complaint of the time for answering the complaint, which may not be less than 30 days from the date of service of the complaint, the name and address of the Administrative Law Judge with whom the answer must be filed, the name and address of the person representing the Internal Revenue Service to whom a copy of the answer must be served, and that a decision by default may be rendered against the respondent in the event an answer is not filed as required.

(d) *Effective/applicability date.* This section is applicable beginning August 2, 2011.

[T.D. 9527, 76 FR 32309, June 3, 2011]

§ 10.63 Service of complaint; service of other papers; service of evidence in support of complaint; filing of papers.

(a) *Service of complaint*—(1) *In general.* The complaint or a copy of the complaint must be served on the respondent by any manner described in paragraphs (a)(2) or (3) of this section.

(2) *Service by certified or first class mail.* (i) Service of the complaint may be made on the respondent by mailing the complaint by certified mail to the last known address (as determined under section 6212 of the Internal Revenue Code and the regulations thereunder) of the respondent. Where service is by certified mail, the returned post office receipt duly signed by the respondent will be proof of service.

(ii) If the certified mail is not claimed or accepted by the respondent, or is returned undelivered, service may be made on the respondent, by mailing the complaint to the respondent by first class mail. Service by this method will be considered complete upon mailing, provided the complaint is addressed to the respondent at the respondent's last known address as determined under section 6212 of the Internal Revenue Code and the regulations thereunder.

(3) *Service by other than certified or first class mail.* (i) Service of the complaint may be made on the respondent by delivery by a private delivery service designated pursuant to section 7502(f) of the Internal Revenue Code to the last known address (as determined under section 6212 of the Internal Revenue Code and the regulations thereunder) of the respondent. Service by this method will be considered complete, provided the complaint is addressed to the respondent at the respondent's last known address as determined under section 6212 of the Internal Revenue Code and the regulations thereunder.

(ii) Service of the complaint may be made in person on, or by leaving the complaint at the office or place of business of, the respondent. Service by this method will be considered complete and proof of service will be a written statement, sworn or affirmed by the person who served the complaint, identifying the manner of service, including the recipient, relationship of recipient to respondent, place, date and time of service.

(iii) Service may be made by any other means agreed to by the respondent. Proof of service will be a written statement, sworn or affirmed by the

person who served the complaint, identifying the manner of service, including the recipient, relationship of recipient to respondent, place, date and time of service.

(4) For purposes of this section, *respondent* means the practitioner, employer, firm or other entity, or appraiser named in the complaint or any other person having the authority to accept mail on behalf of the practitioner, employer, firm or other entity, or appraiser.

(b) *Service of papers other than complaint.* Any paper other than the complaint may be served on the respondent, or his or her authorized representative under § 10.69(a)(2) by:

(1) Mailing the paper by first class mail to the last known address (as determined under section 6212 of the Internal Revenue Code and the regulations thereunder) of the respondent or the respondent's authorized representative,

(2) Delivery by a private delivery service designated pursuant to section 7502(f) of the Internal Revenue Code to the last known address (as determined under section 6212 of the Internal Revenue Code and the regulations thereunder) of the respondent or the respondent's authorized representative, or

(3) As provided in paragraphs (a)(3)(ii) and (a)(3)(iii) of this section.

(c) *Service of papers on the Internal Revenue Service.* Whenever a paper is required or permitted to be served on the Internal Revenue Service in connection with a proceeding under this part, the paper will be served on the Internal Revenue Service's authorized representative under § 10.69(a)(1) at the address designated in the complaint, or at an address provided in a notice of appearance. If no address is designated in the complaint or provided in a notice of appearance, service will be made on the office(s) established to enforce this part under the authority of § 10.1, Internal Revenue Service, 1111 Constitution Avenue, NW., Washington, DC 20224.

(d) *Service of evidence in support of complaint.* Within 10 days of serving the complaint, copies of the evidence in support of the complaint must be served on the respondent in any manner described in paragraphs (a)(2) and (3) of this section.

(e) *Filing of papers.* Whenever the filing of a paper is required or permitted in connection with a proceeding under this part, the original paper, plus one additional copy, must be filed with the Administrative Law Judge at the address specified in the complaint or at an address otherwise specified by the Administrative Law Judge. All papers filed in connection with a proceeding under this part must be served on the other party, unless the Administrative Law Judge directs otherwise. A certificate evidencing such must be attached to the original paper filed with the Administrative Law Judge.

(f) *Effective/applicability date.* This section is applicable beginning August 2, 2011.

[T.D. 9011, 67 FR 48765, July 26, 2002, as amended by T.D. 9359, 72 FR 54544, 54552, Sept. 26, 2007; T.D. 9527, 76 FR 32309, June 3, 2011]

§ 10.64 Answer; default.

(a) *Filing.* The respondent's answer must be filed with the Administrative Law Judge, and served on the Internal Revenue Service, within the time specified in the complaint unless, on request or application of the respondent, the time is extended by the Administrative Law Judge.

(b) *Contents.* The answer must be written and contain a statement of facts that constitute the respondent's grounds of defense. General denials are not permitted. The respondent must specifically admit or deny each allegation set forth in the complaint, except that the respondent may state that the respondent is without sufficient information to admit or deny a specific allegation. The respondent, nevertheless, may not deny a material allegation in the complaint that the respondent knows to be true, or state that the respondent is without sufficient information to form a belief, when the respondent possesses the required information. The respondent also must state affirmatively any special matters of defense on which he or she relies.

(c) *Failure to deny or answer allegations in the complaint.* Every allegation in the complaint that is not denied in the answer is deemed admitted and will

be considered proved; no further evidence in respect of such allegation need be adduced at a hearing.

(d) *Default*. Failure to file an answer within the time prescribed (or within the time for answer as extended by the Administrative Law Judge), constitutes an admission of the allegations of the complaint and a waiver of hearing, and the Administrative Law Judge may make the decision by default without a hearing or further procedure. A decision by default constitutes a decision under § 10.76.

(e) *Signature*. The answer must be signed by the respondent or the respondent's authorized representative under § 10.69(a)(2) and must include a statement directly above the signature acknowledging that the statements made in the answer are true and correct and that knowing and willful false statements may be punishable under 18 U.S.C. 1001.

(f) *Effective/applicability date*. This section is applicable beginning August 2, 2011.

[T.D. 9011, 67 FR 48774, July 26, 2002, as amended by T.D. 9527, 76 FR 32309, June 3, 2011]

§ 10.65 Supplemental charges.

(a) *In general*. Supplemental charges may be filed against the respondent by amending the complaint with the permission of the Administrative Law Judge if, for example—

(1) It appears that the respondent, in the answer, falsely and in bad faith, denies a material allegation of fact in the complaint or states that the respondent has insufficient knowledge to form a belief, when the respondent possesses such information; or

(2) It appears that the respondent has knowingly introduced false testimony during the proceedings against the respondent.

(b) *Hearing*. The supplemental charges may be heard with other charges in the case, provided the respondent is given due notice of the charges and is afforded a reasonable opportunity to prepare a defense to the supplemental charges.

(c) *Effective/applicability date*. This section is applicable beginning August 2, 2011.

[T.D. 9359, 72 FR 54552, Sept. 26, 2007, as amended by T.D. 9527, 76 FR 32309, June 3, 2011]

§ 10.66 Reply to answer.

(a) The Internal Revenue Service may file a reply to the respondent's answer, but unless otherwise ordered by the Administrative Law Judge, no reply to the respondent's answer is required. If a reply is not filed, new matter in the answer is deemed denied.

(b) *Effective/applicability date*. This section is applicable beginning August 2, 2011.

[T.D. 9527, 76 FR 32309, June 3, 2011]

§ 10.67 Proof; variance; amendment of pleadings.

In the case of a variance between the allegations in pleadings and the evidence adduced in support of the pleadings, the Administrative Law Judge, at any time before decision, may order or authorize amendment of the pleadings to conform to the evidence. The party who would otherwise be prejudiced by the amendment must be given a reasonable opportunity to address the allegations of the pleadings as amended and the Administrative Law Judge must make findings on any issue presented by the pleadings as amended.

§ 10.68 Motions and requests.

(a) *Motions*—(1) *In general*. At any time after the filing of the complaint, any party may file a motion with the Administrative Law Judge. Unless otherwise ordered by the Administrative Law Judge, motions must be in writing and must be served on the opposing party as provided in § 10.63(b). A motion must concisely specify its grounds and the relief sought, and, if appropriate, must contain a memorandum of facts and law in support.

(2) *Summary adjudication*. Either party may move for a summary adjudication upon all or any part of the legal issues in controversy. If the nonmoving party opposes summary adjudication in the moving party's favor,

the non-moving party must file a written response within 30 days unless ordered otherwise by the Administrative Law Judge.

(3) *Good Faith.* A party filing a motion for extension of time, a motion for postponement of a hearing, or any other non-dispositive or procedural motion must first contact the other party to determine whether there is any objection to the motion, and must state in the motion whether the other party has an objection.

(b) *Response.* Unless otherwise ordered by the Administrative Law Judge, the nonmoving party is not required to file a response to a motion. If the Administrative Law Judge does not order the nonmoving party to file a response, and the nonmoving party files no response, the nonmoving party is deemed to oppose the motion. If a nonmoving party does not respond within 30 days of the filing of a motion for decision by default for failure to file a timely answer or for failure to prosecute, the nonmoving party is deemed not to oppose the motion.

(c) *Oral motions; oral argument.* (1) The Administrative Law Judge may, for good cause and with notice to the parties, permit oral motions and oral opposition to motions.

(2) The Administrative Law Judge may, within his or her discretion, permit oral argument on any motion.

(d) *Orders.* The Administrative Law Judge should issue written orders disposing of any motion or request and any response thereto.

(e) *Effective/applicability date.* This section is applicable on September 26, 2007.

[T.D. 9359, 72 FR 54552, Sept. 26, 2007]

§ 10.69 Representation; ex parte communication.

(a) *Representation.* (1) The Internal Revenue Service may be represented in proceedings under this part by an attorney or other employee of the Internal Revenue Service. An attorney or an employee of the Internal Revenue Service representing the Internal Revenue Service in a proceeding under this part may sign the complaint or any document required to be filed in the proceeding on behalf of the Internal Revenue Service.

(2) A respondent may appear in person, be represented by a practitioner, or be represented by an attorney who has not filed a declaration with the Internal Revenue Service pursuant to § 10.3. A practitioner or an attorney representing a respondent or proposed respondent may sign the answer or any document required to be filed in the proceeding on behalf of the respondent.

(b) *Ex parte communication.* The Internal Revenue Service, the respondent, and any representatives of either party, may not attempt to initiate or participate in ex parte discussions concerning a proceeding or potential proceeding with the Administrative Law Judge (or any person who is likely to advise the Administrative Law Judge on a ruling or decision) in the proceeding before or during the pendency of the proceeding. Any memorandum, letter or other communication concerning the merits of the proceeding, addressed to the Administrative Law Judge, by or on behalf of any party shall be regarded as an argument in the proceeding and shall be served on the other party.

(c) *Effective/applicability date.* This section is applicable beginning August 2, 2011.

[T.D. 9527, 76 FR 32310, June 3, 2011, as amended by 76 FR 49650, Aug. 11, 2011]

§ 10.70 Administrative Law Judge.

(a) *Appointment.* Proceedings on complaints for the sanction (as described in § 10.50) of a practitioner, employer, firm or other entity, or appraiser will be conducted by an Administrative Law Judge appointed as provided by 5 U.S.C. 3105.

(b) *Powers of the Administrative Law Judge.* The Administrative Law Judge, among other powers, has the authority, in connection with any proceeding under § 10.60 assigned or referred to him or her, to do the following:

(1) Administer oaths and affirmations;

(2) Make rulings on motions and requests, which rulings may not be appealed prior to the close of a hearing except in extraordinary circumstances and at the discretion of the Administrative Law Judge;

(3) Determine the time and place of hearing and regulate its course and conduct;

(4) Adopt rules of procedure and modify the same from time to time as needed for the orderly disposition of proceedings;

(5) Rule on offers of proof, receive relevant evidence, and examine witnesses;

(6) Take or authorize the taking of depositions or answers to requests for admission;

(7) Receive and consider oral or written argument on facts or law;

(8) Hold or provide for the holding of conferences for the settlement or simplification of the issues with the consent of the parties;

(9) Perform such acts and take such measures as are necessary or appropriate to the efficient conduct of any proceeding; and

(10) Make decisions.

(c) *Effective/applicability date.* This section is applicable on September 26, 2007.

[T.D. 9011, 67 FR 48765, July 26, 2002, as amended by T.D. 9359, 72 FR 54552, Sept. 26, 2007]

§ 10.71 Discovery.

(a) *In general.* Discovery may be permitted, at the discretion of the Administrative Law Judge, only upon written motion demonstrating the relevance, materiality and reasonableness of the requested discovery and subject to the requirements of § 10.72(d)(2) and (3). Within 10 days of receipt of the answer, the Administrative Law Judge will notify the parties of the right to request discovery and the timeframes for filing a request. A request for discovery, and objections, must be filed in accordance with § 10.68. In response to a request for discovery, the Administrative Law Judge may order—

(1) Depositions upon oral examination; or

(2) Answers to requests for admission.

(b) *Depositions upon oral examination*—(1) A deposition must be taken before an officer duly authorized to administer an oath for general purposes or before an officer or employee of the Internal Revenue Service who is authorized to administer an oath in Federal tax law matters.

(2) In ordering a deposition, the Administrative Law Judge will require reasonable notice to the opposing party as to the time and place of the deposition. The opposing party, if attending, will be provided the opportunity for full examination and cross-examination of any witness.

(3) Expenses in the reporting of depositions shall be borne by the party at whose instance the deposition is taken. Travel expenses of the deponent shall be borne by the party requesting the deposition, unless otherwise authorized by Federal law or regulation.

(c) *Requests for admission.* Any party may serve on any other party a written request for admission of the truth of any matters which are not privileged and are relevant to the subject matter of this proceeding. Requests for admission shall not exceed a total of 30 (including any subparts within a specific request) without the approval from the Administrative Law Judge.

(d) *Limitations.* Discovery shall not be authorized if—

(1) The request fails to meet any requirement set forth in paragraph (a) of this section;

(2) It will unduly delay the proceeding;

(3) It will place an undue burden on the party required to produce the discovery sought;

(4) It is frivolous or abusive;

(5) It is cumulative or duplicative;

(6) The material sought is privileged or otherwise protected from disclosure by law;

(7) The material sought relates to mental impressions, conclusions, or legal theories of any party, attorney, or other representative, of a party prepared in anticipation of a proceeding; or

(8) The material sought is available generally to the public, equally to the parties, or to the party seeking the discovery through another source.

(e) *Failure to comply.* Where a party fails to comply with an order of the Administrative Law Judge under this section, the Administrative Law Judge may, among other things, infer that the information would be adverse to the party failing to provide it, exclude

the information from evidence or issue a decision by default.

(f) *Other discovery*. No discovery other than that specifically provided for in this section is permitted.

(g) *Effective/applicability date*. This section is applicable to proceedings initiated on or after September 26, 2007.

[T.D. 9359, 72 FR 54552, Sept. 26, 2007]

§ 10.72 Hearings.

(a) *In general*—(1) *Presiding officer*. An Administrative Law Judge will preside at the hearing on a complaint filed under § 10.60 for the sanction of a practitioner, employer, firm or other entity, or appraiser.

(2) *Time for hearing*. Absent a determination by the Administrative Law Judge that, in the interest of justice, a hearing must be held at a later time, the Administrative Law Judge should, on notice sufficient to allow proper preparation, schedule the hearing to occur no later than 180 days after the time for filing the answer.

(3) *Procedural requirements*. (i) Hearings will be stenographically recorded and transcribed and the testimony of witnesses will be taken under oath or affirmation.

(ii) Hearings will be conducted pursuant to 5 U.S.C. 556.

(iii) A hearing in a proceeding requested under § 10.82(g) will be conducted de novo.

(iv) An evidentiary hearing must be held in all proceedings prior to the issuance of a decision by the Administrative Law Judge unless—

(A) The Internal Revenue Service withdraws the complaint;

(B) A decision is issued by default pursuant to § 10.64(d);

(C) A decision is issued under § 10.82(e);

(D) The respondent requests a decision on the written record without a hearing; or

(E) The Administrative Law Judge issues a decision under § 10.68(d) or rules on another motion that disposes of the case prior to the hearing.

(b) *Cross-examination*. A party is entitled to present his or her case or defense by oral or documentary evidence, to submit rebuttal evidence, and to conduct cross-examination, in the presence of the Administrative Law Judge, as may be required for a full and true disclosure of the facts. This paragraph (b) does not limit a party from presenting evidence contained within a deposition when the Administrative Law Judge determines that the deposition has been obtained in compliance with the rules of this subpart D.

(c) *Prehearing memorandum*. Unless otherwise ordered by the Administrative Law Judge, each party shall file, and serve on the opposing party or the opposing party's representative, prior to any hearing, a prehearing memorandum containing—

(1) A list (together with a copy) of all proposed exhibits to be used in the party's case in chief;

(2) A list of proposed witnesses, including a synopsis of their expected testimony, or a statement that no witnesses will be called;

(3) Identification of any proposed expert witnesses, including a synopsis of their expected testimony and a copy of any report prepared by the expert or at his or her direction; and

(4) A list of undisputed facts.

(d) *Publicity*—(1) *In general*. All reports and decisions of the Secretary of the Treasury, or delegate, including any reports and decisions of the Administrative Law Judge, under this subpart D are, subject to the protective measures in paragraph (d)(4) of this section, public and open to inspection within 30 days after the agency's decision becomes final.

(2) *Request for additional publicity*. The Administrative Law Judge may grant a request by a practitioner or appraiser that all the pleadings and evidence of the disciplinary proceeding be made available for inspection where the parties stipulate in advance to adopt the protective measures in paragraph (d)(4) of this section.

(3) *Returns and return information*—(i) *Disclosure to practitioner or appraiser*. Pursuant to section 6103(l)(4) of the Internal Revenue Code, the Secretary of the Treasury, or delegate, may disclose returns and return information to any practitioner or appraiser, or to the authorized representative of the practitioner or appraiser, whose rights are or may be affected by an administrative action or proceeding under this subpart D, but solely for use in the action or

proceeding and only to the extent that the Secretary of the Treasury, or delegate, determines that the returns or return information are or may be relevant and material to the action or proceeding.

(ii) *Disclosure to officers and employees of the Department of the Treasury*. Pursuant to section 6103(l)(4)(B) of the Internal Revenue Code, the Secretary of the Treasury, or delegate, may disclose returns and return information to officers and employees of the Department of the Treasury for use in any action or proceeding under this subpart D, to the extent necessary to advance or protect the interests of the United States.

(iii) *Use of returns and return information*. Recipients of returns and return information under this paragraph (d)(3) may use the returns or return information solely in the action or proceeding, or in preparation for the action or proceeding, with respect to which the disclosure was made.

(iv) *Procedures for disclosure of returns and return information*. When providing returns or return information to the practitioner or appraiser, or authorized representative, the Secretary of the Treasury, or delegate, will—

(A) Redact identifying information of any third party taxpayers and replace it with a code;

(B) Provide a key to the coded information; and

(C) Notify the practitioner or appraiser, or authorized representative, of the restrictions on the use and disclosure of the returns and return information, the applicable damages remedy under section 7431 of the Internal Revenue Code, and that unauthorized disclosure of information provided by the Internal Revenue Service under this paragraph (d)(3) is also a violation of this part.

(4) *Protective measures*—(i) *Mandatory protective order*. If redaction of names, addresses, and other identifying information of third party taxpayers may still permit indirect identification of any third party taxpayer, the Administrative Law Judge will issue a protective order to ensure that the identifying information is available to the parties and the Administrative Law Judge for purposes of the proceeding, but is not disclosed to, or open to inspection by, the public.

(ii) *Authorized orders*. (A) Upon motion by a party or any other affected person, and for good cause shown, the Administrative Law Judge may make any order which justice requires to protect any person in the event disclosure of information is prohibited by law, privileged, confidential, or sensitive in some other way, including, but not limited to, one or more of the following—

(*1*) That disclosure of information be made only on specified terms and conditions, including a designation of the time or place;

(*2*) That a trade secret or other information not be disclosed, or be disclosed only in a designated way.

(iii) *Denials*. If a motion for a protective order is denied in whole or in part, the Administrative Law Judge may, on such terms or conditions as the Administrative Law Judge deems just, order any party or person to comply with, or respond in accordance with, the procedure involved.

(iv) *Public inspection of documents*. The Secretary of the Treasury, or delegate, shall ensure that all names, addresses or other identifying details of third party taxpayers are redacted and replaced with the code assigned to the corresponding taxpayer in all documents prior to public inspection of such documents.

(e) *Location*. The location of the hearing will be determined by the agreement of the parties with the approval of the Administrative Law Judge, but, in the absence of such agreement and approval, the hearing will be held in Washington, D.C.

(f) *Failure to appear*. If either party to the proceeding fails to appear at the hearing, after notice of the proceeding has been sent to him or her, the party will be deemed to have waived the right to a hearing and the Administrative Law Judge may make his or her decision against the absent party by default.

(g) *Effective/applicability date.* This section is applicable beginning August 2, 2011.

[T.D. 9011, 67 FR 48765, July 26, 2002. Redesignated and amended by T.D. 9359, 72 FR 54552, 54553, Sept. 26, 2007; T.D. 9527, 76 FR 32310, June 3, 2011]

§ 10.73 Evidence.

(a) *In general.* The rules of evidence prevailing in courts of law and equity are not controlling in hearings or proceedings conducted under this part. The Administrative Law Judge may, however, exclude evidence that is irrelevant, immaterial, or unduly repetitious,

(b) *Depositions.* The deposition of any witness taken pursuant to § 10.71 may be admitted into evidence in any proceeding instituted under § 10.60.

(c) *Requests for admission.* Any matter admitted in response to a request for admission under § 10.71 is conclusively established unless the Administrative Law Judge on motion permits withdrawal or modification of the admission. Any admission made by a party is for the purposes of the pending action only and is not an admission by a party for any other purpose, nor may it be used against a party in any other proceeding.

(d) *Proof of documents.* Official documents, records, and papers of the Internal Revenue Service and the Office of Professional Responsibility are admissible in evidence without the production of an officer or employee to authenticate them. Any documents, records, and papers may be evidenced by a copy attested to or identified by an officer or employee of the Internal Revenue Service or the Treasury Department, as the case may be.

(e) *Withdrawal of exhibits.* If any document, record, or other paper is introduced in evidence as an exhibit, the Administrative Law Judge may authorize the withdrawal of the exhibit subject to any conditions that he or she deems proper.

(f) *Objections.* Objections to evidence are to be made in short form, stating the grounds for the objection. Except as ordered by the Administrative Law Judge, argument on objections will not be recorded or transcribed. Rulings on objections are to be a part of the record, but no exception to a ruling is necessary to preserve the rights of the parties.

(g) *Effective/applicability date.* This section is applicable on September 26, 2007.

[T.D. 9011, 67 FR 48765, July 26, 2002. Redesignated and amended by T.D. 9359, 72 FR 54552, 54554, Sept. 26, 2007]

§ 10.74 Transcript.

In cases where the hearing is stenographically reported by a Government contract reporter, copies of the transcript may be obtained from the reporter at rates not to exceed the maximum rates fixed by contract between the Government and the reporter. Where the hearing is stenographically reported by a regular employee of the Internal Revenue Service, a copy will be supplied to the respondent either without charge or upon the payment of a reasonable fee. Copies of exhibits introduced at the hearing or at the taking of depositions will be supplied to the parties upon the payment of a reasonable fee (Sec. 501, Public Law 82–137)(65 Stat. 290)(31 U.S.C. 483a).

§ 10.75 Proposed findings and conclusions.

Except in cases where the respondent has failed to answer the complaint or where a party has failed to appear at the hearing, the parties must be afforded a reasonable opportunity to submit proposed findings and conclusions and their supporting reasons to the Administrative Law Judge.

§ 10.76 Decision of Administrative Law Judge.

(a) *In general*—(1) *Hearings.* Within 180 days after the conclusion of a hearing and the receipt of any proposed findings and conclusions timely submitted by the parties, the Administrative Law Judge should enter a decision in the case. The decision must include a statement of findings and conclusions, as well as the reasons or basis for making such findings and conclusions, and an order of censure, suspension, disbarment, monetary penalty, disqualification, or dismissal of the complaint.

(2) *Summary adjudication.* In the event that a motion for summary adjudication is filed, the Administrative Law

Judge should rule on the motion for summary adjudication within 60 days after the party in opposition files a written response, or if no written response is filed, within 90 days after the motion for summary adjudication is filed. A decision shall thereafter be rendered if the pleadings, depositions, admissions, and any other admissible evidence show that there is no genuine issue of material fact and that a decision may be rendered as a matter of law. The decision must include a statement of conclusions, as well as the reasons or basis for making such conclusions, and an order of censure, suspension, disbarment, monetary penalty, disqualification, or dismissal of the complaint.

(3) *Returns and return information.* In the decision, the Administrative Law Judge should use the code assigned to third party taxpayers (described in § 10.72(d)).

(b) *Standard of proof.* If the sanction is censure or a suspension of less than six months' duration, the Administrative Law Judge, in rendering findings and conclusions, will consider an allegation of fact to be proven if it is established by the party who is alleging the fact by a preponderance of the evidence in the record. If the sanction is a monetary penalty, disbarment or a suspension of six months or longer duration, an allegation of fact that is necessary for a finding against the practitioner must be proven by clear and convincing evidence in the record. An allegation of fact that is necessary for a finding of disqualification against an appraiser must be proven by clear and convincing evidence in the record.

(c) *Copy of decision.* The Administrative Law Judge will provide the decision to the Internal Revenue Service's authorized representative, and a copy of the decision to the respondent or the respondent's authorized representative.

(d) *When final.* In the absence of an appeal to the Secretary of the Treasury or delegate, the decision of the Administrative Law Judge will, without further proceedings, become the decision of the agency 30 days after the date of the Administrative Law Judge's decision.

(e) *Effective/applicability date.* This section is applicable beginning August 2, 2011.

[T.D. 9359, 72 FR 54554, Sept. 26, 2007, as amended by T.D. 9527, 76 FR 32310, June 3, 2011]

§ 10.77 Appeal of decision of Administrative Law Judge.

(a) *Appeal.* Any party to the proceeding under this subpart D may appeal the decision of the Administrative Law Judge by filing a notice of appeal with the Secretary of the Treasury, or delegate deciding appeals. The notice of appeal must include a brief that states exceptions to the decision of Administrative Law Judge and supporting reasons for such exceptions.

(b) *Time and place for filing of appeal.* The notice of appeal and brief must be filed, in duplicate, with the Secretary of the Treasury, or delegate deciding appeals, at an address for appeals that is identified to the parties with the decision of the Administrative Law Judge. The notice of appeal and brief must be filed within 30 days of the date that the decision of the Administrative Law Judge is served on the parties. The appealing party must serve a copy of the notice of appeal and the brief to any non-appealing party or, if the party is represented, the non-appealing party's representative.

(c) *Response.* Within 30 days of receiving the copy of the appellant's brief, the other party may file a response brief with the Secretary of the Treasury, or delegate deciding appeals, using the address identified for appeals. A copy of the response brief must be served at the same time on the opposing party or, if the party is represented, the opposing party's representative.

(d) *No other briefs, responses or motions as of right.* Other than the appeal brief and response brief, the parties are not permitted to file any other briefs, responses or motions, except on a grant of leave to do so after a motion demonstrating sufficient cause, or unless otherwise ordered by the Secretary of the Treasury, or delegate deciding appeals.

(e) *Additional time for briefs and responses.* Notwithstanding the time for filing briefs and responses provided in

paragraphs (b) and (c) of this section, the Secretary of the Treasury, or delegate deciding appeals, may, for good cause, authorize additional time for filing briefs and responses upon a motion of a party or upon the initiative of the Secretary of the Treasury, or delegate deciding appeals.

(f) *Effective/applicability date.* This section is applicable beginning August 2, 2011.

[T.D. 9527, 76 FR 32310, June 3, 2011]

§ 10.78 Decision on review.

(a) *Decision on review.* On appeal from or review of the decision of the Administrative Law Judge, the Secretary of the Treasury, or delegate, will make the agency decision. The Secretary of the Treasury, or delegate, should make the agency decision within 180 days after receipt of the appeal.

(b) *Standard of review.* The decision of the Administrative Law Judge will not be reversed unless the appellant establishes that the decision is clearly erroneous in light of the evidence in the record and applicable law. Issues that are exclusively matters of law will be reviewed de novo. In the event that the Secretary of the Treasury, or delegate, determines that there are unresolved issues raised by the record, the case may be remanded to the Administrative Law Judge to elicit additional testimony or evidence.

(c) *Copy of decision on review.* The Secretary of the Treasury, or delegate, will provide copies of the agency decision to the authorized representative of the Internal Revenue Service and the respondent or the respondent's authorized representative.

(d) *Effective/applicability date.* This section is applicable beginning August 2, 2011.

[T.D. 9359, 72 FR 54555, Sept. 26, 2007, as amended by T.D. 9527, 76 FR 32310, June 3, 2011]

§ 10.79 Effect of disbarment, suspension, or censure.

(a) *Disbarment.* When the final decision in a case is against the respondent (or the respondent has offered his or her consent and such consent has been accepted by the Internal Revenue Service) and such decision is for disbarment, the respondent will not be permitted to practice before the Internal Revenue Service unless and until authorized to do so by the Internal Revenue Service pursuant to § 10.81.

(b) *Suspension.* When the final decision in a case is against the respondent (or the respondent has offered his or her consent and such consent has been accepted by the Internal Revenue Service) and such decision is for suspension, the respondent will not be permitted to practice before the Internal Revenue Service during the period of suspension. For periods after the suspension, the practitioner's future representations may be subject to conditions as authorized by paragraph (d) of this section.

(c) *Censure.* When the final decision in the case is against the respondent (or the Internal Revenue Service has accepted the respondent's offer to consent, if such offer was made) and such decision is for censure, the respondent will be permitted to practice before the Internal Revenue Service, but the respondent's future representations may be subject to conditions as authorized by paragraph (d) of this section.

(d) *Conditions.* After being subject to the sanction of either suspension or censure, the future representations of a practitioner so sanctioned shall be subject to specified conditions designed to promote high standards of conduct. These conditions can be imposed for a reasonable period in light of the gravity of the practitioner's violations. For example, where a practitioner is censured because the practitioner failed to advise the practitioner's clients about a potential conflict of interest or failed to obtain the clients' written consents, the practitioner may be required to provide the Internal Revenue Service with a copy of all consents obtained by the practitioner for an appropriate period following censure, whether or not such consents are specifically requested.

(e) *Effective/applicability date.* This section is applicable beginning August 2, 2011.

[T.D. 9527, 76 FR 32310, June 3, 2011]

§ 10.80 Notice of disbarment, suspension, censure, or disqualification.

(a) *In general.* On the issuance of a final order censuring, suspending, or disbarring a practitioner or a final order disqualifying an appraiser, notification of the censure, suspension, disbarment or disqualification will be given to appropriate officers and employees of the Internal Revenue Service and interested departments and agencies of the Federal government. The Internal Revenue Service may determine the manner of giving notice to the proper authorities of the State by which the censured, suspended, or disbarred person was licensed to practice.

(b) *Effective/applicability date.* This section is applicable beginning August 2, 2011.

[T.D. 9527, 76 FR 32311, June 3, 2011]

§ 10.81 Petition for reinstatement.

(a) *In general.* A practitioner disbarred or suspended under § 10.60, or suspended under § 10.82, or a disqualified appraiser may petition for reinstatement before the Internal Revenue Service after the expiration of 5 years following such disbarment, suspension, or disqualification (or immediately following the expiration of the suspension or disqualification period, if shorter than 5 years). Reinstatement will not be granted unless the Internal Revenue Service is satisfied that the petitioner is not likely to engage thereafter in conduct contrary to the regulations in this part, and that granting such reinstatement would not be contrary to the public interest.

(b) *Effective/applicability date.* This section is applicable beginning June 12, 2014.

[T.D. 9668, 79 FR 33694, June 12, 2014]

§ 10.82 Expedited suspension.

(a) *When applicable.* Whenever the Commissioner, or delegate, determines that a practitioner is described in paragraph (b) of this section, the expedited procedures described in this section may be used to suspend the practitioner from practice before the Internal Revenue Service.

(b) *To whom applicable.* This section applies to any practitioner who, within 5 years prior to the date that a show cause order under this section's expedited suspension procedures is served:

(1) Has had a license to practice as an attorney, certified public accountant, or actuary suspended or revoked for cause (not including failure to pay a professional licensing fee) by any authority or court, agency, body, or board described in § 10.51(a)(10).

(2) Has, irrespective of whether an appeal has been taken, been convicted of any crime under title 26 of the United States Code, any crime involving dishonesty or breach of trust, or any felony for which the conduct involved renders the practitioner unfit to practice before the Internal Revenue Service.

(3) Has violated conditions imposed on the practitioner pursuant to § 10.79(d).

(4) Has been sanctioned by a court of competent jurisdiction, whether in a civil or criminal proceeding (including suits for injunctive relief), relating to any taxpayer's tax liability or relating to the practitioner's own tax liability, for—

(i) Instituting or maintaining proceedings primarily for delay;

(ii) Advancing frivolous or groundless arguments; or

(iii) Failing to pursue available administrative remedies.

(5) Has demonstrated a pattern of willful disreputable conduct by—

(i) Failing to make an annual Federal tax return, in violation of the Federal tax laws, during 4 of the 5 tax years immediately preceding the institution of a proceeding under paragraph (c) of this section and remains noncompliant with any of the practitioner's Federal tax filing obligations at the time the notice of suspension is issued under paragraph (f) of this section; or

(ii) Failing to make a return required more frequently than annually, in violation of the Federal tax laws, during 5 of the 7 tax periods immediately preceding the institution of a proceeding under paragraph (c) of this section and remains noncompliant with any of the practitioner's Federal tax filing obligations at the time the notice of suspension is issued under paragraph (f) of this section.

(c) *Expedited suspension procedures.* A suspension under this section will be

proposed by a show cause order that names the respondent, is signed by an authorized representative of the Internal Revenue Service under § 10.69(a)(1), and served according to the rules set forth in § 10.63(a). The show cause order must give a plain and concise description of the allegations that constitute the basis for the proposed suspension. The show cause order must notify the respondent—

(1) Of the place and due date for filing a response;

(2) That an expedited suspension decision by default may be rendered if the respondent fails to file a response as required;

(3) That the respondent may request a conference to address the merits of the show cause order and that any such request must be made in the response; and

(4) That the respondent may be suspended either immediately following the expiration of the period within which a response must be filed or, if a conference is requested, immediately following the conference.

(d) *Response*. The response to the show cause order described in this section must be filed no later than 30 calendar days following the date the show cause order is served, unless the time for filing is extended. The response must be filed in accordance with the rules set forth for answers to a complaint in § 10.64, except as otherwise provided in this section. The response must include a request for a conference, if a conference is desired. The respondent is entitled to the conference only if the request is made in a timely filed response.

(e) *Conference*. An authorized representative of the Internal Revenue Service will preside at a conference described in this section. The conference will be held at a place and time selected by the Internal Revenue Service, but no sooner than 14 calendar days after the date by which the response must be filed with the Internal Revenue Service, unless the respondent agrees to an earlier date. An authorized representative may represent the respondent at the conference.

(f) *Suspension*—(1) *In general*. The Commissioner, or delegate, may suspend the respondent from practice before the Internal Revenue Service by a written notice of expedited suspension immediately following:

(i) The expiration of the period within which a response to a show cause order must be filed if the respondent does not file a response as required by paragraph (d) of this section;

(ii) The conference described in paragraph (e) of this section if the Internal Revenue Service finds that the respondent is described in paragraph (b) of this section; or

(iii) The respondent's failure to appear, either personally or through an authorized representative, at a conference scheduled by the Internal Revenue Service under paragraph (e) of this section.

(2) *Duration of suspension*. A suspension under this section will commence on the date that the written notice of expedited suspension is served on the practitioner, either personally or through an authorized representative. The suspension will remain effective until the earlier of:

(i) The date the Internal Revenue Service lifts the suspension after determining that the practitioner is no longer described in paragraph (b) of this section or for any other reason; or

(ii) The date the suspension is lifted or otherwise modified by an Administrative Law Judge or the Secretary of the Treasury, or delegate deciding appeals, in a proceeding referred to in paragraph (g) of this section and instituted under § 10.60.

(g) *Practitioner demand for § 10.60 proceeding*. If the Internal Revenue Service suspends a practitioner under the expedited suspension procedures described in this section, the practitioner may demand that the Internal Revenue Service institute a proceeding under § 10.60 and issue the complaint described in § 10.62. The demand must be in writing, specifically reference the suspension action under § 10.82, and be made within 2 years from the date on which the practitioner's suspension commenced. The Internal Revenue Service must issue a complaint demanded under this paragraph (g) within 60 calendar days of receiving the demand. If the Internal Revenue Service does not issue such complaint within 60

days of receiving the demand, the suspension is lifted automatically. The preceding sentence does not, however, preclude the Commissioner, or delegate, from instituting a regular proceeding under § 10.60 of this part.

(h) *Effective/applicability date*. This section is generally applicable beginning June 12, 2014, except that paragraphs (b)(1) through (4) of this section are applicable beginning August 2, 2011.

[T.D. 9011, 67 FR 48774, July 26, 2002, as amended by T.D. 9359, 72 FR 54555, Sept. 26, 2007; T.D. 9527, 76 FR 32311, June 3, 2011; T.D. 9668, 79 FR 33694, June 12, 2014]

Subpart E—General Provisions

SOURCE: T.D. 9011, 67 FR 48774, July 26, 2002, unless otherwise noted.

§ 10.90 Records.

(a) *Roster*. The Internal Revenue Service will maintain and make available for public inspection in the time and manner prescribed by the Secretary, or delegate, the following rosters—

(1) Individuals (and employers, firms, or other entities, if applicable) censured, suspended, or disbarred from practice before the Internal Revenue Service or upon whom a monetary penalty was imposed.

(2) Enrolled agents, including individuals—

(i) Granted active enrollment to practice;

(ii) Whose enrollment has been placed in inactive status for failure to meet the requirements for renewal of enrollment;

(iii) Whose enrollment has been placed in inactive retirement status; and

(iv) Whose offer of consent to resign from enrollment has been accepted by the Internal Revenue Service under § 10.61.

(3) Enrolled retirement plan agents, including individuals—

(i) Granted active enrollment to practice;

(ii) Whose enrollment has been placed in inactive status for failure to meet the requirements for renewal of enrollment;

(iii) Whose enrollment has been placed in inactive retirement status; and

(iv) Whose offer of consent to resign from enrollment has been accepted under § 10.61.

(4) Registered tax return preparers, including individuals—

(i) Authorized to prepare all or substantially all of a tax return or claim for refund;

(ii) Who have been placed in inactive status for failure to meet the requirements for renewal;

(iii) Who have been placed in inactive retirement status; and

(iv) Whose offer of consent to resign from their status as a registered tax return preparer has been accepted by the Internal Revenue Service under § 10.61.

(5) Disqualified appraisers.

(6) Qualified continuing education providers, including providers—

(i) Who have obtained a qualifying continuing education provider number; and

(ii) Whose qualifying continuing education number has been revoked for failure to comply with the requirements of this part.

(b) *Other records*. Other records of the Director of the Office of Professional Responsibility may be disclosed upon specific request, in accordance with the applicable law.

(c) *Effective/applicability date*. This section is applicable beginning August 2, 2011.

[T.D. 9359, 72 FR 54555, Sept. 26, 2007, as amended by T.D. 9527, 76 FR 32311, June 3, 2011; 76 FR 49650, Aug. 11, 2011]

§ 10.91 Saving provision.

Any proceeding instituted under this part prior to June 12, 2014, for which a final decision has not been reached or for which judicial review is still available is not affected by these revisions. Any proceeding under this part based on conduct engaged in prior to June 12, 2014, which is instituted after that date, will apply subpart D and E of this part as revised, but the conduct engaged in prior to the effective date of these revisions will be judged by the regulations in effect at the time the conduct occurred.

[T.D. 9668, 79 FR 33695, June 12, 2014]

§ 10.92 Special orders.

The Secretary of the Treasury reserves the power to issue such special orders as he or she deems proper in any cases within the purview of this part.

§ 10.93 Effective date.

Except as otherwise provided in each section and subject to § 10.91, Part 10 is applicable on July 26, 2002.

[T.D. 9011, 67 FR 48771, July 26, 2002, as amended by T.D. 9165, 69 FR 75845, Dec. 20, 2004]

PART 11—OPERATION OF VENDING FACILITIES BY THE BLIND ON FEDERAL PROPERTY UNDER THE CONTROL OF THE DEPARTMENT OF THE TREASURY

Sec.
11.1 Purpose.
11.2 Policy.
11.3 Definitions.
11.4 Establishing vending facilities.
11.5 Application for permit.
11.6 Terms of permit.
11.7 Enforcement procedures.
11.8 Reports.

AUTHORITY: 49 Stat. 1559, as amended by Act of Aug. 3, 1954, Pub. L. 83–565, 68 Stat. 663, as further amended by Pub. L. 93–516, 88 Stat. 1622, (20 U.S.C. 107).

SOURCE: 58 FR 57560, Oct. 26, 1993, unless otherwise noted.

§ 11.1 Purpose.

This part contains policy and procedures to ensure the priority of blind vendors in operating vending facilities on property controlled by the Department of the Treasury. The provisions of this part apply to all bureaus, the Departmental Offices and the Office of Inspector General.

§ 11.2 Policy.

Blind vendors licensed by State licensing agencies designated by the Secretary of Education under the provisions of the Randolph-Sheppard Act (20 U.S.C. 107 *et seq.*) shall be given priority in the location and operation of vending facilities, including vending machines, on property controlled by the Department of the Treasury, provided the location or operation of such facility would not adversely affect the interests of the United States. Treasury bureaus shall ensure that the collection and distribution of vending machine income from vending machines on Treasury-controlled property shall be in compliance with the regulations set forth in 34 CFR 395.32. Blind vendors shall also be given priority on Treasury-controlled property in the operation of cafeterias according to 34 CFR 395.33.

§ 11.3 Definitions.

Terms used are defined in 34 CFR 395.1, except that as used in this part, the following terms shall have the following meanings:

(a) *Department of the Treasury controlled property* means any Federal building, land, or other real property owned, leased, or occupied by a bureau or office of the Department of the Treasury, of which the maintenance, operation, and protection is under the control of the Department of the Treasury.

(b) The term *bureau* means any bureau or office of the Department of the Treasury and such comparable administrative units as may hereafter be created or made a part of the Department, and includes the Departmental Offices and the Office of Inspector General. The ''head of the bureau'' for the Departmental Offices is the Deputy Assistant Secretary (Administration).

§ 11.4 Establishing vending facilities.

(a) Treasury bureaus shall not acquire a building by ownership, rent, or lease, or occupy a building to be constructed, substantially altered, or renovated unless it is determined that such buildings contain or will contain a ''satisfactory site,'' as defined in 34 CFR 395.1(q), for the location and operation of a blind vending facility.

(b) In accordance with 34 CFR 395.31, Treasury bureaus shall provide the appropriate State licensing agency with written notice of the intention to acquire or otherwise occupy such building. Providing notification shall be the responsibility of the bureau on-site property management official.

§ 11.5 Application for permit.

Applications for permits for the operation of vending facilities other than

cafeterias shall be made in writing and submitted for the review and approval of the head of the appropriate Treasury bureau or that official's designee.

§ 11.6 Terms of permit.

Every permit shall describe the location of the vending facility, including any vending machines located on other than facility premises, and shall be subject to the following provisions:

(a) The permit shall be issued in the name of the applicant State licensing agency which shall perform the responsibilities set forth in 34 CFR 395.35 (a);

(b) The permit shall be issued for an indefinite period of time subject to suspension or termination on the basis of compliance or noncompliance with agreed upon terms.

(c) The permit shall provide that:

(1) No charge shall be made to the State licensing agency for normal cleaning, maintenance, and repair of the building structure in and adjacent to the vending facility areas;

(2) Cleaning necessary for sanitation; the maintenance of vending facilities and vending machines in an orderly condition at all times; the installation, maintenance, repair, replacement, servicing, and removal of vending facility equipment shall be without cost to the Department of the Treasury; and

(3) Articles sold at vending facilities operated by blind licensees may consist of newspapers, periodicals, publications, confections, tobacco products, foods, beverages, chances for any lottery authorized by State law and conducted by an agency of a State within such State, and other articles or services as are determined by the State licensing agency, in consultation with the appropriate Treasury bureau, to be suitable for a particular location. Such articles and services may be dispensed automatically or manually and may be prepared on or off the premises.

(d) The permit shall further provide that vending facilities shall be operated in compliance with applicable health, sanitation, and building codes or ordinances.

(e) The permit shall further provide that installation, modification, relocation, removal, and renovation of vending facilities shall be subject to the prior approval and supervision of the bureau on-site property management officer of the appropriate Treasury bureau and the State licensing agency; that costs of relocations initiated by the State licensing agency shall be paid by the State licensing agency; that costs of relocations initiated by a Treasury bureau shall be paid by the Treasury bureau; and that all plumbing, electrical, and mechanical costs related to the renovation of existing facilities shall be paid by the appropriate Treasury bureau.

(f) The operation of a cafeteria by a blind vendor shall be covered by a contractual agreement and not by a permit. The State licensing agency shall be expected to perform under the same contractual arrangement applicable to commercial cafeteria operators.

§ 11.7 Enforcement procedures.

(a) The State licensing agency shall attempt to resolve day-to-day problems pertaining to the operation of the vending facility in an informal manner with the participation of the blind vendor and the on-site property management officials of the respective Treasury bureaus who are responsible for the Treasury-controlled property.

(b) Unresolved disagreements concerning the terms of the permit, the Act, or the regulations in this part and any other unresolved matters shall be reported in writing to the State licensing agency supervisory personnel by the bureau on-site supervisory property management official in an attempt to resolve the issue.

§ 11.8 Reports.

This section establishes a Department of the Treasury reporting requirement to comply with 34 CFR 395.38. At the end of each fiscal year, each property managing bureau shall submit a report to the Director, Office of Management Support Systems, Departmental Offices, containing the elements set forth in 34 CFR 395.38. The Director, Office of Management Support Systems, shall submit a consolidated report to the Secretary of Education after the end of the fiscal year.

PART 12—RESTRICTION OF SALE AND DISTRIBUTION OF TOBACCO PRODUCTS

Sec.
12.1 Purpose.
12.2 Definitions.
12.3 Sale of tobacco products in vending machines prohibited.
12.4 Distribution of free samples of tobacco products prohibited.
12.5 Prohibitions not applicable in areas designated by the Secretary of the Treasury.

AUTHORITY: Sec. 636, Pub. L. 104–52, 109 Stat. 507.

SOURCE: 61 FR 25396, May 21, 1996, unless otherwise noted.

§ 12.1 Purpose.

This part contains regulations implementing the ''Prohibition of Cigarette Sales to Minors in Federal Buildings Act,'' Public Law 104–52, Section 636, with respect to buildings under the jurisdiction of the Department of the Treasury.

§ 12.2 Definitions.

As used in this part—

(1) The term *Federal building under the jurisdiction of the Secretary of the Treasury* includes the real property on which such building is located;

(2) The term *minor* means an individual under the age of 18 years; and

(3) The term *tobacco product* means cigarettes, cigars, little cigars, pipe tobacco, smokeless tobacco, snuff, and chewing tobacco.

§ 12.3 Sale of tobacco products in vending machines prohibited.

The sale of tobacco products in vending machines located in or around any Federal building under the jurisdiction of the Secretary of the Treasury is prohibited, except in areas designated pursuant to § 12.5 of this part.

§ 12.4 Distribution of free samples of tobacco products prohibited.

The distribution of free samples of tobacco products in or around any Federal building under the jurisdiction of the Secretary of the Treasury is prohibited, except in areas designated pursuant to § 12.5 of this part.

§ 12.5 Prohibitions not applicable in areas designated by the Secretary of the Treasury.

The prohibitions set forth in this part shall not apply in areas designated by the Secretary as exempt from the prohibitions, but all designated areas must prohibit the presence of minors.

PART 13—PROCEDURES FOR PROVIDING ASSISTANCE TO STATE AND LOCAL GOVERNMENTS IN PROTECTING FOREIGN DIPLOMATIC MISSIONS

Sec.
13.1 Purpose.
13.2 Definitions.
13.3 Eligibility to receive protection or reimbursement.
13.4 Requests for protection and advance notices of reimbursement requests.
13.5 Utilization of the services, personnel, equipment, and facilities of State and local governments.
13.6 Reimbursement of State and local governments.
13.7 Reimbursement when the Assistant Secretary makes no determination to utilize State and local government services, personnel, equipment and facilities.
13.8 Protection for motorcades and other places associated with a visit qualifying under section 202(7) of Title 3, U.S. Code.

APPENDIX I(F) TO PART 13—ESTIMATED OVERHEAD AND ADMINISTRATIVE COSTS

APPENDIX II(F) TO PART 13—OVERHEAD AND ADMINISTRATIVE COSTS

APPENDIX I TO PART 13—FORM OF REQUEST FOR ASSISTANCE

APPENDIX II TO PART 13—FORM OF BILL FOR REIMBURSEMENT

AUTHORITY: Secs. 202 and 208, Title 3, U.S. Code, as amended and added, respectively by Pub. L. 94–196 (89 Stat. 1109); 5 U.S.C. 301.

SOURCE: 41 FR 55179, Dec. 17, 1976, unless otherwise noted.

§ 13.1 Purpose.

This part prescribes the procedures governing protective and financial assistance to State and local governments when an extraordinary protective need requires the protection of foreign diplomatic missions as authorized by sections 202 and 208 of Title 3, U.S. Code, as amended and added, respectively, by Pub. L. 94–196 (89 Stat. 1109).

§ 13.2 Definitions.

As used in this part, these terms shall have the following meaning:

(a) The term *Assistant Secretary* means the Assistant Secretary of the Treasury (Enforcement and Operations).

(b) The term *extraordinary protective need* means a need for protection requiring measurable reinforcements of police personnel or equipment, or both, significantly beyond the ordinary deployment of the State or local government, arising out of actual or potential violence related to: (1) Confrontations between nationalist or other groups, (2) threats or acts of violence by terrorist or other groups, (3) a specific diplomatic event or visit, or (4) a specific international event.

(c) The term *foreign diplomatic mission* means a mission (including foreign consular offices) of a foreign country located in the United States.

(d) The term *full time officers* means permanent officers whose duties as foreign diplomatic officers occupy their full time.

(e) The term *international organization* means those international organizations designated by Presidential Executive Order as being entitled to the privileges, immunities, and exemptions accorded under the International Organization Immunities Act of December 29, 1945 (22 U.S.C. 288).

(f) The term *metropolitan area* means a city in the United States (other than the District of Columbia) and those areas contiguous to it.

(g) The term *observer mission* means a mission invited to participate in the work of an international organization by that organization. The invitation to participate shall be extended by the international organization pursuant to the same internal rules of the international organization as are applicable to any permanent mission.

(h) The term *permanent mission* means a fixed continuing mission staffed by full time officers and maintained by a member state of an international organization.

(i) The term *temporary domicile* means a domicile of limited duration of a visiting foreign dignitary or officer in connection with a visit to a permanent or observer mission to an international organization in a metropolitan area.

[41 FR 55179, Dec. 17, 1976, as amended at 45 FR 30621, May 9, 1980]

§ 13.3 Eligibility to receive protection or reimbursement.

(a) Protection, as determined by the Assistant Secretary, will be provided by the United States Secret Service Uniformed Division, pursuant to section 202 of Title 3, U.S. Code, as amended by Pub. L. 94–196, only to foreign diplomatic missions located in metropolitan areas (other than the District of Columbia) where there are located twenty or more such missions, as determined by the Secretary of State, which are headed by full time officers. According to present State Department figures, the following metropolitan areas have 20 or more such foreign diplomatic missions: Chicago, Houston, Los Angeles, Miami, New York City, New Orleans and San Francisco. The protection provided by State or local governments rather than the United States Secret Service Uniformed Division will be reimbursed pursuant to section 208(a) of Title 3, U.S. Code and §§ 13.6, 13.7 and 13.8 of this part.

(b) Protection or reimbursement will be provided for the metropolitan areas described in paragraph (a) of this section only if:

(1) The affected metropolitan area requests such protection or reimbursement;

(2) The Assistant Secretary determines that an extraordinary protective need exists; and

(3) The extraordinary need arises in association with a visit to or occurs at or, pursuant to § 13.6, in the vicinity of: (i) A permanent mission to an international organization of which the United States is a member, (ii) an observer mission invited to participate in the work of an international organization of which the United States is a member, or (iii) in the case of a visit by a foreign official or dignitary to participate in an activity of an international organization of which the United States is a member, a foreign diplomatic mission, including a consular office of the same country as the visitor.

(c) Protection (or reimbursement) may be extended at places of temporary domicile in connection with a visit under paragraph (b) of this section.

(d) Where an extraordinary protective need exists, protection (or reimbursement) may be extended to missions as described in §§13.3(b)(3) (i) and (ii) whether or not associated with a visit by a foreign dignitary.

[45 FR 30621, May 9, 1980]

§ 13.4 Requests for protection and advance notices of reimbursement requests.

(a) In cases where they believe that an extraordinary protective need exists, the State or local governments may request that protection be provided by the United States Secret Service Uniformed Division; or they may give advance notice of their intention to provide, on a reimbursable basis, all or part of the protection themselves.

(1) Requests for protection or advance notices of reimbursement requests shall be made to: Assistant Secretary (Enforcement and Operations), Department of the Treasury, Washington, DC 20220. Each government requesting the protection authorized pursuant to section 202 of Title 3, U.S. Code, as amended by Pub. L. 94–196, or which intends to seek reimbursement pursuant to section 208(a) of Title 3, U.S. Code and §§13.6 and 13.7 of this part, shall submit an application describing the extraordinary protective need. Applications made pursuant to this section shall be submitted to the Assistant Secretary 14 days before the extraordinary protective need arises. In association with a visit, the application shall include the name and title of the visiting foreign official or dignitary, the country he represents, and the name and location of the international organization or mission he will be visting. The application shall also include, if available, the temporary domicile of the visiting official or dignitary and his schedule, including dates and times of arrival and departure from the United States. If the extraordinary protective need occurs at a permanent mission to an international organization of which the United States is a member or an observer mission invited to participate in the work of such organization, or if another foreign diplomatic mission of the country qualifies under §13.3 (b) or (d), the application shall include the name and location of the mission.

(b) State and local governments shall also indicate on the application whether they are requesting the use of the United States Secret Service Uniformed Division or whether they are giving advance notice of their intention to provide, on a reimbursable basis, all or part of the protection themselves. In order to assist the Assistant Secretary in determining whether to utilize the United States Secret Service Uniformed Division to meet all or part of the extraordinary protective need, or to utilize, with their consent, the services, personnel, equipment, and facilities of the State or local government, or both, the application must include an estimate of the approximate number of personnel by grade and rank, the services, equipment, and facilities required, along with an estimate of the cost of such personnel, services, equipment and facilities. This application must be submitted in a format consistent with that illustrated in aappendix I of this part.

(1) Upon receipt of a request for protection pursuant to paragraph (a)(1) of this section and for the purposes of reimbursement pursuant to §§13.6 and 13.7, the Assistant Secretary will determine whether an extraordinary protective need exists and whether the United States Secret Service Uniformed Division will be used for all, part or none of the protection. In making determinations, the Assistant Secretary may consult with appropriate Federal, State and local government agencies.

[45 FR 30621, May 9, 1980]

§ 13.5 Utilization of the services, personnel, equipment, and facilities of State and local governments.

The Assistant Secretary may decide to utilize, on a reimbursable basis, the services, personnel, equipment, and facilities of State and local governments of the affected metropolitan area desiring to provide protection, or he may

utilize the United States Secret Service Uniformed Division, or both. If the United States Secret Service Uniformed Division is utilized to meet all the extraordinary protective need, the governments of the affected metropolitan area will not be reimbursed. If the United States Secret Service Uniformed Division is utilized to meet part of the extraordinary protective needs, the governments of the affected metropolitan area will be reimbursed for that qualifying portion of the protection which is provided by State and local police authorities. If the Assistant Secretary decides to utilize, with their consent, the services, personnel, equipment, and facilities of such State and local governments to meet the extraordinary protective need, he will so notify the government as soon as possible after receipt of a request for protection or an advance notice of a reimbursement request made pursuant to § 13.4.

[45 FR 30622, May 9, 1980]

§ 13.6 Reimbursement of State and local governments.

(a) State and local governments providing services, personnel, equipment, or facilities to the affected metropolitan area pursuant to § 13.5 may forward to the Assistant Secretary a bill for reimbursement for the personnel, equipment, facilities, and services utilized in meeting the extraordinary protective need. The bill shall be in accordance with the format in appendix II of this part. The Assistant Secretary will reimburse only those costs directly related to the extraordinary protective need including personnel and equipment costs resulting from assignments made to assist in providing security at an otherwise qualified location in connection with the arrival, departure, or during the visit of a foreign dignitary. Reimbursable costs will also include the costs for establishing both fixed posts at a qualified location and protective perimeters outside of a qualified location when it is clearly established to the satisfaction of the Assistant Secretary that such assignments were necessary to assure the safety of the qualified location. Overhead and administrative costs associated with an extraordinary protective need are reimbursable as either a flat 18 percent of the total extraordinary protective need costs, or, if such costs can be clearly segregated from routine police costs, on a dollar-for-dollar basis. The jurisdiction seeking such reimbursement may select either method but may not use both. For the purposes of reimbursement the Assistant Secretary will, in all cases, determine when the extraordinary protective need began and terminated.

[45 FR 30622, May 9, 1980]

§ 13.7 Reimbursement when the Assistant Secretary makes no determination to utilize State and local government services, personnel, equipment and facilities.

(a) Where events require the State or local governments of the affected metropolitan area to provide protection to meet an extraordinary protective need otherwise qualifying for reimbursement, such reimbursement may be made even if the provisions of §§ 13.4 and 13.5 have not been complied with fully. In such circumstances the provisions of § 13.6 shall apply.

(b) In cases where State or local governments, or both, utilized their own services, personnel, equipment, and facilities to provide protection for an extraordinary protective need, and no request for protective assistance pursuant to § 13.4 was made because the extraordinary protective need occurred prior to the promulgation of this part but after July 1, 1974, an application by such government to the Assistant Secretary for reimbursement otherwise conforming to the requirements of this part will be considered.

[41 FR 55179, Dec. 17, 1976, as amended at 45 FR 30622, May 9, 1980]

§ 13.8 Protection for motorcades and other places associated with a visit qualifying under section 202(7) of Title 3, U.S. Code.

(a) State and local governments furnishing services, personnel, equipment, and facilities to provide protection for motorcades and at other places associated with a visit qualifying under section 202(7) of Title 3, U.S. Code may forward to the Assistant Secretary a

bill for reimbursement for the personnel, equipment, facilities, and services utilized in providing such protection.

(b) Requests for payments under this section shall conform to the procedures established elsewhere in this part governing reimbursements arising out of an extraordinary protective need.

[45 FR 30622, May 9, 1980]

APPENDIX I(F) TO PART 13—ESTIMATED OVERHEAD AND ADMINISTRATIVE COSTS

Date: _____

Select Only One Method

_____ 1. Reimbursement for overhead and administrative costs will be requested as a flat 18 percent of the total extraordinary protective need cost as provided in section 13.6 of these regulations.

_____ 2. Reimbursement for overhead and administrative costs will be requested on a dollar-for-dollar basis. Computation of these costs will be made using the below described method:

(Explain in detail how all of these costs can be directly and exclusively attributed to the extraordinary protective need.)

[45 FR 30622, May 9, 1980]

APPENDIX II(F) TO PART 13—OVERHEAD AND ADMINISTRATIVE COSTS

Date: _____

Select Only One Method

_____ 1. Reimbursement for overhead and administrative costs is requested as a flat 18 percent of the total extraordinary protective need costs as provided in section 13.6 of these regulations.

_____ 2. Reimbursement for overhead and administrative costs is requested on a dollar-for-dollar basis. Computation of these costs has been made using the below described method:

(Explain and show in detail how all of these costs have been directly and exclusively attributed extraordinary protective need costs).

Dated: _____

[45 FR 30622, May 9, 1980]

APPENDIX I TO PART 13—FORM OF REQUEST FOR ASSISTANCE

I hereby request assistance from the Department of the Treasury pursuant to Section 202 of Title 3, U.S. Code, as amended by Pub. L. 94–196. This assistance is needed to enable the affected metropolitan area of _____ to meet an extraordinary protective need, which is expected to arise on _____ (date).

The nature of the extraordinary protective need prompting this request is as follows:

(If in association with a visit, include the name and title of the visiting foreign official or dignitary, the country represented and the name and location of the international organization involved and/or mission to be visited. The temporary domicile of the visiting official or dignitary and his schedule, including dates and times of arrival and departure from the United States, if available, must also be included. If the extraordinary protective need occurs at or, pursuant to §13.6 of 31 CFR part 13, in the vicinity of, a permanent mission to an international organization of which the United States is a member or at an observer mission invited to participate in the work of the organization, the application shall include the name and location of the mission. If the extraordinary protective need occurs at a foreign diplomatic mission, including a consular office, in conjunction with a qualifying visit by a foreign official or dignitary of the same country as that mission, the application shall include the name and location of the mission or office. If, pursuant to §13.8, the visiting foreign official is to travel by motorcade and/or visit locations other than his foreign mission or temporary domicile, the application shall include a description of the anticipated motorcade routes and all stops on the routes as well as the name (or description) and location of any other places to be visited.

The _____ (Government entity) _____ (is or is not) _____ prepared to provide _____ (all or a portion of) the protection required to meet this need. Attached is an estimate of the appropriate number of personnel, by grade and rank, and the specific services, equipment and facilities which will be required to meet this extraordinary protective need, along with an estimate of the cost of such personnel, services, equipment, and facilities.

(Date) _____

_____

(State or local government of the affected metropolitan area)

_____

(Signature)

_____

(Title)

[45 FR 30622, May 9, 1980]

APPENDIX II TO PART 13—FORM OF BILL FOR REIMBURSEMENT

I hereby request that _____ (Governmental entity) be reimbursed by the Department of the Treasury pursuant to sections 202 and 208 of Title 3, U.S. Code, as amended and added, respectively, by Public Law 94–196

(89 Stat. 1109) (and/or pursuant to Public Law 96–74) for expenses incurred while providing an adequate level of protection during the extraordinary protective need arising in association with a visit of _____ (Official or dignitary's name and title) of _____ (Country) to participate in the work of _____ (International Organization) or occurring at the _____ (Permanent or observer mission) to _____ (International organization) during the period _____ (Date) through _____ (Date).

I certify that the level of protection provided was both reasonable and necessary; that the costs herein billed are only those direct costs associated with meeting the extraordinary protective need; and that the costs herein billed are not costs of an indirect nature such as administrative costs, overhead, and depreciation, except as provided in § 13.6(a) of 31 CFR 13.

Access to all records, accounts, receipts, etc., pertaining to the costs herein billed will be accorded to representatives of the Assistant Secretary (Enforcement and Operations) and the General Accounting Office at such reasonable times and places as may be mutually agreed upon by said representatives and _____ (Governmental entity).

Date: _____

_____
(Signature)

_____
(Title)

[45 FR 30623, May 9, 1980]

PART 14—RIGHT TO FINANCIAL PRIVACY ACT

Sec.
14.1 Definitions.
14.2 Purpose.
14.3 Authorization.
14.4 Contents of request.
14.5 Certification.

AUTHORITY: Sec. 1108, Right to Financial Privacy Act of 1978, 92 Stat. 3697 *et seq.,* 12 U.S.C. 3401 *et seq.;* (5 U.S.C. 301); and Reorganization Plan No. 26 of 1950.

SOURCE: 44 FR 16909, Mar. 20, 1979, unless otherwise noted.

§ 14.1 Definitions.

For purposes of this regulation, the term:

(a) *Financial institution* means any office of a bank, savings bank, card issuer as defined in section 103 of the Consumer Credit Protection Act (15 U.S.C. 1602(n)), industrial loan company, trust company, savings and loan, building and loan, or homestead association (including cooperative bank), credit union, or consumer financial institution, located in any State or territory of the United States, the District of Columbia, Puerto Rico, Guam, American Samoa, or the Virgin Islands.

(b) *Financial record* means an original of, a copy of, or information known to have been derived from, any record held by a financial institution pertaining to a customer's relationship with the financial institution.

(c) *Person* means an individual or a partnership of five or fewer individuals.

(d) *Customer* means any person or authorized representative of that person who utilized or is utilizing any service of a financial institution, or for whom a financial institution is acting or has acted as a fiduciary, in relation to an account maintained in the person's name.

(e) *Law enforcement inquiry* means a lawful investigation or official proceeding inquiring into a violation of or failure to comply with any criminal or civil statute or any regulation, rule, or order issued pursuant thereto.

(f) *Departmental unit* means those offices, divisions, bureaus, or other components of the Department of the treasury authorized to conduct law enforcement inquiries.

(g) *Act* means the Right to Financial Privacy Act of 1978.

§ 14.2 Purpose.

The purpose of these regulations is to authorize Departmental units to request financial records from a financial institution pursuant to the formal written request procedure authorized by section 1108 of the Act, and to set forth the conditions under which such requests may be made.

§ 14.3 Authorization.

Departmental units are hereby authorized to request financial records of any customer from a financial institution pursuant to a formal written request under the Act only if:

(a) No administrative summons or subpoena authority reasonably appears to be available to the Departmental unit to obtain financial records for the purpose for which the records are sought;

(b) There is reason to believe that the records sought are relevant to a legitimate law enforcement inquiry and will further that inquiry;

(c) The request is issued by a supervisory official of a rank designated by the head of the requesting Departmental unit. Officials so designated shall not delegate this authority to others;

(d) The request adheres to the requirements set forth in § 14.4; and

(e) The notice requirements set forth in section 1108(4) of the Act, or the requirements pertaining to delay of notice in section 1109 of the Act are satisfied, except in situations where no notice is required. (e.g., section 1113(g))

§ 14.4 Contents of request.

The formal written request shall be in the form of a letter or memorandum to an appropriate official of the financial institution from which financial records are requested. The request shall be signed by an issuing official of the requesting Department unit. It shall set forth that official's name, title, business address and business phone number. The request shall also contain the following:

(a) The identity of the customer or customers to whom the records pertain;

(b) A reasonable description of the records sought;

(c) Any other information that the issuing official deems appropriate, e.g., the date on which the requesting Departmental unit expects to present a certificate of compliance with the applicable provisions of the Act, the name and title of the individual to whom disclosure is to be made, etc.

In cases where customer notice is delayed by a court order, a copy of the court order shall be attached to the formal written request.

§ 14.5 Certification.

Prior to obtaining the requested records pursuant to a formal written request, an official of a rank designated by the head of the requesting Departmental unit shall certify in writing to the financial institution that the Departmental unit has complied with the applicable provisions of the Act.

PART 15—POST EMPLOYMENT CONFLICT OF INTEREST

Subpart A—General Provisions

Sec.
15.737–1 Scope.
15.737–2 Definitions.
15.737–3 Director of Practice.
15.737–4 Other discipline.
15.737–5 Records.

Subpart B—Rules Applicable to Post Employment Practice by Officers and Employees of the Department

15.737–6 Interpretative standards.

Subpart C—Administrative Enforcement Proceedings

15.737–7 Authority to prohibit practice.
15.737–8 Special orders.
15.737–9 Receipt of information concerning former Treasury employee.
15.737–10 Conferences.
15.737–11 Institution of proceeding.
15.737–12 Contents of complaint.
15.737–13 Service of complaint and other papers.
15.737–14 Answer.
15.737–15 Reply to answer.
15.737–16 Proof; variance; amendment of pleadings.
15.737–17 Motions and requests.
15.737–18 Representation.
15.737–19 Administrative Law Judge.
15.737–20 Hearings.
15.737–21 Evidence.
15.737–22 Depositions.
15.737–23 Transcript.
15.737–24 Proposed findings and conclusions.
15.737–25 Decision of the Administrative Law Judge.
15.737–26 Appeal to the General Counsel.
15.737–27 Decision of the General Counsel.
15.737–28 Notice of disciplinary action.

Subpart D—Other Departmental Proceedings

15.737–29 Review by the General Counsel.

AUTHORITY: 92 Stat. 1864 (18 U.S.C. 207), as amended.

SOURCE: 45 FR 39842, June 12, 1980, unless otherwise noted.

Subpart A—General Provisions

§ 15.737–1 Scope.

This part contains rules governing discipline of a former officer or employee of the Department of the Treasury because of a post employment conflict of interest. Such discipline may include prohibition from practice before the Department or a separate statutory agency thereof as those terms are defined in this part.

§ 15.737–2 Definitions.

For the purpose of this part—

(a) The term *Department* means the Department of the Treasury and includes the separate statutory agencies thereof.

(b) The term *Director* means the Director of Practice.

(c) The term *General Counsel* means the General Counsel of the Department.

(d) The term *practice* means any informal or formal appearance before, or, with the intent to influence, any oral or written communication to the Department or, where applicable, to a separate statutory agency thereof on a pending matter of business on behalf of any other person (except the United States).

(e) The term *separate statutory agency thereof* means an agency or bureau within the Department designated by rule by the Director, Office of Government Ethics, as a separate agency or bureau. The Internal Revenue Service, Bureau of Alcohol, Tobacco and Firearms, United States Secret Service, Bureau of the Mint, United States Customs Service, Bureau of Engraving and Printing, and Comptroller of the Currency were so designated effective July 1, 1979.

§ 15.737–3 Director of Practice.

There is, in the Office of the Secretary of the Treasury, the Office of Director of Practice. The Director shall institute and provide for the conduct of disciplinary proceedings involving former employees of the Department as authorized by 18 U.S.C. 207(j), and perform such other duties as are necessary or appropriate to carry out his/her functions under this part.

§ 15.737–4 Other discipline.

For activity alleged to violate 18 U.S.C. 207 (a), (b) or (c), the Director may also bring a disciplinary proceeding pursuant to the regulations governing practice before the Bureau of Alcohol, Tobacco and Firearms or the Internal Revenue Service as found in 31 CFR part 8 and 31 CFR part 10, respectively. Such proceeding may be consolidated with any proceeding brought pursuant to this part.

§ 15.737–5 Records.

There are made available to public inspection at the Office of Director of Practice the roster of all persons prohibited from practice before the Department. Other records may be disclosed upon specific request, in accordance with appropriate disclosure regulations of the Department.

Subpart B—Rules Applicable to Post Employment Practice by Officers and Employees of the Department

§ 15.737–6 Interpretative standards.

A determination that a former officer or employee of the Department violated 18 U.S.C. 207 (a), (b) or (c) will be made in conformance with the standards established in the interpretative regulations promulgated by the Office of Government Ethics and published at 5 CFR part 737.

Subpart C—Administrative Enforcement Proceedings

§ 15.737–7 Authority to prohibit practice.

Pursuant to 18 U.S.C. 207(j), if the General Counsel finds, after notice and opportunity for a hearing, that a former officer or employee of the Department violated 18 U.S.C. 207 (a), (b) or (c), the General Counsel in his/her discretion may prohibit that person from engaging in practice before the Department or a separate statutory agency thereof for a period not to exceed five years, or may take other appropriate disciplinary action.

§ 15.737–8 Special orders.

The General Counsel may issue special orders as he/she may consider proper in any case within the purview of this part.

§ 15.737–9 Receipt of information concerning former Treasury employee.

If an officer or employee of the Department has reason to believe that a former officer or employee of the Department has violated 18 U.S.C. 207 (a), (b) or (c), or if any such officer or employee receives information to that effect, he/she shall promptly make a written report thereof, which report or a copy thereof shall be forwarded to the Inspector General, Department of the Treasury. If any other person has information of such violations, he/she may make a report thereof to the Inspector General or to any officer or employee of the Department. The Inspector General shall refer any information he/she deems warranted to the Director.

§ 15.737–10 Conferences.

(a) *In general.* The Director may confer with a former officer or employee concerning allegations of misconduct irrespective of whether an administrative disciplinary proceeding has been instituted against him/her. If such conference results in a stipulation in connection with a proceeding in which such person is the respondent, the stipulation may be entered in the record at the instance of either party to the proceeding.

(b) *Voluntary suspension.* A former officer or employee, in order to avoid the institution or conclusion of a proceeding, may offer his/her consent to suspension from practice before the Department or a separate statutory agency thereof. The Director in his/her discretion, may suspend a former officer or employee in accordance with the consent offered.

§ 15.737–11 Institution of proceeding.

(a) Whenever the Director has reason to believe that any former officer or employee of the Department has violated 18 U.S.C. 207 (a), (b) or (c), he/she may reprimand such person or institute an administrative disciplinary proceeding for that person's suspension from practice before the Department or a separate statutory agency thereof. The proceeding shall be instituted by a complaint which names the respondent and is signed by the Director and filed in his/her office. Except in cases of willfulness, or where time, the nature of the proceeding, or the public interest does not permit, a proceeding will not be instituted under this section until facts or conduct which may warrant such action have been called to the attention of the proposed respondent in writing and he/she has been accorded the opportunity to provide his/her position on the matter.

(b) The Director shall coordinate proceedings under this part with the Department of Justice in cases where it initiates criminal prosecution.

§ 15.737–12 Contents of complaint.

(a) *Charges.* A complaint shall give a plain and concise description of the allegations which constitute the basis for the proceeding. A complaint shall be deemed sufficient if it fairly informs the respondent of the charges against him/her so that the respondent is able to prepare a defense.

(b) *Demand for answer.* In the complaint, or in a separate paper attached to the complaint, notification shall be given of the place and time within which the respondent shall file his/her answer, which time shall not be less than 15 days from the date of service of the complaint, and notice shall be given that a decision by default may be rendered against the respondent in the event he/she fails to file an answer as required.

§ 15.737–13 Service of complaint and other papers.

(a) *Complaint.* The complaint or a copy thereof may be served upon the respondent by certified mail, or first-class mail as hereinafter provided; by delivering it to the respondent or his/her attorney or agent of record either in person or by leaving it at the office or place of business of the respondent, attorney or agent; or in any other manner which has been agreed to by the respondent. Where the service is by certified mail, the return post office receipt duly signed by or on behalf of the respondent shall be proof of service. If

the certified mail is not claimed or accepted by the respondent and is returned undelivered, complete service may be made upon the respondent by mailing the complaint to him/her by first-class mail, addressed to him/her at the last address known to the Director. If service is made upon the respondent or his/her attorney or agent of record in person or by leaving the complaint at the office or place of business of the respondent, attorney or agent, the verified return by the person making service, setting forth the manner of service, shall be proof of such service.

(b) *Service of papers other than complaint.* Any paper other than the complaint may be served upon a respondent as provided in paragraph (a) of this section or by mailing the paper by first-class mail to the respondent at the last address known to the Director, or by mailing the paper by first-class mail to the respondent's attorney or agent of record. Such mailing shall constitute complete service. Notices may be served upon the respondent or his/her attorney or agent of record by telegraph.

(c) *Filing of papers.* Whenever the filing of a paper is required or permitted in connection with a proceeding, and the place of filing is not specified by this subpart or by rule or order of the Administrative Law Judge, the paper shall be filed with the Director of Practice, Department of the Treasury, Washington, DC 20220. All papers shall be filed in duplicate.

§ 15.737–14 Answer.

(a) *Filing.* The respondent's answer shall be filed in writing within the time specified in the complaint, unless on application the time is extended by the Director or the Administrative Law Judge. The answer shall be filed in duplicate with the Director.

(b) *Contents.* The answer shall contain a statement of facts which constitute the grounds of defense, and it shall specifically admit or deny each allegation set forth in the complaint, except that the respondent shall not deny a material allegation in the complaint which he/she knows to be true, or state that he/she is without sufficient information to form a belief when in fact he/she possesses such information. The respondent may also state affirmatively special matters of defense.

(c) *Failure to deny or answer allegations in the complaint.* Every allegation in the complaint which is not denied in the answer shall be deemed to be admitted and may be considered as proved, and no further evidence in respect of such allegation need be adduced at a hearing. Failure to file an answer within the time prescribed in the notice to the respondent, except as the time for answer is extended by the Director or the Administrative Law Judge, shall constitute an admission of the allegations of the complaint and a waiver of hearing, and the Administrative Law Judge may make his/her decision by default without a hearing or further procedure.

§ 15.737–15 Reply to answer.

No reply to the respondent's answer shall be required, and new matter in the answer shall be deemed to be denied, but the Director may file a reply in his/her discretion or at the request of the Administrative Law Judge.

§ 15.737–16 Proof; variance; amendment of pleadings.

In the case of a variance between the allegations in a pleading and the evidence adduced in support of the pleading, the Administrative Law Judge may order or authorize amendment of the pleading to conform to the evidence: *Provided,* That the party who would otherwise be prejudiced by the amendment is given reasonable opportunity to meet the allegations of the pleading as amended; and the Administrative Law Judge shall make findings on any issue presented by the pleadings as so amended.

§ 15.737–17 Motions and requests.

Motions and requests may be filed with the Director or with the Administrative Law Judge.

§ 15.737–18 Representation.

A respondent or proposed respondent may appear in person or he/she may be represented by counsel or other representative. The Director may be represented by an attorney or other employee of the Department.

§ 15.737–19 Administrative Law Judge.

(a) *Appointment.* An Administrative Law Judge appointed as provided by 5 U.S.C. 3105 (1966), shall conduct proceedings upon complaints for the administrative disciplinary proceedings under this part.

(b) *Power of Administrative Law Judge.* Among other powers, the Administrative Law Judge shall have authority, in connection with any proceeding assigned or referred to him/her, to do the following:

(1) Administer oaths and affirmations;

(2) Make rulings upon motions and requests, which rulings may not be appealed from prior to the close of a hearing except, at the discretion of the Administrative Law Judge, in extraordinary circumstances;

(3) Determine the time and place of hearing and regulate its course and conduct;

(4) Adopt rules of procedure and modify the same from time to time as occasion requires for the orderly disposition of proceedings;

(5) Rule upon offers of proof, receive relevant evidence, and examine witnesses;

(6) Take or authorize the taking of depositions;

(7) Receive and consider oral or written argument on facts or law;

(8) Hold or provide for the holding of conferences for the settlement or simplification of the issues by consent of the parties;

(9) Assess the responsible party extraordinary costs attributable to the location of a hearing;

(10) Perform such acts and take such measures as are necessary or appropriate to the efficient conduct of any proceeding; and

(11) Make initial decisions.

§ 15.737–20 Hearings.

(a) *In general.* The Administrative Law Judge shall preside at the hearing on a complaint for the suspension of a former officer or employee from practice before the Department. Hearings shall be stenographically recorded and transcribed and the testimony of witnesses shall be taken under oath or affirmation. Hearings will be conducted pursuant to 5 U.S.C. 556.

(b) *Public access to hearings.* Hearings will be closed unless an open hearing is requested by the respondent, except that if classified information or protected information of third parties (such as tax information) is likely to be adduced at the hearing, it will remain closed. A request for an open hearing must be included in the answer to be considered.

(c) *Failure to appear.* If either party to the proceeding fails to appear at the hearing, after due notice thereof has been sent to him/her, he/she shall be deemed to have waived the right to a hearing and the Administrative Law Judge may make a decision against the absent party by default.

§ 15.737–21 Evidence.

(a) *In general.* The rules of evidence prevailing in courts of law and equity are not controlling in hearings on complaints for the suspension of a former officer or employee from practice before the Department. However, the Administrative Law Judge shall exclude evidence which is irrelevant, immaterial, or unduly repetitious.

(b) *Depositions.* The deposition of any witness taken pursuant to § 15.737–22 of this part may be admitted.

(c) *Proof of documents.* Official documents, records and papers of the Department shall be admissible in evidence without the production of an officer or employee to authenticate them. Any such documents, records, and papers may be evidenced by a copy attested or identified by an officer or employee of the Department.

(d) *Exhibits.* If any document, record, or other paper is introduced in evidence as an exhibit, the Administrative Law Judge may authorize the withdrawal of the exhibit subject to any conditions which he/she deems proper.

(e) *Objections.* Objections to evidence shall be in short form, stating the grounds of objection relied upon, and the record shall not include argument thereon, except as ordered by the Administrative Law Judge. Rulings on such objections shall be a part of the record. No exception to the ruling is necessary to preserve the rights of the parties.

§ 15.737–22 Depositions.

Depositions for use at a hearing may, with the consent of the parties in writing or the written approval of the Administrative Law Judge, be taken by either the Director or the respondent or their duly authorized representatives. Depositions may be taken upon oral or written interrogatories, upon not less than 10 days' written notice to the other party before any officer duly authorized to administer an oath for general purposes or before an officer or employee of the Department who is authorized to administer an oath. Such notice shall state the names of the witnesses and the time and place where the depositions are to be taken. The requirement of 10 days' notice may be waived by the parties in writing, and depositions may then be taken from the persons and at the times and places mutually agreed to by the parties. When a deposition is taken upon written interrogatories, any cross-examination shall be upon written interrogatories. Copies of such written interrogatories shall be served upon the other party with the notice, and copies of any written cross-interrogation shall be mailed or delivered to the opposing party at least 5 days before the date of taking the depositions, unless the parties mutually agree otherwise. A party upon whose behalf a deposition is taken must file it with the Administrative Law Judge and serve one copy upon the opposing party. Expenses in the reporting of depositions shall be borne by the party at whose instance the deposition is taken.

§ 15.737–23 Transcript.

In cases where the hearing is stenographically reported by a Government contract reporter, copies of the transcript may be obtained from the reporter at rates not to exceed the maximum rates fixed by contract between the Government and the reporter or from the Department at actual cost of duplication. Where the hearing is stenographically reported by a regular employee of the Department, a copy thereof will be supplied to the respondent either without charge or upon payment of a reasonable fee. Copies of exhibits introducted at the hearing or at the taking of depositions will be supplied to the parties upon the payment of a reasonable fee (Sec. 501, Pub. L. 82–137, 65 Stat. 290 (31 U.S.C. 483a)).

§ 15.737–24 Proposed findings and conclusions.

Except in cases where the respondent has failed to answer the complaint or where a party has failed to appear at the hearing, the Administrative Law Judge prior to making his/her decision, shall afford the parties a reasonable opportunity to submit proposed findings and conclusions and supporting reasons therefor.

§ 15.737–25 Decision of the Administrative Law Judge.

As soon as practicable after the conclusion of a hearing and the receipt of any proposed findings and conclusions timely submitted by the parties, the Administrative Law Judge shall make the initial decision in the case. The decision shall include (a) a statement of findings and conclusions, as well as the reasons or basis therefor, upon all the material issues of fact, law, or discretion presented on the record, and (b) an order of suspension from practice before the Department or separate statutory agency thereof or other appropriate disciplinary action, or an order of dismissal of the complaint. The Administrative Law Judge shall file the decision with the Director and shall transmit a copy thereof to the respondent or his/her attorney of record. In the absence of an appeal to the General Counsel or review of the decision upon motion of the General Counsel, the decision of the Administrative Law Judge shall without further proceedings become the decision of the General Counsel 30 days from the date of the Administrative Law Judge's decision.

§ 15.737–26 Appeal to the General Counsel.

Within 30 days from the date of the Administrative Law Judge's decision, either party may appeal to the General Counsel. The appeal shall be filed with the Director in duplicate and shall include exceptions to the decision of the Administrative Law Judge and supporting reasons for such exceptions. If an appeal is filed by the Director, he/she shall transmit a copy thereof to

the respondent. Within 30 days after receipt of an appeal or copy thereof, the other party may file a reply brief in duplicate with the Director. If the reply brief is filed by the Director, he/she shall transmit a copy of it to the respondent. Upon the filing of an appeal and a reply brief, if any, the Director shall transmit the entire record to the General Counsel.

§ 15.737–27 Decision of the General Counsel.

On appeal from or review of the initial decision of the Administrative Law Judge, the General Counsel will make the agency decision. In making his/her decision, the General Counsel will review the record or such portions thereof as may be cited by the parties to permit limiting of the issues. A copy of the General Counsel's decision shall be transmitted to the respondent by the Director.

§ 15.737–28 Notice of disciplinary action.

(a) Upon the issuance of a final order suspending a former officer or employee from practice before the Department or a separate statutory agency thereof, the Director shall give notice thereof to appropriate officers and employees of the Department. Officers and employees of the Department shall refuse to participate in any appearance by such former officer or employee or to accept any communication which constitutes the prohibited practice before the Department or separate statutory agency thereof during the period of suspension.

(b) The Director shall take other appropriate disciplinary action as may be required by the final order.

Subpart D—Other Departmental Proceedings

§ 15.737–29 Review by the General Counsel.

In my proceeding before the Department, if an initial decision is made with respect to the disqualification of a representative or attorney for a party on the grounds of 18 U.S.C. 207(a), (b) or (c), such decision may be appealed to the General Counsel, who will make the agency decision on the issue.

PART 16—REGULATIONS IMPLEMENTING THE PROGRAM FRAUD CIVIL REMEDIES ACT OF 1986

Sec.

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AUTHORITY: 31 U.S.C. 3801–3812.

SOURCE: 52 FR 35071, Sept. 17, 1987, unless otherwise noted.

§ 16.1 Basis and purpose.

(a) *Basis.* This part implements the Program Fraud Civil Remedies Act of 1986, Pub. L. 99–509, sections 6101–6104, 100 Stat. 1874 (October 21, 1986), to be codified at 31 U.S.C. 3801–3812. 31 U.S.C. 3809 requires each authority head to promulgate regulations necessary to implement the provisions of the statute.

(b) *Purpose.* This part

(1) Establishes administrative procedures for imposing civil penalties and assessments against persons who make, submit, or present, or cause to be made, submitted, or presented, false, fictitious, or fraudulent claims or written statements to authorities or to their agents, and

(2) Specifies the hearing and appeal rights of persons subject to allegations of liability for such penalties and assessments.

§ 16.2 Definitions.

ALJ means an Administrative Law Judge in the authority appointed pursuant to 5 U.S.C. 3105 or detailed to the authority pursuant to 5 U.S.C. 3344.

Authority means the Department of the Treasury.

Authority head means the Assistant Secretary of the Treasury for Management.

Benefit, when used in the context of false statements made with respect to a benefit, means anything of value including but not limited to any advantage, preference, privilege, license, permit, favorable decision, ruling, status, or loan guarantee. This definition should be distinguished from the limitations on coverage of these regulations with respect to beneficiaries of specific benefit programs which are found in § 16.3(c) of this part.

Claim means any request, demand, or submission—

(a) Made to the authority for property, services, or money (including money representing grants, loans, insurance, or benefits);

(b) Made to a recipient of property, services, or money from the authority or to a party to a contract with the authority—

(1) For property or services if the United States—

(i) Provided such property or services;

(ii) Provided any portion of the funds for the purchase of such property or services; or

(iii) Will reimburse such recipient or party for the purchase of such property or services; or

(2) For the payment of money (including money representing grants, loans, insurance, or benefits) if the United States—

(i) Provided any portion of the money requested or demanded; or

(ii) Will reimburse such recipient or party for any portion of the money paid on such request or demand; or

(c) Made to the authority which has the effect of decreasing an obligation to pay or account for property, services, or money, except that such term does not include any claim made in any return of tax imposed by the Internal Revenue Code of 1954.

Complaint means the administrative complaint served by the reviewing official on the defendant under § 16.7 of this part.

Defendant means any person alleged in a complaint under § 16.7 to be liable for a civil penalty or assessment under § 16.3.

Department means the Department of the Treasury.

Government means the United States Government.

Individual means a natural person.

Initial decision means the written decision of the ALJ required by § 16.10 or § 16.37, and includes a revised initial decision issued following a remand or a motion for reconsideration.

Investigating official means the Inspector General of the Department of the Treasury.

Knows or has reason to know, means that a person, with respect to a claim or statement—

(a) Has actual knowledge that the claim or statement is false, fictitious, or fraudulent;

(b) Acts in deliberate ignorance of the truth or falsity of the claim or statement; or

(c) Acts in reckless disregard of the truth or falsity of the claim or statement.

Makes, wherever it appears, shall include the terms ''presents,'' ''submits,''

and ''causes to be made, presented,'' or ''submitted.'' As the context requires, *making* or *made,* shall likewise include the corresponding forms of such terms.

Person means any individual, partnership, corporation, association, private organization, State, political subdivision of a State, municipality, county, district, and Indian tribe, and includes the plural of that term.

Presiding officer means an administrative law judge appointed in the authority pursuant to 5 U.S.C. 3105 or detailed to the authority pursuant to section 3344 of such title.

Representative means an attorney designated in writing by a defendant to appear on his or her behalf in administrative hearings before the Department and to represent a defendant in all other legal matters regarding a complaint made pursuant to these regulations.

Reviewing official means the General Counsel, or another individual in the Legal Division of the Department designated by the General Counsel, who is—

(a) Serving in a position for which the rate of basic pay is not less than the minimum rate of basic pay for grade GS-16; and

(b) Is not subject to supervision by, or required to report to, the investigating official; and

(c) Is not employed in the organization unit of the authority in which the investigating official is employed.

Statement means any representation, certification, affirmation, document, record, or accounting or bookkeeping entry made—

(a) With respect to a claim or to obtain the approval or payment of a claim (including relating to eligibility to make a claim); or

(b) With respect to (including relating to eligibility for)—

(1) A contract with, or a bid or proposal for a contract with; or

(2) A grant, loan, or benefit from, the authority, or any State, political subdivision of a State, or other party, if the United States Government provides any portion of the money or property under such contract or for such grant, loan, or benefit, or if the government will reimburse such State, political subdivision, or party of any portion of the money or property under such contract or for such grant, loan, or benefit, except that such term does not include any claim made in any return of tax imposed by the Internal Revenue Code of 1954.

§ 16.3 Basis for civil penalties and assessments.

(a) *Claims.* (1) Except as provided in paragraph (c) of this section, any person who makes a claim that the person knows or has reason to know—

(i) Is false, fictitious, or fraudulent;

(ii) Includes or is supported by any written statement which asserts a material fact which is false, fictitious, or fraudulent;

(iii) Includes or is supported by any written statement that—

(A) Omits a material fact;

(B) Is false, fictitious, or fraudulent as a result of such omission; and

(C) Is a statement in which the person making such statement has a duty to include such material fact; or

(iv) Is for payment for the provision of property or services which the person has not provided as claimed, shall be subject, in addition to any other remedy that may be prescribed by law, to a civil penalty of not more than $8,212 for each such claim.

(2) Each voucher, invoice, claim form, or other individual request or demand for property, services, or money constitutes a separate claim.

(3) A claim shall be considered made to an authority, recipient, or party when such claim is actually made to an agent, fiscal intermediary, or other entity, including any State or political subdivision thereof, acting for or on behalf of such authority, recipient, or party.

(4) Each claim for property, services, or money is subject to a civil penalty under these regulations regardless of whether such property, services, or money is actually delivered or paid.

(5) If the government has made any payment (including transferred property or provided services) on a claim, a person subject to a civil penalty under paragraph (a)(1) of this section shall also be subject to an assessment of not more than twice the amount of such claim or that portion thereof that is

determined to be in violation of paragraph (a)(1) of this section. Such assessment shall be in lieu of damages sustained by the Government because of such claim.

(b) *Statements.* (1) Except as provided in paragraph (c) of this section, any person who makes a written statement that—

(i) The person knows or has reason to know—

(A) Asserts a material fact which is false, fictitious, or fraudulent; or

(B) Is false, fictitious, or fraudulent because it omits a material fact that the person making the statement has a duty to include in such statement; and

(ii) Includes or is accompanied by an express certification or affirmation of the truthfulness and accuracy of the content of the statement, shall be subject, in addition to any other remedy that may be prescribed by law, to a civil penalty of not more than $8,212 for each such statement.

(2) Each written representation, certification, or affirmation constitutes a separate statement.

(3) A statement shall be considered made to an authority when such statement is actually made to an agent, fiscal intermediary, or other entity, including any State or political subdivision thereof, acting for or on behalf of such authority.

(c)(1) In the case of any claim or statement made by any individual relating to any of the benefits listed in paragraph (c)(2) of this section, received by such individual, such individual may be held liable for penalties and assessments under this section only if such claim or statement is made by such individual in making application for such benefits with respect to such individual's eligibility to receive such benefits.

(2) For purposes of this paragraph, the term *benefits* means—

(i) Benefits under the food stamp program (as defined in section 3(h) of the Food Stamp Act of 1977);

(ii) Benefits under Chapters 11, 13, 15, 17, and 21 of Title 38;

(iii) Benefits under the Black Lung Benefits Act;

(iv) Any authority or other benefit under the Railroad Retirement Act of 1974;

(v) Benefits under the National School Lunch Act;

(vi) Benefits under any housing assistance program for lower income families or elderly or handicapped persons which is administered by the Secretary of Housing and Urban Development or the Secretary of Agriculture;

(vii) Benefits under the special supplemental food program for women, infants, and children established under section 17 of the Child Nutrition Act of 1966;

(viii) Benefits under part A of the Energy Conservation in Existing Buildings Act of 1976;

(ix) Benefits under the supplemental security income program under title XVI of the Social Security Act;

(x) Old age, survivors, and disability insurance benefits under title II of the Social Security Act;

(xi) Benefits under title XVIII of the Social Security Act;

(xii) Aid to families with dependent children under a State plan approved under section 402(a) of the Social Security Act;

(xiii) Medical assistance under a State plan approved under section 1902(a) of the Social Security Act;

(xiv) Benefits under title XX of the Social Security Act;

(xv) Benefits under section 336 of the Older Americans Act; or

(xvi) Benefits under the Low-Income Home Energy Assistance Act of 1981, which are intended for the personal use of the individual who receives the benefits or for a member of the individual's family.

(d) No proof of specific intent to defraud is required to establish liability under this section.

(e) In any case in which it is determined that more than one person is liable for making a claim or statement under this section, each such person may be held liable for a civil penalty under this section.

(f) In any case in which it is determined that more than one person is liable for making a claim under this section, and on which the Government has made payment (including transferred property or provided services), an assessment may be imposed against any such person or jointly and severally

against any combination of such persons.

[52 FR 35071, Sept. 17, 1987, as amended at 86 FR 12539, Mar. 4, 2021]

§ 16.4 Investigation.

(a) If an investigating official concludes that a subpoena pursuant to the authority conferred by 31 U.S.C. 3804(a) is warranted—

(1) The subpoena so issued shall notify the person to whom it is addressed of the authority under which the subpoena is issued and shall identify the information, records, or documents sought;

(2) The investigating official may designate a person to act on his behalf to receive the information, records, or documents sought; and

(3) The person receiving such subpoena shall be required to tender to the investigating official or to the person designated to receive the information, records, or documents, a certification that the information, records, or documents sought have been produced, or that such information, records, or documents are not available and the reasons therefor, or that such information, records, or documents, suitably identified, have been withheld based upon the assertion of an identified legal privilege.

(b) If the investigating official concludes that an action under the Program Fraud Civil Remedies Act may be warranted, the investigating official shall report the findings and conclusions of such investigation to the reviewing official.

(c) Nothing in this section shall preclude or limit the investigating official's discretion to refer allegations directly to the Department of Justice for suit under the False Claims Act, 31 U.S.C. 3729–3731, or for other civil relief, or to preclude or limit such official's discretion to defer or postpone a report or referral to avoid interference with an investigation into criminal misconduct or a criminal prosecution.

(d) Nothing in this section modifies any responsibility of the investigating official to report violations of criminal law to the Attorney General.

§ 16.5 Review by the reviewing official.

(a) If, based on the report of the investigating official under § 16.4(b), the reviewing official determines that there is adequate evidence to believe that a person is liable under § 16.3 of this part, the reviewing official shall transmit to the Attorney General a written notice of the reviewing official's intention to issue a complaint under § 16.7.

(b) Such notice shall include—

(1) A statement of the reviewing official's reasons for issuing a complaint;

(2) A statement specifying the evidence that supports the allegations of liability;

(3) A description of the claims or statements upon which the allegations of liability are based;

(4) An estimate of the amount of money or the value, if any, of property, services, or other benefits requested or demanded in violation of § 16.3 of this part; or, if no monetary value can be put on the property, service or benefit, a statement regarding the non-monetary consequences to the agency of a false statement.

(5) A statement of any exculpatory or mitigating circumstances that may relate to the claims or statements known by the reviewing official or the investigating official; and

(6) A statement that there is a reasonable prospect of collecting an appropriate amount of penalties and assessments. Such a statement may be based upon information then known or an absence of any information indicating that the person may be unable to pay such an amount.

§ 16.6 Prerequisites for issuing a complaint.

(a) The reviewing official may issue a complaint under § 16.7 only if—

(1) The Department of Justice approves the issuance of a complaint in a written statement described in 31 U.S.C. 3803(b)(1), and

(2) In the case of allegations of liability under § 16.3(a) with respect to a claim, the reviewing official determines that, with respect to such claim or a group of related claims submitted at the same time such claim is submitted (as defined in paragraph (b) of this section), the amount of money or

the value of property or services demanded or requested in violation of § 16.3(a) does not exceed $150,000.

(b) For the purposes of this section, a related group of claims submitted at the same time shall include only those claims arising from the same transaction (e.g., grant, loan, application, or contract) that are submitted simultaneously as part of a single request, demand, or submission.

(c) Nothing in this section shall be construed to limit the reviewing official's authority to join in a single complaint against a person, claims that are unrelated or were not submitted simultaneously, regardless of the amount of money or the value of property or services demanded or requested, as long as the total amount for each claim does not exceed $150,000.

§ 16.7 Complaint.

(a) On or after the date the Attorney General or his designee approves the issuance of a complaint in accordance with 31 U.S.C. 3803(b)(1), the reviewing official may serve a complaint on the defendant, as provided in § 16.8.

(b) The complaint shall state—

(1) The allegations of liability against the defendant, including the statutory basis for liability, an identification of the claims or statements that are the basis for the alleged liability, and the reasons why liability allegedly arises from such claims or statements;

(2) The maximum amount of penalties and assessments for which the defendant may be held liable;

(3) Instructions for filing an answer to request a hearing, including a specific statement of the defendant's right to request a hearing by filing an answer and to be represented by an attorney;

(4) That the defendant has a right to review and obtain certain information pursuant to Section 16.20 herein; and

(5) That failure to file an answer within 30 days of service of the complaint will result in the imposition of the maximum amount of penalties and assessments without right to appeal.

(c) At the same time the reviewing official serves the complaint on the defendant(s), he or she shall serve the defendant with a copy of these regulations.

§ 16.8 Service of complaint.

(a) Service of a complaint must be made by a certified or registered mail or by delivery in any manner authorized by Rule 4(d) of the Federal Rules of Civil Procedure.

(b) Proof of service, stating the name and address of the person on whom the complaint was served, and the manner and date of service, may be made by—

(1) Affidavit of the individual making service;

(2) An acknowledged United States Postal Service return receipt card; or

(3) Written acknowledgement of the defendant or his representative.

§ 16.9 Answer.

(a) The defendant may request a hearing by filing an answer with the reviewing official within 30 days of service of the complaint. An answer shall be deemed to be a request for hearing.

(b) In the answer, the defendant—

(1) Shall admit or deny each of the allegations of liability made in the complaint;

(2) Shall state any defense on which the defendant intends to rely;

(3) May state any reasons why the defendant contends that the penalties and assessments should be less than the statutory maximum; and

(4) Shall state whether the defendant has authorized an attorney to act as defendant's representative, and shall state the name, address, and telephone number of the representative.

§ 16.10 Default upon failure to file an answer.

(a) If the defendant does not file an answer within the time prescribed in § 16.9(a), the reviewing official may refer the complaint to the ALJ for initial decision.

(b) Upon the referral of the complaint, the ALJ shall promptly serve on defendant in the manner prescribed in § 16.8, a notice that an initial decision will be issued under this section.

(c) If the defendant fails to file a timely answer, the ALJ shall assume the facts alleged in the complaint to be

true and, if such facts eatablish liability under § 16.3, the ALJ shall issue an initial decision imposing the maximum amount of penalties and assessments allowed under the statute.

(d) Except as otherwise provided in this section, by failing to file a timely answer, the defendant waives any right to further review of the penalties and assessments imposed under paragraph (c) of this section, and the initial decision shall become final and binding upon the parties 30 days after it is issued.

(e) If, before such an initial decision becomes final, the defendant files a motion with the ALJ, and serves a copy on the agency, seeking to reopen on the grounds that extraordinary circumstances prevented the defendant from filing a timely answer, the initial decision shall be stayed pending the ALJ's decision on the motion. The ALJ shall permit the agency a reasonable amount of time, not less than 15 calendar days, to respond to the defendant's motion.

(f) If, on such motion, the defendant can demonstrate extraordinary circumstances excusing the failure to file a timely answer, the ALJ shall withdraw the initial decision, if such a decision has been issued pursuant to paragraph (c) of this section, and shall grant the defendant an opportunity to answer the complaint.

(g) A decision of the ALJ denying a defendant's motion under paragraph (e) of this section is not subject to reconsideration under § 16.38.

(h) The defendant may appeal to the authority head the decision denying a motion to reopen by filing a notice of appeal with the authority head within 15 days after the ALJ denies the motion. The timely filing of a notice of appeal shall stay the initial decision until the authority head decides the issue.

(i) If the defendant files a timely notice of appeal with the authority head, the ALJ shall forward the record of the proceeding to the authority head.

(j) The authority head shall decide expeditiously, and based solely on the record before the ALJ, whether extraordinary circumstances excuse the defendant's failure to file a timely answer.

(k) If the authority head decides that extraordinary circumstances excuse the defendant's failure to file a timely answer, the authority head shall remand the case to the ALJ with instructions to grant the defendant an opportunity to file an answer.

(l) If the authority head decides that the defendant's failure to file a timely answer is not excused, the authority head shall reinstate the initial decision of the ALJ, which shall become final and binding upon the parties 30 days after the authority head issues such decision.

§ 16.11 Referral of complaint and answer to the ALJ.

Upon receipt of an answer, the reviewing official shall file the complaint and answer with the ALJ.

§ 16.12 Notice of hearing.

(a) When the ALJ receives the complaint and answer, the ALJ shall promptly serve a notice of hearing upon the defendant and the agency representative in the manner prescribed by § 16.8.

(b) Such notice shall include—

(1) The tentative time and place, and the nature of the hearing;

(2) The legal authority and jurisdiction under which the hearing is to be held;

(3) The matters of fact and law to be asserted;

(4) A description of the procedures for the conduct of the hearing;

(5) The names, addresses, and telephone numbers of the representatives of the Government and of the defendant, if any; and

(6) Such other matters as the ALJ deems appropriate.

§ 16.13 Parties to the hearing.

(a) The parties to the hearing shall be the defendant and the authority.

(b) Pursuant to 31 U.S.C. 3730(c)(5), a private plaintiff under the False Claims Act may participate in these proceedings to the extent authorized by the provisions of that Act.

§ 16.14 Separation of functions.

(a) The investigating official, the reviewing official, and any employee or agent of the authority who takes part

in investigating, preparing, or presenting a particular case may not, in such case or a factually related case—

(1) Participate in the hearing as the ALJ;

(2) Participate or advise in the initial decision or the review of the initial decision by the authority head, except as a witness or a representative in public proceedings; or

(3) Make the collection of penalties and assessments under 31 U.S.C. 3806.

(b) The ALJ shall not be responsible to, or subject to the supervision or direction of the investigating official or the reviewing official.

(c) Except as provided in paragraph (a) of this section, the representative for the Government may be an attorney employed anywhere in the Legal Division of the Department, or an attorney employed in the offices of either the investigating official or the reviewing official; however the representative of the Government may not participate or advise in the review of the initial decision by the authority head.

§ 16.15 Ex parte contacts.

No party or person (except employees of the ALJ's office) shall communicate in any way with the ALJ on any matter at issue in a case, unless on notice and opportunity for all parties to participate. This provision does not prohibit a person or party from inquiring about the status of a case or asking routine questions concerning administrative functions or procedures.

§ 16.16 Disqualification of reviewing official or ALJ.

(a) A reviewing official or ALJ in a particular case may disqualify himself or herself at any time.

(b) A party may file with the ALJ a motion for disqualification of a reviewing official or an ALJ. Such motion shall be accompanied by an affidavit alleging personal bias or other reason for disqualification.

(c) Such motion and affidavit shall be filed promptly upon the party's discovery of reasons requiring disqualification, or such objections shall be deemed waived.

(d) Such affidavit shall state specific facts that support the party's assertion that personal bias or other reason for disqualification exists and the time and circumstances of the party's discovery of such facts. It shall be accompanied by a certificate of the representative of record that it is made in good faith.

(e) Upon the filing of such a motion and affidavit, the ALJ shall proceed no further in the case until he or she resolves the matter of disqualification in accordance with paragrpah (f) of this section.

(f)(1) If the ALJ determines that a reviewing official is disqualified, the ALJ shall dismiss the complaint without prejudice.

(2) If the ALJ disqualifies himself or herself, the agency shall seek to have the case promptly reassigned to another ALJ.

(3) If the ALJ denies a motion to disqualify, the authority head may determine the matter only as part of his or her review of the initial decision upon appeal, if any.

§ 16.17 Rights of parties.

Except as otherwise limited by this part, all parties may—

(a) Be accompanied, represented, and advised by an attorney;

(b) Participate in any conference held by the ALJ;

(c) Conduct discovery;

(d) Agree to stipulations of fact or law, which shall be made part of the record;

(e) Present evidence relevant to the issues at the hearing;

(f) Present and cross-examine witnesses;

(g) Present oral arguments at the hearing as permitted by the ALJ; and

(h) Submit written beliefs and proposed findings of fact and conclusions of law after the hearing.

§ 16.18 Authority of the ALJ.

(a) The ALJ shall conduct a fair and impartial hearing, avoid delay, maintain order, and assure that a record of the proceeding is made.

(b) The ALJ has the authority to—

(1) Set and change the date, time, and place of the hearing upon reasonable notice to the parties;

(2) Continue or recess the hearing in whole or in part for a reasonable period of time;

(3) Hold conferences to identify or simplify the issues, or to consider other matters that may aid in the expeditious disposition of the proceeding;

(4) Administer oaths and affirmations;

(5) Issue subpoenas requiring the attendance of witnesses and the production of documents at depositions or at hearings;

(6) Rule on motions and other procedural matters;

(7) Regulate the scope and timing of discovery;

(8) Regulate the course of the hearing and the conduct of representatives and parties;

(9) Examine witnesses;

(10) Receive, rule on, exclude, or limit evidence;

(11) Upon motion of a party, take official notice of facts;

(12) Upon motion of a party, decide cases, in whole or in part, by summary judgment where there is no disputed issue of material fact;

(13) Conduct any conference, argument, or hearing on motions in person or by telephone; and

(14) Exercise such other authority as is necessary to carry out the responsibilities of the ALJ under this part.

(c) The ALJ does not have the authority to make any determinations regarding the validity of Federal statutes or regulations, or Departmental orders, Directives, or other published rules.

§ 16.19 Prehearing conferences.

(a) The ALJ may schedule prehearing conferences as appropriate.

(b) Upon the motion of any party, the ALJ shall schedule at least one prehearing conference at a reasonable time in advance of the hearing.

(c) The ALJ may use prehearing conferences to discuss the following:

(1) Simplification of the issues;

(2) The necessity or desirability of amendments to the pleadings, including the need for a more definite statement;

(3) Stipulations, admissions of fact or the content and authenticity of documents;

(4) Whether the parties can agree to submission of the case on a stipulated record;

(5) Whether a party chooses to waive appearance at an oral hearing and to submit only documentary evidence (subject to the objection of other parties) and written argument;

(6) Limitation of the number of witnesses;

(7) Scheduling dates for the exchange of witness lists and of proposed exhibits;

(8) Discovery;

(9) The time and place for the hearing; and

(10) Such other matters as may tend to expedite the fair and just disposition of the proceedings.

(d) The ALJ may issue an order containing all matters agreed upon by the parties or ordered by the ALJ at a prehearing conference.

§ 16.20 Disclosure of documents.

(a) Upon written request to the reviewing official, the defendant may review any relevant and material documents, transcripts, records, and other material that relate to the allegations set out in the complaint and upon which the findings and conclusions of the investigating official under § 16.4(b) are based unless such documents are subject to a privilege under Federal law. The Department shall schedule such review at a time and place convenient to it. Upon payment of fees for duplication, the defendant may obtain copies of such documents.

(b) Upon written request to the reviewing official, the defendant also may obtian a copy of all exculpatory information in the possession of the reviewing official or investigating official relating to the allegations in the complaint, even if it is contained in a document that would otherwise be privileged. If the document would otherwise be privileged, only that portion containing exculpatory information must be disclosed.

(c) The notice sent to the Attorney General from the reviewing official as described in § 16.5 is not discoverable under any circumstances.

(d) The defendant may file a motion to compel disclosure of the documents subject to the provisions of this section. Such a motion may only be filed with the ALJ following the filing of an answer pursuant to § 16.9.

§ 16.21 Discovery.

(a) The following types of discovery are authorized:

(1) Requests for production of documents for inspection and copying;

(2) Requests for admissions of the authenticity of any relevant document or of the truth of any relevant fact;

(3) Written interrogatories; and

(4) Depositions.

(b) For the purposes of this section and §§ 16.22 and 16.23, the term ''documents'' includes information, documents, reports, answers, records, accounts, papers, and other data, either paper or electronic, and other documentary evidence. Nothing contained herein shall be interpreted to require the creation of a document.

(c) Unless mutually agreed to by the parties, discovery is available only as ordered by the ALJ. The ALJ shall regulate the timing of discovery.

(d) *Motions for discovery.* (1) A party seeking discovery may file a motion with the ALJ if it is not made available by another party on an informal basis. Such a motion shall be accompanied by a copy of the requested discovery, or in the case of depositions, a summary of the scope of the proposed deposition, and a description of the efforts which have been made by the party to obtain discovery.

(2) Within ten days of service, a party may file an opposition to the motion and/or a motion for protective order as provided in § 16.24.

(3) The ALJ may grant a motion for discovery only if he or she finds that the discovery sought—

(i) Is necessary for the expeditious, fair, and reasonable consideration of the issues;

(ii) Is not unduly costly or burdensome;

(iii) Will not unduly delay the proceeding; and

(iv) Does not seek privileged information.

(4) The burden of showing that discovery should be allowed is on the party seeking discovery.

(5) The ALJ may grant discovery subject to a protective order under § 16.24.

(e) *Depositions.* (1) If a motion for deposition is granted, the ALJ shall issue a subpoena for the deponent, which may require the deponent to produce documents. The subpoena shall specify the time and place at which the deposition will be held.

(2) The party seeking to depose shall serve the subpoena in the manner prescribed in § 16.8.

(3) The deponent may file with the ALJ a motion to quash the subpoena or a motion for a protective order within ten days of service.

(4) The party seeking to depose shall provide for the taking of a verbatim transcript of the deposition, which it shall make available to all other parties for inspection and copying.

(f) Each party shall bear its own costs of discovery.

§ 16.22 Exchange of witness lists, statements, and exhibits.

(a) At least 15 days before the hearing or at such other time as may be ordered by the ALJ, the parties shall exchange witness lists, copies of prior statements of proposed witnesses, and copies of proposed hearing exhibits, including copies of any written statements that the party intends to offer in lieu of live testimony in accordance with § 16.33(b). At the time the above documents are exchanged, any party that intends to rely on the transcript of deposition testimony in lieu of live testimony at the hearing, if permitted by the ALJ, shall provide each party with a copy of the specific pages of the transcript it intends to introduce into evidence.

(b) If a party objects, the ALJ shall not admit into evidence the testimony of any witness whose name does not appear on the witness list or any exhibit not provided to the opposing party as provided above unless the ALJ finds good cause and that there is no prejudice to the objecting party.

(c) Unless another party objects within the time set by the ALJ, documents exchanged in accordance with paragraph (a) of this section, shall be deemed to be authentic for the purpose of admissibility at the hearing.

§ 16.23 Subpoenas for attendance at hearing.

(a) A party wishing to procure the appearance and testimony of any individual at the hearing may request that the ALJ issue a subpoena.

(b) A subpoena requiring the attendance and testimony of an individual may also require the individual to produce documents at the hearing.

(c) A party seeking a subpoena shall file a written request therefor not less than 15 days before the date fixed for the hearing unless otherwise allowed by the ALJ for good cause shown. Such request shall specify any documents to be produced and shall designate the witnesses and describe the address and location thereof with sufficient particularity to permit such witnesses to be found.

(d) The subpoena shall specify the time and place at which the witness is to appear and any documents the witness is to bring with him or her.

(e) The party seeking the subpoena shall serve it in the manner prescribed in § 16.8. A subpoena on a party or upon an individual under the control of a party may be served by first class mail.

(f) A party or the individual to whom the subpoena is directed may file with the ALJ a motion to quash the subpoena within ten days after service or on or before the time specified in the subpoena for compliance if it is less than ten days after service.

§ 16.24 Protective order.

(a) A party or a prospective witness or deponent may file a motion for a protective order with respect to discovery sought by an opposing party or with respect to the hearing, seeking to limit the availability or disclosure of evidence.

(b) In issuing a protective order, the ALJ may make any order which justice requires to protect a party or person from annoyance, embarrassment, oppression, or undue burden or expense, including one or more of the following:

(1) That the discovery not be had;

(2) That the discovery may be had only on specified terms and conditions, including a designation of the time or place;

(3) That the discovery may be had only through a method of discovery other than that requested;

(4) That certain matters not be inquired into, or that the scope of discovery be limited to certain matters;

(5) That discovery be conducted with no one present except persons designated by the ALJ;

(6) That the contents of discovery or evidence be sealed;

(7) That a deposition after being sealed be opened only by order of the ALJ;

(8) That a trade secret or other confidential research, development, commercial information, or facts pertaining to any criminal investigation, proceeding, or other administrative investigation not be disclosed or be disclosed only in a designated way; or

(9) That the parties simultaneously file specified documents or information enclosed in sealed envelopes to be opened as directed by the ALJ.

§ 16.25 Fees.

The party requesting a subpoena shall pay the cost of the fees and mileage of any witness subpoenaed in the amounts that would be payable to a witness in a proceeding in United States District Court. A check for witness fees and mileage shall accompany the subpoena when served, except that when a subpoena is issued on behalf of the authority, a check for witness fees and mileage need not accompany the subpoena.

§ 16.26 Form, filing and service of papers.

(a) *Form.* (1) Documents filed with the ALJ shall include an original and two copies.

(2) Every pleading and paper filed in the proceeding shall contain a caption setting forth the title of the action, the case number assigned by the ALJ, and a designation of the paper (e.g., motion to quash subpoena).

(3) Every pleading and paper shall be signed by, and shall contain the address and telephone number of the party or the person on whose behalf the paper was filed, or his or her representative.

(4) Papers are considered filed when they are mailed. Date of mailing may be etablished by a certificate from the party or its representative or by proof that the document was sent by certified or registered mail.

(b) *Service*. A party filing a document with the ALJ shall, at the time of filing, serve a copy of such document on every other party. Service upon any party of any document other than the complaint or notice of hearing shall be made by delivering or mailing a copy to the party's last known address. When a party is represented by an attorney, service shall be made upon such representative in lieu of the actual party.

(c) *Proof of service*. A certificate of the individual serving the document by personal delivery or by mail, setting forth the manner of service, shall be proof of service.

§ 16.27 Computation of time.

(a) In computing any period of time under this part or in an order issued thereunder, the time begins with the day following the act, event, or default, and includes the last day of the period, unless it is a Saturday, Sunday, or legal holiday observed by the Federal Government, in which event it includes the next business day.

(b) When the period of time allowed is less than seven days, intermediate Saturdays, Sundays, and legal holidays observed by the Federal Government shall be excluded from the computation. When the period of time allowed is more than seven days, all intervening calendar days are included in the computation.

(c) Where a document has been served or issued by mail, an additional five days will be added to the time permitted for any response.

§ 16.28 Motions.

(a) Any application to the ALJ for an order or ruling shall be by motion. Motions shall state the relief sought, the authority relied upon, and the facts alleged, and shall be filed with the ALJ and served on all other parties.

(b) Except for motions made during a prehearing conference or at the hearing, all motions shall be in writing. The ALJ may require that oral motions be reduced to writing.

(c) Within 15 days after a written motion is served, or such other time as may be fixed by the ALJ, any party may file a response to such motion.

(d) The ALJ may not grant a written motion before the time for filing responses thereto has expired, except upon consent of the parties or following a hearing on the motion, but may overrule or deny such motion without awaiting a response.

(e) The ALJ shall make a reasonable effort to dispose of all outstanding motions prior to the beginning of the hearing.

§ 16.29 Sanctions.

(a) The ALJ may sanction a person, including any party or representative for—

(1) Failing to comply with an order, rule, or procedure governing the proceeding;

(2) Failing to prosecute or defend an action; or

(3) Engaging in other misconduct that interferes with the speedy, orderly, or fair conduct of the hearing.

(b) Any such sanction, including but not limited to those listed in paragraphs (c), (d), and (e) of this section, shall reasonably relate to the nature of the failure or misconduct.

(c) When a party fails to comply with an order, including an order for taking a deposition, the production of evidence within the party's control, or a request for admission, the ALJ may—

(1) Draw an inference in favor of the requesting party with regard to the information sought;

(2) In the case of requests for admission, deem each matter of which an admission is requested to be admitted;

(3) Prohibit the party failing to comply with such order from introducing evidence concerning, or otherwise relying upon testimony relating to the information sought; and

(4) Strike any part of the pleadings or other submissions of the party failing to comply with such request.

(d) If a party fails to prosecute or defend an action under this part commenced by service of a notice of hearing, the ALJ may dismiss the action or may issue an initial decision imposing penalties and assessments.

(e) The ALJ may refuse to consider any motion, request, response, brief or other document which is not filed in a timely fashion.

§ 16.30 The hearing and burden of proof.

(a) The ALJ shall conduct a hearing on the record in order to determine whether the defendant is liable for a civil penalty or assessment under § 16.3 and, if so, the appropriate amount of any such civil penalty or assessment considering any aggravating or mitigating factors.

(b) The authority shall have the burden of proving defendant's liability and any aggravating factors by a preponderance of the evidence.

(c) The defendant shall have the burden of proving any affirmative defenses and any mitigating factors by a preponderance of the evidence.

(d) The hearing shall be open to the public unless otherwise ordered by the ALJ for good cause shown.

§ 16.31 Determining the amount of penalties and assessments.

(a) In determining an appropriate amount of civil penalties and assessements, the ALJ and upon appeal, the authority head, should evaluate any circumstances that mitigate or aggravate the violation and should articulate in their opinions the reasons that support the penalties and assessments they impose. Because of the intangible costs of fraud, the expense of investigating such conduct, and the need to deter others who might be similarly tempted, double damages and a significant civil penalty ordinarily should be imposed.

(b) Although not exhaustive, the following factors are among those that may influence the ALJ and the authority head in determining the amount of penalties and assessments to impose with respect to the misconduct (*i.e.*, the false, fictitious, or fraudulent claims or statements) charged in the complaint:

(1) The number of false, fictitious, or fraudulent claims or statements;

(2) The time period over which such claims or statements were made;

(3) The degree of the defendant's culpability with respect to the misconduct;

(4) The amount of money or the value of the property, services, or benefit falsely claimed;

(5) The value of the Government's actual loss as a result of the misconduct, including foreseeable consequential damages and the costs of investigation;

(6) The relationship of the amount imposed as civil penalties to the amount of the Government's loss;

(7) The potential or actual impact of the misconduct upon national defense, public health or safety, or public confidence in the management of Government programs and operations;

(8) Whether the defendant has engaged in a pattern of the same or similar misconduct;

(9) Whether the defendant attempted to conceal the misconduct;

(10) The degree to which the defendant has involved others in the misconduct or in concealing it;

(11) Where the misconduct of employees or agents is imputed to the defendant, the extent to which the defendant's practices fostered or attempted to preclude such misconduct;

(12) Whether the defendant cooperated in or obstructed an investigation of the misconduct;

(13) Whether the defendant assisted in identifying and prosecuting other wrongdoers;

(14) The complexity of the program or transaction, and the degree of the defendant's sophistication with respect to it, including the extent of the defendant's prior participation in the program or in similar transactions;

(15) Whether the defendant has been found, in any criminal, civil, or administrative proceeding to have engaged in similar misconduct or to have dealt dishonestly with the Government of the United States or of a State, directly or indirectly; and

(16) The need to deter the defendant and others from engaging in the same or similar misconduct.

(c) Nothing in this section shall be construed to limit the ALJ or the authority head from considering any other factors that in any given case may mitigate or aggravate the offense for which penalties and assessments are imposed.

§ 16.32 Location of hearing.

(a) The hearing may be held—

(1) In any judicial district of the United States in which the defendant resides or transacts business;

(2) In any judicial district of the United States in which the claim or statement in issue was made; or

(3) In such other place as may be agreed upon by the defendant and the ALJ.

(b) Each party shall have the opportunity to present argument with respect to the location of the hearing.

(c) The hearing shall be held at the place and at the time ordered by the ALJ.

§ 16.33 Witnesses.

(a) Except as provided in paragraph (b) of this section, testimony at the hearing shall be given orally by witnesses under oath or affirmation.

(b) At the discretion of the ALJ, testimony may be admitted in the form of a written statement or deposition. Any such written statement must be provided to all other parties along with the last known address of such witness, in a manner which allows sufficient time for other parties to subpoena such witness for cross-examination at the hearing. Prior written statements of witnesses proposed to testify at the hearing and deposition transcripts shall be exchanged as provided in § 16.22(a).

(c) The ALJ shall exercise reasonable control over the mode and order of interrogating witnesses and presenting evidence so as to—

(1) Make the interrogation and presentation effective for the ascertainment of the truth,

(2) Avoid needless consumption of time, and

(3) Protect witnesses from harassment or undue embarrassment.

(d) The ALJ shall permit the parties to conduct such cross examination as may be required for a full and true disclosure of the facts.

(e) At the discretion of the ALJ, a witness may be cross-examined on matters relevant to the proceeding without regard to the scope of his or her direct examination. To the extent permited by the ALJ, cross-examination on matters outside the scope of direct examination shall be conducted in the manner of direct examination and may proceed by leading questions only if the witness is a hostile witness, an adverse party, or a witness identified with an adverse party.

(f) Upon motion of any party, the ALJ shall order witnesses excluded so that they cannot hear the testimony of other witnesses. This rule does not authorize exclusion of—

(1) A party who is an individual;

(2) In the case of a party that is not an individual, an officer or employee of the party designated by the party's representative; or

(3) An individual whose presence is shown by a party to be essential to the presentation of its case, including an individual employed by the Government engaged in assisting the representative for the Government.

§ 16.34 Evidence.

(a) The ALJ shall determine the admissibility of evidence.

(b) Except as provided herein, the ALJ shall not be bound by the Federal Rules of Evidence. However, the ALJ may apply the Federal Rules of Evidence where appropriate, e.g., to exclude unreliable evidence.

(c) The ALJ shall exclude irrelevant, immaterial, or incompetent evidence.

(d) Although relevant, evidence may be excluded if its probative value is substantially outweighed by the danger of unfair prejudice, confusion of the issues, or by considerations of undue delay or needless presentation of cumulative evidence.

(e) Although relevant, evidence may be excluded if it is privileged under Federal law.

(f) Evidence concerning offers of compromise or settlement shall be inadmissible to the extent provided in Rule 408 of the Federal Rules of Evidence.

(g) The ALJ shall permit the parties to introduce rebuttal witnesses and evidence.

(h) All documents and other evidence offered or taken for the record shall be open to examination by all parties, unless otherwise ordered by the ALJ pursuant to § 16.24.

§ 16.35 The record.

(a) The hearing will be recorded and transcribed. Transcripts may be obtained following the hearing from the

ALJ at a cost not to exceed the actual cost of duplication.

(b) The transcript of testimony, exhibits and other evidence admitted at the hearing, and all papers and requests filed in the proceeding constitute the record for the decision by the ALJ and the authority head.

(c) The record may be inspected and copied (upon payment of a reasonable fee) by anyone, unless otherwise ordered by the ALJ pursuant to § 16.24.

§ 16.36 Post-hearing briefs.

The ALJ may require the parties to file post-hearing briefs. The ALJ shall fix the time for filing such briefs, not to exceed 60 days from the date the parties receive the transcript of the hearing or, if applicable, the stipulated record. Such briefs may be accompanied by proposed findings of fact and conclusions of law. The ALJ may permit the parties to file reply briefs.

§ 16.37 Initial decision.

(a) The ALJ shall issue an initial decision, based solely on the record, which shall contain findings of fact, conclusion of law, and the amount of any penalties and assessments imposed.

(b) The findings of fact shall include a finding on each of the following issues:

(1) Whether the claims or statements identified in the complaint, or any portions thereof, violate § 16.3;

(2) If the person is liable for penalties of assessments, the appropriate amount of any such penalties or assessments considering any mitigating or aggravating factors that he or she finds in the case, such as those described in § 16.31.

(c) The ALJ shall promptly serve the initial decision on all parties within 90 days after the time for submission of post-hearing briefs and reply briefs (if permitted) has expired. The ALJ shall at the same time serve all defendants with a statement describing the right of any defendant determined to be liable for a civil penalty or assessment to file a motion for reconsideration with the ALJ or a notice of appeal with the authority head. If the ALJ fails to meet the deadline contained in this paragraph, he or she shall notify the parties of the reason for the delay and shall set a new deadline.

(d) Unless the initial decision of the ALJ is timely appealed to the authority head, or a motion for reconsideration of the initial decision is timely filed, the initial decision shall constitute the final decision of the authority head and shall be final and binding on the parties 30 days after it is issued by the ALJ.

§ 16.38 Reconsideration of initial decision.

(a) Except as provided in paragraph (d) of this section, any party may file a motion for reconsideration of the initial decision within 20 days of receipt of the initial decision. If service was made by mail, receipt will be presumed to be five days from the date of mailing in the absence of contrary proof.

(b) Every such motion must set forth the matters claimed to have been erroneously decided and the nature of the alleged errors. Such motion shall be accompanied by a supporting brief.

(c) Responses to such motions shall be allowed only upon request of the ALJ.

(d) No party may file a motion for reconsideration of an initial decision that has been revised in response to a previous motion for reconsideration.

(e) The ALJ may dispose of a motion for reconsideration by denying it or by issuing a revised initial decision.

(f) When a motion for reconsideration is made, the time periods for appeal to the authority head contained in § 16.38, and for finality of the initial decision in § 16.36(d), shall begin on the date the ALJ issues the denial of the motion for reconsideration or a revised initial decision, as appropriate.

§ 16.39 Appeal to authority head.

(a) Any defendant who has filed a timely answer and who is determined in an initial decision to be liable for a civil penalty or assessment may appeal such decision to the authority head by filing a notice of appeal with the authority head in accordance with this section.

(b)(1) No notice of appeal may be filed until the time period for filing a motion for reconsideration under § 16.38 has expired.

(2) If a motion for reconsideration is timely filed, a notice of appeal must be filed within 30 days after the ALJ denies the motion or issues a revised initial decision, whichever applies.

(3) If no motion for reconsideration is timely filed, a notice of appeal must be filed within 30 days after the ALJ issues the initial decision.

(4) The authority head may extend the initial 30 days period for an additional 30 days if the defendant files with the authority head a request for extension within the initial 30 days period and shows good cause.

(c) If the defendant files a timely notice of appeal with the authority head, the ALJ shall forward the notice of appeal and record of the proceeding to the authority head.

(d) A notice of appeal shall be accompanied by a written brief specifying exceptions to the initial decision and reasons supporting the exceptions.

(e) The representative for the agency may file a brief in opposition to exceptions within 30 days of receiving the notice of appeal and accompanying brief.

(f) There is no right to appear personally before the authority head.

(g) There is right to appeal any interlocutory ruling by the ALJ.

(h) In reviewing the initial decision, the authority head shall not consider any objection that was not raised before the ALJ unless a demonstration is made of extraordinary circumstances causing the failure to raise the objection.

(i) If any party demonstrates to the satisfaction of the authority head, prior to the issuance of the authority head's decision that additional evidence not presented at such hearing is material and that there were reasonable grounds for the failure to present such evidence at the hearing, the authority head shall remand the matter to the ALJ for consideration of such additional evidence.

(j) The authority head may affirm, reduce, reverse, compromise, remand, or settle any penalty or assessment, determined by the ALJ in any initial decision.

(k) The authority head shall promptly serve each party to the appeal to the ALJ with a copy of the decision of the authority head. At the same time the authority head shall serve the defendant with a statement describing the defendant's right to seek judicial review.

(l) Unless a petition for judicial review is filed as provided in 31 U.S.C. 3805 after a defendant has exhausted all administrative remedies under this part and within 60 days after the date on which the authority head serves the defendant with a copy of the authority head's decision, a determination that a defendant is liable under § 16.3 is final and is not subject to judicial review.

§ 16.40 Stays ordered by the Department of Justice.

If at any time the Attorney General or an Assistant Attorney General designated by the Attorney General transmits to the authority head a written finding that continuation of the administrative process described in this part with respect to a claim or statement may adversely affect any pending or potential criminal or civil action related to such claim or statement, the authority head shall stay the process immediately. In such a case, the authority head may order the process resumed only upon receipt of the written authorization of the Attorney General.

§ 16.41 Stay pending appeal.

(a) An initial decision is stayed automatically pending disposition of a motion for reconsideration or of an appeal to the authority head.

(b) No administrative stay is available following a final decision of the authority head.

§ 16.42 Judicial review.

Section 3805 of title 31, United States Code, authorizes judicial review by an appropriate United States District Court of a final decision of the authority head imposing penalties or assessments under this part and specifies the procedures for such review.

§ 16.43 Collection of civil penalties and assessments.

Sections 3806 and 3808(b) of title 31, United States Code, authorize actions for collection of civil penalties and assessments imposed under this part and specify the procedures for such actions.

§ 16.44 Right to administrative offset.

The amount of any penalty or assessment which has become final, or for which a judgment has been entered under § 16.42 or § 16.43, or any amount agreed upon in a compromise or settlement under § 16.46, may be collected by administrative offset under 31 U.S.C. 3716, except that an administrative offset may not be made under this subsection against a refund of an overpayment of Federal taxes, then or later owing by the United States to the defendant.

§ 16.45 Deposit in Treasury of United States.

All amounts collected pursuant to this part shall be deposited as miscellaneous receipts in the Treasury of the United States, except as provided in 31 U.S.C. 3806(g).

§ 16.46 Compromise or settlement.

(a) Parties may make offers of compromise or settlement at any time.

(b) The reviewing official has the exclusive authority to compromise or settle a case under this part at any time after the date on which the reviewing official is permitted to issue a complaint and before the date on which the ALJ issues an initial decision.

(c) The authority head has exclusive authority to compromise or settle a case under this part at any time after the date on which the ALJ issues an initial decision, except during the pendency of any review under § 16.42 or during the pendency of any action to collect penalties and assessments under § 16.43.

(d) The Attorney General has exclusive authority to compromise or settle a case under this part during the pendency of any review under § 16.42 or of any action to recover penalties and assessments under 31 U.S.C. 3806.

(e) The investigating official may recommend settlement terms to the reviewing official, the authority head, or the Attorney General, as appropriate. The reviewing official may recommend settlement terms to the authority head, or the Attorney General, as appropriate.

(f) Any compromise or settlement must be in writing and signed by all parties and their representatives.

§ 16.47 Limitations.

(a) The notice of hearing with respect to a claim or statement must be served in the manner specified in § 16.8 within 6 years after the date on which such claim or statement is made.

(b) If the defendant fails to file a timely answer, service of a notice under § 16.10(b) shall be deemed a notice of hearing for purposes of this section.

(c) The time limits of this statute of limitations may be extended by agreement of the parties.

PART 17—ENFORCEMENT OF NONDISCRIMINATION ON THE BASIS OF HANDICAP IN PROGRAMS OR ACTIVITIES CONDUCTED BY THE DEPARTMENT OF THE TREASURY

Sec.

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AUTHORITY: 29 U.S.C. 794.

SOURCE: 56 FR 40788, Aug. 16, 1991, unless otherwise noted.

§ 17.101 Purpose.

The purpose of this part is to effectuate section 119 of the Rehabilitation, Comprehensive Services, and Developmental Disabilities Amendments of 1978, which amended section 504 of the Rehabilitation Act of 1973 (''section 504'') to prohibit discrimination on the basis of handicap in programs or activities conducted by Executive agencies or the United States Postal Service.

§ 17.102 Application.

This part applies to all programs or activities conducted by the agency, except for programs or activities conducted outside the United States that do not involve individuals with handicaps in the United States.

§ 17.103 Definitions.

For purposes of this part, the term—

(a) *Agency* means the Department of the Treasury.

(b) *Assistant Attorney General* means the Assistant Attorney General, Civil Rights Division, United States Department of Justice.

(c) *Auxiliary aids* means services or devices that enable persons with impaired sensory, manual, or speaking skills to have an equal opportunity to participate in, and enjoy the benefits of, programs or activities conducted by the agency. For example, auxiliary aids useful for persons with impaired vision include readers, Brailled materials, audio recordings and other similar services and devices. Auxiliary aids useful for persons with impaired hearing include telephone handset amplifiers, telephones compatible with hearing aids, telecommunications devices for deaf persons (TDD's), interpreters, notetakers, written materials and other similar services and devices.

(d) *Complete complaint* means a written statement that contains the complainant's name and address, and describes the agency's alleged discriminatory action in sufficient detail to inform the agency of the nature and date of the alleged violation of section 504. It shall be signed by the complainant or by someone authorized to do so on his or her behalf. Complaints filed on behalf of classes of individuals with handicaps shall also identify (where possible) the alleged victims of discrimination.

(e) *Facility* means all or any portion of a building, structure, equipment, road, walk, parking lot, rolling stock, or other conveyance, or other real or personal property.

(f) *Individual with handicaps* means any person who has a physical or mental impairment that substantially limits one or more of the individual's major life activities, has a record of such an impairment, or is regarded as having such an impairment. As used in this definition, the phrase: (1) *Physical or mental impairment* includes: (i) Any physiological disorder or condition, cosmetic disfigurement, or anatomical loss affecting one or more of the following body systems: Neurological; musculoskeletal; special sense organs; respiratory, including speech organs, cardiovascular; reproductive, digestive; genitourinary; hemic and lymphatic; skin; and endocrine; or (ii) any mental or psychological disorder such as mental retardation, organic brain syndrome, emotional or mental illness, and specific learning disabilities. The term *physical or mental impairment* includes, but is not limited to, such diseases and conditions as orthopedic, visual, speech and hearing impairments, cerebral palsy, epilepsy, muscular dystrophy, multiple sclerosis, cancer, heart disease, diabetes, mental retardation, emotional illness, drug addiction and alcoholism.

(2) *Major life activities* includes functions such as caring for one's self, performing manual tasks, walking, seeing, hearing, speaking, breathing, learning, and working.

(3) *Has a record of such an impairment* means has a history of, or has been misclassified as having, a mental or physical impairment that substantially limits one or more of the individual's major life activities.

(4) *Is regarded as having an impairment* means—

(i) Has a physical or mental impairment that does not substantially limit major life activities but is treated by the agency as constituting such a limitation;

(ii) Has a physical or mental impairment that substantially limits major life activities only as a result of the attitudes of others toward such impairment; or

(iii) Has none of the impairments defined in subparagraph (1) of this definition but is treated by the agency as having such an impairment.

(g) *Qualified individual with handicaps* means—(1) With respect to an agency program or activity under which a person is required to perform services or to achieve a level of accomplishment, an individual with handicaps who

meets the essential eligibility requirements and who can achieve the purpose of the program or activity without modifications in the program or activity that the agency can demonstrate would result in a fundamental alteration in the nature of the program; and

(2) With respect to any other program or activity, an individual with handicaps who meets the essential eligibility requirements for participation in, or receipt of benefits from, that program or activity; and

(3) For purposes of employment, ''qualified handicapped person'' is defined in 29 CFR 1613.702(f), which is made applicable to this part by § 17.140.

(h) *Section 504* means section 504 of the Rehabilitation Act of 1973 (Pub. L. 93–112, 87 Stat. 394 (29 U.S.C. 794)), as amended. As used in this part, section 504 applies only to programs or activities conducted by Executive agencies and not to federally assisted programs.

§§ 17.104–17.109 [Reserved]

§ 17.110 Self-evaluation.

(a) The agency shall, by two years after the effective date of this part, evaluate its current policies and practices, and the effects thereof, to determine if they meet the requirements of this part. To the extent modification of any such policy and practice is required, the agency shall proceed to make the necessary modifications.

(b) The agency shall provide an opportunity to interested persons, including individuals with handicaps or organizations representing individuals with handicaps, to participate in the self-evaluation process.

(c) The agency shall, until three years following the completion of the self-evaluation, maintain on file and make available for public inspection:

(1) A description of areas examined and any problems identified; and

(2) A description of any modifications made; and

(3) A list of participants in the self-evaluation process.

§ 17.111 Notice.

The agency shall make available to all Treasury employees, and to all interested persons, as appropriate, information regarding the provisions of this part and its applicability to the programs or activities conducted by the agency, and make such information available to them in such a manner as is necessary to apprise them of the protections against discrimination assured them by section 504 and this part.

§§ 17.112–17.129 [Reserved]

§ 17.130 General prohibitions against discrimination.

(a) No qualified individual with handicaps in the United States, shall, by reason of his or her handicap, be excluded from the participation in, be denied the benefits of, or otherwise be subjected to discrimination under any program or activity conducted by the agency.

(b)(1) The agency, in providing any aid, benefit, or service, may not directly or through contractual, licensing, or other arrangements, on the basis of handicap—

(i) Deny a qualified individual with handicaps the opportunity to participate in or benefit from the aid, benefit, or service;

(ii) Afford a qualified individual with handicaps an opportunity to participate in or benefit from the aid, benefit, or service that is not equal to that afforded others;

(iii) Provide a qualified individual with handicaps with an aid, benefit, or service that is not as effective in affording equal opportunity to obtain the same result, to gain the same benefit, or to reach the same level of achievement as that provided to others;

(iv) Provide different or separate aid, benefits or services to individuals with handicaps or to any class of individuals with handicaps than is provided to others unless such action is necessary to provide qualified individuals with handicaps with aid, benefits or services that are as effective as those provided to others;

(v) Deny a qualified individual with handicaps the opportunity to participate as a member of planning or advisory boards; or

(vi) Otherwise limit a qualified individual with handicaps in the enjoyment of any right, privilege, advantage, or opportunity enjoyed by others receiving the aid, benefit, or service.

(2) For purposes of this part, aids, benefits, and services, to be equally effective, are not required to produce the identical result or level of achievement for individuals with handicaps and for nonhandicapped persons, but must afford individuals with handicaps equal opportunity to obtain the same result, to gain the same benefit, or to reach the same level of achievement in the most integrated setting appropriate to the individual's needs.

(3) Even if the agency is permitted, under paragraph (b)(1)(iv) of this section, to operate a separate or different program for individuals with handicaps or for any class of individuals with handicaps, the agency must permit any qualified individual with handicaps who wishes to participate in the program that is not separate or different to do so.

(4) The agency may not, directly or through contractual or other arrangements, utilize criteria or methods of administration the purpose or effect of which would—

(i) Subject qualified individuals with handicaps to discrimination on the basis of handicap; or

(ii) Defeat or substantially impair accomplishment of the objectives of a program or activity with respect to individuals with handicaps.

(5) The agency may not, in determining the site or location of a facility, make selections the purpose or effect of which would—

(i) Exclude individuals with handicaps from, deny them the benefits of, or otherwise subject them to discrimination under any program or activity conducted by the agency; or

(ii) Defeat or substantially impair the accomplishment of the objectives of a program or activity with respect to individuals with handicaps.

(6) The agency, in the selection of procurement contractors, may not use criteria that subject qualified individuals with handicaps to discrimination on the basis of handicap.

(7) The agency may not administer a licensing or certification program in a manner that subjects qualified individuals with handicaps to discrimination on the basis of handicap, nor may the agency establish requirements for the programs or activities of licensees or certified entities that subject qualified individuals with handicaps to discrimination on the basis of handicap. However, the programs or activities of entities that are licensed or certified by the agency are not, themselves, covered by this part.

(c) The exclusion of nonhandicapped persons from the benefits of a program limited by Federal statute or Executive order to individuals with handicaps or the exclusion of a specific class of individuals with handicaps from a program limited by Federal statute or Executive order to a different class of individuals with handicaps is not prohibited by this part.

(d) The agency shall administer programs and activities in the most integrated setting appropriate to the needs of qualified individuals with handicaps.

§§ 17.131–17.139 [Reserved]

§ 17.140 Employment.

No qualified individual with handicaps shall, on the basis of handicap, be subjected to discrimination in employment under any program or activity conducted by the Department. The definitions, requirements and procedures of section 501 of the Rehabilitation Act of 1973 (29 U.S.C. 791), as established by the Equal Employment Opportunity Commission in 29 CFR part 1613, shall apply to employment of federally conducted programs or activities.

§§ 17.141–17.148 [Reserved]

§ 17.149 Program accessibility: Discrimination prohibited.

Except as otherwise provided in § 17.150, no qualified individual with handicaps shall, because the agency's facilities are inaccessible to or unusable by individuals with handicaps, be denied the benefits of, be excluded from participation in, or otherwise be subjected to discrimination under any program or activity conducted by the agency.

§ 17.150 Program accessibility; Existing facilities.

(a) *General.* The agency shall operate each program or activity so that the program or activity, when viewed in its entirety, is readily accessible to and

usable by individuals with handicaps. This paragraph does not require the agency—

(1) To make structural alterations in each of its existing facilities in order to make them accessible to and usable by individuals with handicaps where other methods are effective in achieving compliance with this section; or

(2) To take any action that it can demonstrate would result in a fundamental alteration in the nature of a program or activity or in undue financial and administrative burdens. In those circumstances where agency personnel believe that the proposed action would fundamentally alter the program or activity or would result in undue financial and administrative burdens, the agency has the burden of proving that compliance with the §17.150(a) would result in such alteration or burdens. The decision that compliance would result in such alteration or burdens must be made by the agency head or his or her designee after considering all agency resources available for use in the funding and operation of the conducted program or activity and must be accompanied by a written statement of the reasons for reaching that conclusion. If an action would result in such an alteration or such burdens, the agency shall take any other action that would not result in such an alteration or such burdens but would nevertheless ensure that individuals with handicaps receive the benefits and services of the program or activity.

(b) *Methods.* The agency may comply with the requirements of this section through such means as redesign of equipment, reassignment of services to accessible buildings, assignment of aides to beneficiaries, home visits, delivery of services at alternate accessible sites, alteration of existing facilities and construction of new facilities, use of accessible rolling stock, or any other methods that result in making its programs or activities readily accessible to and usable by individuals with handicaps. The agency, in making alterations to existing buildings, shall meet accessibility requirements to the extent compelled by the Architectural Barriers Act of 1968, as amended (42 U.S.C. 4151–4157), and any regulations implementing it. In choosing among available methods for meeting the requirements of this section, the agency shall give priority to those methods that offer programs and activities to qualified individuals with handicaps in the most integrated setting appropriate.

(c) *Time period for compliance.* The agency shall comply with the obligations established under this section within sixty (60) days of the effective date of this part except that where structural changes in facilities are undertaken, such changes in facilities are undertaken, such changes shall be made within three years of the effective date of this part, but in any event as expeditiously as possible.

(d) *Transition plan.* In the event that structural changes to facilities will be undertaken to achieve program accessibility, the agency shall develop within six months of the effective date of this part, a transition plan setting forth the steps necessary to complete such changes. The agency shall provide an opportunity to interested persons, including individuals with handicaps or organizations representing individuals with handicaps, to participate in the development of the transition plan by submitting comments (both telephonic and written). A copy of the transition plan shall be made available for public inspection. The plan shall at a minimum—

(1) Identify physical obstacles in the agency's facilities that limit the physical accessibility of its programs or activities to individuals with handicaps;

(2) Describe in detail the methods that will be used to make the facilities accessible;

(3) Specify the schedule for taking the steps necessary to achieve compliance with this section and, if the time period of the transition plan is longer than one year, identify steps that will be taken during each year of the transition period; and

(4) Indicate the official responsible for implementation of the plan.

§ 17.151 Program accessibility: New construction and alterations.

Each building or part of a building that is constructed or altered by, on behalf of, or for the use of the agency

shall be designed, constructed, or altered so as to be readily accessible to and usable by individuals with handicaps. The definitions, requirements, and standards of the Architectural Barriers Act (42 U.S.C. 4151–4157), as established in 41 CFR 101–19.600 through 101–19.607 apply to buildings covered by this section.

§§ 17.152–17.159 [Reserved]

§ 17.160 Communications.

(a) The agency shall take appropriate steps to effectively communicate with applicants, participants, personnel of other Federal entities, and members of the public.

(1) The agency shall furnish appropriate auxiliary aids where necessary to afford an individual with handicaps an equal opportunity to participate in, and enjoy the benefits of, a program or activity conducted by the agency.

(i) In determining what type of auxiliary aid is necessary, the agency shall give primary consideration to the requests of the individual with handicaps.

(ii) The agency need not provide individually prescribed devices, readers for personal use or study, or other devices of a personal nature to applicants or participants in programs.

(2) Where the agency communicates with applicants and beneficiaries by telephone, the agency shall use telecommunication devices for deaf persons (TDD's) or equally effective telecommunication systems to communicate with persons with impaired hearing.

(b) The agency shall make available to interested persons, including persons with impaired vision or hearing, information as to the existence and location of accessible services, activities, and facilities.

(c) The agency shall post notices at a primary entrance to each of its inaccessible facilities, directing users to an accessible facility, or to a location at which they can obtain information about accessible facilities. The international symbol for accessibility shall be used at each primary entrance of an accessible facility.

(d) This section does not require the agency to take any action that it can demonstrate would result in a fundamental alteration in the nature of a program or activity or in undue financial and administrative burdens.

In those circumstances where agency personnel believe that the proposed action would fundamentally alter the program or activity or would result in undue financial and administrative burdens, the agency has the burden of proving that compliance with § 17.160 would result in such alteration or burdens. The decision that compliance would result in such alteration or burdens must be made by the agency head or his or her designee after considering all resources available for use in the funding and operation of the conducted program or activity and must be accompanied by a written statement of the reasons for reaching that conclusion. If an action required to comply with this section would result in such an alteration or such burdens, the agency shall take any other action that would not result in such an alteration or such burdens but would nevertheless ensure that, to the maxium extent possible, individuals with handicaps receive the benefits and services of the program or activity.

§§ 17.161–17.169 [Reserved]

§ 17.170 Compliance procedures.

(a) Except as provided in paragraph (b) of this section, this section applies to all allegations of discrimination on the basis of handicap in programs and activities conducted by the agency.

(b) The agency shall process complaints alleging violations of section 504 with respect to employment according to the procedures established by the Equal Employment Opportunity Commission in 29 CFR part 1613 pursuant to section 501 of the Rehabilitation Act of 1973 (29 U.S.C. 791).

(c) All other complaints alleging violations of section 504 may be sent to the Director, Office of Equal Opportunity Program, Department of the Treasury, 1500 Pennsylvania Avenue, NW., Washington, DC 20220. The Deputy Assistant Secretary for Departmental Finance and Management shall be responsible for coordinating implementation of this section.

(d)(1) Any person who believes that he or she has been subjected to discrimination prohibited by this part may by him or herself or by his or her authorized representative file a complaint. Any person who believes that any specific class of persons has been subjected to discrimination prohibited by this part and who is a member of that class or the authorized representative of a member of that class may file a complaint.

(2) The agency shall accept and investigate all complete complaints over which it has jurisdiction.

(3) All complete complaints must be filed within 180 days of the alleged act of discrimination. The agency may extend this time period for good cause.

(e) If the agency receive a complaint over which it does not have jurisdiction, it shall promptly notify the complainant and shall make reasonable efforts to refer the complaint to the appropriate government entity.

(f) The agency shall notify the Architectural and Transportation Barriers Compliance Board upon receipt of any complaint alleging that a building or facility that is subject to the Architectural Barriers Act of 1968, as amended (42 U.S.C. 4151–4157), is not readily accessible to and usable by individuals with handicaps.

(g)(1) Within 180 days of the receipt of a complete complaint over which it has jurisdiction, the agency shall notify the complainant of the results of the investigation in a letter containing—

(i) Findings of fact and conclusions of law;

(ii) A description of a remedy for each violation found; and

(iii) A notice of the right to appeal.

(2) Agency employees are required to cooperate in the investigation and attempted resolution of complaints. Employees who are required to participate in any investigation under this section shall do so as part of their official duties and during the course of regular duty hours.

(3) If a complaint is resolved informally, the terms of the agreement shall be reduced to writing and made part of the complaint file, with a copy of the agreement provided to the complainant. The written agreement shall describe the subject matter of the complaint and any corrective action to which the parties have agreed.

(h) Appeals of the findings of fact and conclusions of law or remedies must be filed by the complainant within 60 days of receipt from the agency of the letter required by §17.170(g). The agency may extend this time for good cause.

(i) Timely appeals shall be accepted and processed by the Director, Human Resources Directorate, or his or her designee, who will issue the final agency decision which may include appropriate corrective action to be taken by the agency.

(j) The agency shall notify the complainant of the results of the appeal within 30 days of the receipt of the appeal. If the agency determines that it needs additional information from the complainant, it shall have 30 days from the date it received the additional information to make its determination on the appeal.

(k) The time limits cited in paragraphs (g) and (j) of this section may be extended for an individual case when the Assistant Secretary for Departmental Finance and Management determines that there is good cause, based on the particular circumstances of that case, for the extension.

(l) The agency may delegate its authority for conducting complaint investigations to other Federal agencies or may contract with a nongovernment investigator to perform the investigation, but the authority for making the final determination may not be delegated to another agency.

§§ 17.171–17.999 [Reserved]

PART 18—OFFICIALS DESIGNATED TO PERFORM THE FUNCTIONS AND DUTIES OF CERTAIN OFFICES IN CASE OF ABSENCE, DISABILITY, OR VACANCY

Sec.
18.1 Designation of First Assistants.
18.2 Exceptions.

AUTHORITY: 5 U.S.C. 301; 31 U.S.C. 321.

SOURCE: 64 FR 62112, Nov. 16, 1999, unless otherwise noted.

§ 18.1 Designation of First Assistants.

Except as provided in § 18.2, every office within the Department of the Treasury (including its bureaus) to which appointment is required to be made by the President with the advice and consent of the Senate (''PAS Office'') may have a First Assistant within the meaning of 5 U.S.C. 3345–3349d.

(a) Where there is a position of principal deputy to the PAS Office, the principal deputy shall be the First Assistant.

(b) Where there is only one deputy position to the PAS Office, the official in that position shall be the First Assistant.

(c) Where neither paragraph (a) nor (b) of this section is applicable to the PAS Office, the Secretary of the Treasury may designate in writing the First Assistant.

§ 18.2 Exceptions.

(a) Section 18.1 shall not apply:

(1) When a statute which meets the requirements of 5 U.S.C. 3347(a) prescribes another means for authorizing an officer or employee to perform the functions and duties of a PAS Office in the Department temporarily in an acting capacity; and

(2) To the office of a member of the Internal Revenue Service Oversight Board.

(b) The Inspector General of the Department of the Treasury shall determine any arrangements for the temporary performance of the functions and duties of the Inspector General of the Department of the Treasury when that office is vacant.

(c) The Treasury Inspector General for Tax Administration shall determine any arrangements for the temporary performance of the functions and duties of the Treasury Inspector General for Tax Administration when that office is vacant.

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APPENDIX TO PART 19—COVERED TRANSACTIONS

AUTHORITY: Sec. 2455, Pub. L. 103–355, 108 Stat. 3327 (31 U.S.C. 6101 note); E.O. 11738 (3 CFR, 1973 Comp., p. 799); E.O. 12549 (3 CFR, 1986 Comp., p. 189); E.O. 12689 (3 CFR, 1989 Comp., p. 235).

SOURCE: 68 FR 66544, 66605, 66607, Nov. 26, 2003, unless otherwise noted.

§ 19.25 How is this part organized?

(a) This part is subdivided into ten subparts. Each subpart contains information related to a broad topic or specific audience with special responsibilities, as shown in the following table:

In subpart . . .	You will find provisions related to . . .
A	general information about this rule.
B	the types of Department of the Treasury transactions that are covered by the Governmentwide nonprocurement suspension and debarment system.
C	the responsibilities of persons who participate in covered transactions.
D	the responsibilities of Department of the Treasury officials who are authorized to enter into covered transactions.
E	the responsibilities of Federal agencies for the *Excluded Parties List System* (Disseminated by the General Services Administration).
F	the general principles governing suspension, debarment, voluntary exclusion and settlement.
G	suspension actions.
H	debarment actions.
I	definitions of terms used in this part.
J	[Reserved]

(b) The following table shows which subparts may be of special interest to you, depending on who you are:

If you are . . .	See subpart(s) . . .
(1) a participant or principal in a nonprocurement transaction.	A, B, C, and I.
(2) a respondent in a suspension action	A, B, F, G and I.
(3) a respondent in a debarment action	A, B, F, H and I.
(4) a suspending official	A, B, D, E, F, G and I.
(5) a debarring official	A, B, D, E, F, H and I.
(6) a (n) Department of the Treasury official authorized to enter into a covered transaction.	A, B, D, E and I.
(7) Reserved	J.

§ 19.50 How is this part written?

(a) This part uses a ''plain language'' format to make it easier for the general public and business community to use. The section headings and text, often in the form of questions and answers, must be read together.

(b) Pronouns used within this part, such as ''I'' and ''you,'' change from subpart to subpart depending on the audience being addressed. The pronoun ''we'' always is the Department of the Treasury.

(c) The ''Covered Transactions'' diagram in the appendix to this part shows the levels or ''tiers'' at which the Department of the Treasury enforces an exclusion under this part.

§ 19.75 Do terms in this part have special meanings?

This part uses terms throughout the text that have special meaning. Those terms are defined in subpart I of this part. For example, three important terms are—

(a) *Exclusion or excluded,* which refers only to discretionary actions taken by a suspending or debarring official under this part or the Federal Acquisition Regulation (48 CFR part 9, subpart 9.4);

(b) *Disqualification or disqualified,* which refers to prohibitions under specific statutes, executive orders (other than Executive Order 12549 and Executive Order 12689), or other authorities. Disqualifications frequently are not subject to the discretion of an agency official, may have a different scope than exclusions, or have special conditions that apply to the disqualification; and

(c) *Ineligibility or ineligible,* which generally refers to a person who is either excluded or disqualified.

Subpart A—General

§ 19.100 What does this part do?

This part adopts a governmentwide system of debarment and suspension for Department of the Treasury nonprocurement activities. It also provides for reciprocal exclusion of persons who have been excluded under the Federal Acquisition Regulation, and provides for the consolidated listing of all persons who are excluded, or disqualified by statute, executive order, or other legal authority. This part satisfies the requirements in section 3 of Executive Order 12549, ''Debarment and Suspension'' (3 CFR 1986 Comp., p. 189), Executive Order 12689, ''Debarment and Suspension'' (3 CFR 1989 Comp., p. 235) and 31 U.S.C. 6101 note (Section 2455, Public Law 103–355, 108 Stat. 3327).

§ 19.105 Does this part apply to me?

Portions of this part (see table at § 19.25(b)) apply to you if you are a(n)—

(a) Person who has been, is, or may reasonably be expected to be, a participant or principal in a covered transaction;

(b) Respondent (a person against whom the Department of the Treasury has initiated a debarment or suspension action);

(c) Department of the Treasury debarring or suspending official; or

(d) Department of the Treasury official who is authorized to enter into covered transactions with non-Federal parties.

§ 19.110 What is the purpose of the nonprocurement debarment and suspension system?

(a) To protect the public interest, the Federal Government ensures the integrity of Federal programs by conducting business only with responsible persons.

(b) A Federal agency uses the nonprocurement debarment and suspension system to exclude from Federal programs persons who are not presently responsible.

(c) An exclusion is a serious action that a Federal agency may take only

to protect the public interest. A Federal agency may not exclude a person or commodity for the purposes of punishment.

§ 19.115 How does an exclusion restrict a person's involvement in covered transactions?

With the exceptions stated in §§ 19.120, 19.315, and 19.420, a person who is excluded by the Department of the Treasury or any other Federal agency may not:

(a) Be a participant in a(n) Department of the Treasury transaction that is a covered transaction under subpart B of this part;

(b) Be a participant in a transaction of any other Federal agency that is a covered transaction under that agency's regulation for debarment and suspension; or

(c) Act as a principal of a person participating in one of those covered transactions.

§ 19.120 May we grant an exception to let an excluded person participate in a covered transaction?

(a) The Secretary of the Treasury may grant an exception permitting an excluded person to participate in a particular covered transaction. If the Secretary of the Treasury grants an exception, the exception must be in writing and state the reason(s) for deviating from the governmentwide policy in Executive Order 12549.

(b) An exception granted by one agency for an excluded person does not extend to the covered transactions of another agency.

§ 19.125 Does an exclusion under the nonprocurement system affect a person's eligibility for Federal procurement contracts?

If any Federal agency excludes a person under its nonprocurement common rule on or after August 25, 1995, the excluded person is also ineligible to participate in Federal procurement transactions under the FAR. Therefore, an exclusion under this part has reciprocal effect in Federal procurement transactions.

§ 19.130 Does exclusion under the Federal procurement system affect a person's eligibility to participate in nonprocurement transactions?

If any Federal agency excludes a person under the FAR on or after August 25, 1995, the excluded person is also ineligible to participate in nonprocurement covered transactions under this part. Therefore, an exclusion under the FAR has reciprocal effect in Federal nonprocurement transactions.

§ 19.135 May the Department of the Treasury exclude a person who is not currently participating in a nonprocurement transaction?

Given a cause that justifies an exclusion under this part, we may exclude any person who has been involved, is currently involved, or may reasonably be expected to be involved in a covered transaction.

§ 19.140 How do I know if a person is excluded?

Check the *Excluded Parties List System (EPLS)* to determine whether a person is excluded. The General Services Administration (GSA) maintains the *EPLS* and makes it available, as detailed in subpart E of this part. When a Federal agency takes an action to exclude a person under the nonprocurement or procurement debarment and suspension system, the agency enters the information about the excluded person into the *EPLS*.

§ 19.145 Does this part address persons who are disqualified, as well as those who are excluded from nonprocurement transactions?

Except if provided for in subpart J of this part, this part—

(a) Addresses disqualified persons only to—

(1) Provide for their inclusion in the *EPLS;* and

(2) State responsibilities of Federal agencies and participants to check for disqualified persons before entering into covered transactions.

(b) Does not specify the—

(1) Department of the Treasury transactions for which a disqualified person is ineligible. Those transactions vary on a case-by-case basis, because

they depend on the language of the specific statute, Executive order, or regulation that caused the disqualification;

(2) Entities to which the disqualification applies; or

(3) Process that the agency uses to disqualify a person. Unlike exclusion, disqualification is frequently not a discretionary action that a Federal agency takes.

Subpart B—Covered Transactions

§ 19.200 What is a covered transaction?

A covered transaction is a nonprocurement or procurement transaction that is subject to the prohibitions of this part. It may be a transaction at—

(a) The primary tier, between a Federal agency and a person (see appendix to this part); or

(b) A lower tier, between a participant in a covered transaction and another person.

§ 19.205 Why is it important if a particular transaction is a covered transaction?

The importance of a covered transaction depends upon who you are.

(a) As a participant in the transaction, you have the responsibilities laid out in subpart C of this part. Those include responsibilities to the person or Federal agency at the next higher tier from whom you received the transaction, if any. They also include responsibilities if you subsequently enter into other covered transactions with persons at the next lower tier.

(b) As a Federal official who enters into a primary tier transaction, you have the responsibilities laid out in subpart D of this part.

(c) As an excluded person, you may not be a participant or principal in the transaction unless—

(1) The person who entered into the transaction with you allows you to continue your involvement in a transaction that predates your exclusion, as permitted under § 19.310 or § 19.415; or

(2) A(n) Department of the Treasury official obtains an exception from the Secretary of the Treasury to allow you to be involved in the transaction, as permitted under § 19.120.

§ 19.210 Which nonprocurement transactions are covered transactions?

All nonprocurement transactions, as defined in § 19.970, are covered transactions unless listed in § 19.215. (See appendix to this part.)

§ 19.215 Which nonprocurement transactions are not covered transactions?

The following types of nonprocurement transactions are not covered transactions:

(a) A direct award to—

(1) A foreign government or foreign governmental entity;

(2) A public international organization;

(3) An entity owned (in whole or in part) or controlled by a foreign government; or

(4) Any other entity consisting wholly or partially of one or more foreign governments or foreign governmental entities.

(b) A benefit to an individual as a personal entitlement without regard to the individual's present responsibility (but benefits received in an individual's business capacity are not excepted). For example, if a person receives social security benefits under the Supplemental Security Income provisions of the Social Security Act, 42 U.S.C. 1301 *et seq.*, those benefits are not covered transactions and, therefore, are not affected if the person is excluded.

(c) Federal employment.

(d) A transaction that the Department of the Treasury needs to respond to a national or agency-recognized emergency or disaster.

(e) A permit, license, certificate, or similar instrument issued as a means to regulate public health, safety, or the environment, unless the Department of the Treasury specifically designates it to be a covered transaction.

(f) An incidental benefit that results from ordinary governmental operations.

(g) Any other transaction if the application of an exclusion to the transaction is prohibited by law.

§ 19.220 Are any procurement contracts included as covered transactions?

(a) Covered transactions under this part—

(1) Do not include any procurement contracts awarded directly by a Federal agency; but

(2) Do include some procurement contracts awarded by non-Federal participants in nonprocurement covered transactions (see appendix to this part).

(b) Specifically, a contract for goods or services is a covered transaction if any of the following applies:

(1) The contract is awarded by a participant in a nonprocurement transaction that is covered under § 19.210, and the amount of the contract is expected to equal or exceed $25,000.

(2) The contract requires the consent of a(n) Department of the Treasury official. In that case, the contract, regardless of the amount, always is a covered transaction, and it does not matter who awarded it. For example, it could be a subcontract awarded by a contractor at a tier below a nonprocurement transaction, as shown in the appendix to this part.

(3) The contract is for federally-required audit services.

§ 19.225 How do I know if a transaction in which I may participate is a covered transaction?

As a participant in a transaction, you will know that it is a covered transaction because the agency regulations governing the transaction, the appropriate agency official, or participant at the next higher tier who enters into the transaction with you, will tell you that you must comply with applicable portions of this part.

Subpart C—Responsibilities of Participants Regarding Transactions

DOING BUSINESS WITH OTHER PERSONS

§ 19.300 What must I do before I enter into a covered transaction with another person at the next lower tier?

When you enter into a covered transaction with another person at the next lower tier, you must verify that the person with whom you intend to do business is not excluded or disqualified. You do this by:

(a) Checking the *EPLS;* or

(b) Collecting a certification from that person if allowed by this rule; or

(c) Adding a clause or condition to the covered transaction with that person.

§ 19.305 May I enter into a covered transaction with an excluded or disqualified person?

(a) You as a participant may not enter into a covered transaction with an excluded person, unless the Department of the Treasury grants an exception under § 19.120.

(b) You may not enter into any transaction with a person who is disqualified from that transaction, unless you have obtained an exception under the disqualifying statute, Executive order, or regulation.

§ 19.310 What must I do if a Federal agency excludes a person with whom I am already doing business in a covered transaction?

(a) You as a participant may continue covered transactions with an excluded person if the transactions were in existence when the agency excluded the person. However, you are not required to continue the transactions, and you may consider termination. You should make a decision about whether to terminate and the type of termination action, if any, only after a thorough review to ensure that the action is proper and appropriate.

(b) You may not renew or extend covered transactions (other than no-cost time extensions) with any excluded person, unless the Department of the Treasury grants an exception under § 19.120.

§ 19.315 May I use the services of an excluded person as a principal under a covered transaction?

(a) You as a participant may continue to use the services of an excluded person as a principal under a covered transaction if you were using the services of that person in the transaction before the person was excluded. However, you are not required to continue using that person's services as a principal. You should make a decision

about whether to discontinue that person's services only after a thorough review to ensure that the action is proper and appropriate.

(b) You may not begin to use the services of an excluded person as a principal under a covered transaction unless the Department of the Treasury grants an exception under § 19.120.

§ 19.320 Must I verify that principals of my covered transactions are eligible to participate?

Yes, you as a participant are responsible for determining whether any of your principals of your covered transactions is excluded or disqualified from participating in the transaction. You may decide the method and frequency by which you do so. You may, but you are not required to, check the *EPLS*.

§ 19.325 What happens if I do business with an excluded person in a covered transaction?

If as a participant you knowingly do business with an excluded person, we may disallow costs, annul or terminate the transaction, issue a stop work order, debar or suspend you, or take other remedies as appropriate.

§ 19.330 What requirements must I pass down to persons at lower tiers with whom I intend to do business?

Before entering into a covered transaction with a participant at the next lower tier, you must require that participant to—

(a) Comply with this subpart as a condition of participation in the transaction. You may do so using any method(s), unless § 19.440 requires you to use specific methods.

(b) Pass the requirement to comply with this subpart to each person with whom the participant enters into a covered transaction at the next lower tier.

DISCLOSING INFORMATION—PRIMARY TIER PARTICIPANTS

§ 19.335 What information must I provide before entering into a covered transaction with the Department of the Treasury?

Before you enter into a covered transaction at the primary tier, you as the participant must notify the Department of the Treasury office that is entering into the transaction with you, if you know that you or any of the principals for that covered transaction:

(a) Are presently excluded or disqualified;

(b) Have been convicted within the preceding three years of any of the offenses listed in § 19.800(a) or had a civil judgment rendered against you for one of those offenses within that time period;

(c) Are presently indicted for or otherwise criminally or civilly charged by a governmental entity (Federal, State or local) with commission of any of the offenses listed in § 19.800(a); or

(d) Have had one or more public transactions (Federal, State, or local) terminated within the preceding three years for cause or default.

§ 19.340 If I disclose unfavorable information required under § 19.335, will I be prevented from participating in the transaction?

As a primary tier participant, your disclosure of unfavorable information about yourself or a principal under § 19.335 will not necessarily cause us to deny your participation in the covered transaction. We will consider the information when we determine whether to enter into the covered transaction. We also will consider any additional information or explanation that you elect to submit with the disclosed information.

§ 19.345 What happens if I fail to disclose information required under § 19.335?

If we later determine that you failed to disclose information under § 19.335 that you knew at the time you entered into the covered transaction, we may—

(a) Terminate the transaction for material failure to comply with the terms and conditions of the transaction; or

(b) Pursue any other available remedies, including suspension and debarment.

§ 19.350 What must I do if I learn of information required under § 19.335 after entering into a covered transaction with the Department of the Treasury?

At any time after you enter into a covered transaction, you must give immediate written notice to the Department of the Treasury office with which you entered into the transaction if you learn either that—

(a) You failed to disclose information earlier, as required by § 19.335; or

(b) Due to changed circumstances, you or any of the principals for the transaction now meet any of the criteria in § 19.335.

DISCLOSING INFORMATION—LOWER TIER PARTICIPANTS

§ 19.355 What information must I provide to a higher tier participant before entering into a covered transaction with that participant?

Before you enter into a covered transaction with a person at the next higher tier, you as a lower tier participant must notify that person if you know that you or any of the principals are presently excluded or disqualified.

§ 19.360 What happens if I fail to disclose the information required under § 19.355?

If we later determine that you failed to tell the person at the higher tier that you were excluded or disqualified at the time you entered into the covered transaction with that person, we may pursue any available remedies, including suspension and debarment.

§ 19.365 What must I do if I learn of information required under § 19.355 after entering into a covered transaction with a higher tier participant?

At any time after you enter into a lower tier covered transaction with a person at a higher tier, you must provide immediate written notice to that person if you learn either that—

(a) You failed to disclose information earlier, as required by § 19.355; or

(b) Due to changed circumstances, you or any of the principals for the transaction now meet any of the criteria in § 19.355.

Subpart D—Responsibilities of Department of the Treasury Officials Regarding Transactions

§ 19.400 May I enter into a transaction with an excluded or disqualified person?

(a) You as an agency official may not enter into a covered transaction with an excluded person unless you obtain an exception under § 19.120.

(b) You may not enter into any transaction with a person who is disqualified from that transaction, unless you obtain a waiver or exception under the statute, Executive order, or regulation that is the basis for the person's disqualification.

§ 19.405 May I enter into a covered transaction with a participant if a principal of the transaction is excluded?

As an agency official, you may not enter into a covered transaction with a participant if you know that a principal of the transaction is excluded, unless you obtain an exception under § 19.120.

§ 19.410 May I approve a participant's use of the services of an excluded person?

After entering into a covered transaction with a participant, you as an agency official may not approve a participant's use of an excluded person as a principal under that transaction, unless you obtain an exception under § 19.120.

§ 19.415 What must I do if a Federal agency excludes the participant or a principal after I enter into a covered transaction?

(a) You as an agency official may continue covered transactions with an excluded person, or under which an excluded person is a principal, if the transactions were in existence when the person was excluded. You are not required to continue the transactions, however, and you may consider termination. You should make a decision about whether to terminate and the type of termination action, if any, only after a thorough review to ensure that the action is proper.

(b) You may not renew or extend covered transactions (other than no-cost time extensions) with any excluded person, or under which an excluded person is a principal, unless you obtain an exception under § 19.120.

§ 19.420 May I approve a transaction with an excluded or disqualified person at a lower tier?

If a transaction at a lower tier is subject to your approval, you as an agency official may not approve—

(a) A covered transaction with a person who is currently excluded, unless you obtain an exception under § 19.120; or

(b) A transaction with a person who is disqualified from that transaction, unless you obtain a waiver or exception under the statute, Executive order, or regulation that is the basis for the person's disqualification.

§ 19.425 When do I check to see if a person is excluded or disqualified?

As an agency official, you must check to see if a person is excluded or disqualified before you—

(a) Enter into a primary tier covered transaction;

(b) Approve a principal in a primary tier covered transaction;

(c) Approve a lower tier participant if agency approval of the lower tier participant is required; or

(d) Approve a principal in connection with a lower tier transaction if agency approval of the principal is required.

§ 19.430 How do I check to see if a person is excluded or disqualified?

You check to see if a person is excluded or disqualified in two ways:

(a) You as an agency official must check the *EPLS* when you take any action listed in § 19.425.

(b) You must review information that a participant gives you, as required by § 19.335, about its status or the status of the principals of a transaction.

§ 19.435 What must I require of a primary tier participant?

You as an agency official must require each participant in a primary tier covered transaction to—

(a) Comply with subpart C of this part as a condition of participation in the transaction; and

(b) Communicate the requirement to comply with Subpart C of this part to persons at the next lower tier with whom the primary tier participant enters into covered transactions.

§ 19.440 What method do I use to communicate those requirements to participants?

To communicate the requirements, you must include a term or condition in the transaction requiring the participants' compliance with subpart C of this part and requiring them to include a similar term or condition in lower-tier covered transactions.

[68 FR 66607, Nov. 26, 2003]

§ 19.445 What action may I take if a primary tier participant knowingly does business with an excluded or disqualified person?

If a participant knowingly does business with an excluded or disqualified person, you as an agency official may refer the matter for suspension and debarment consideration. You may also disallow costs, annul or terminate the transaction, issue a stop work order, or take any other appropriate remedy.

§ 19.450 What action may I take if a primary tier participant fails to disclose the information required under § 19.335?

If you as an agency official determine that a participant failed to disclose information, as required by § 19.335, at the time it entered into a covered transaction with you, you may—

(a) Terminate the transaction for material failure to comply with the terms and conditions of the transaction; or

(b) Pursue any other available remedies, including suspension and debarment.

§ 19.455 What may I do if a lower tier participant fails to disclose the information required under § 19.355 to the next higher tier?

If you as an agency official determine that a lower tier participant failed to disclose information, as required by § 19.355, at the time it entered

into a covered transaction with a participant at the next higher tier, you may pursue any remedies available to you, including the initiation of a suspension or debarment action.

Subpart E—Excluded Parties List System

§ 19.500 What is the purpose of the Excluded Parties List System (EPLS)?

The *EPLS* is a widely available source of the most current information about persons who are excluded or disqualified from covered transactions.

§ 19.505 Who uses the EPLS?

(a) Federal agency officials use the *EPLS* to determine whether to enter into a transaction with a person, as required under § 19.430.

(b) Participants also may, but are not required to, use the *EPLS* to determine if—

(1) Principals of their transactions are excluded or disqualified, as required under § 19.320; or

(2) Persons with whom they are entering into covered transactions at the next lower tier are excluded or disqualified.

(c) The *EPLS* is available to the general public.

§ 19.510 Who maintains the EPLS?

In accordance with the OMB guidelines, the General Services Administration (GSA) maintains the *EPLS*. When a Federal agency takes an action to exclude a person under the nonprocurement or procurement debarment and suspension system, the agency enters the information about the excluded person into the *EPLS*.

§ 19.515 What specific information is in the EPLS?

(a) At a minimum, the *EPLS* indicates—

(1) The full name (where available) and address of each excluded or disqualified person, in alphabetical order, with cross references if more than one name is involved in a single action;

(2) The type of action;

(3) The cause for the action;

(4) The scope of the action;

(5) Any termination date for the action;

(6) The agency and name and telephone number of the agency point of contact for the action; and

(7) The Dun and Bradstreet Number (DUNS), or other similar code approved by the GSA, of the excluded or disqualified person, if available.

(b)(1) The database for the *EPLS* includes a field for the Taxpayer Identification Number (TIN) (the social security number (SSN) for an individual) of an excluded or disqualified person.

(2) Agencies disclose the SSN of an individual to verify the identity of an individual, only if permitted under the Privacy Act of 1974 and, if appropriate, the Computer Matching and Privacy Protection Act of 1988, as codified in 5 U.S.C. 552(a).

§ 19.520 Who places the information into the EPLS?

Federal officials who take actions to exclude persons under this part or officials who are responsible for identifying disqualified persons must enter the following information about those persons into the *EPLS*:

(a) Information required by § 19.515(a);

(b) The Taxpayer Identification Number (TIN) of the excluded or disqualified person, including the social security number (SSN) for an individual, if the number is available and may be disclosed under law;

(c) Information about an excluded or disqualified person, generally within five working days, after—

(1) Taking an exclusion action;

(2) Modifying or rescinding an exclusion action;

(3) Finding that a person is disqualified; or

(4) Finding that there has been a change in the status of a person who is listed as disqualified.

§ 19.525 Whom do I ask if I have questions about a person in the EPLS?

If you have questions about a person in the *EPLS*, ask the point of contact for the Federal agency that placed the person's name into the *EPLS*. You may find the agency point of contact from the *EPLS*.

§ 19.530 Where can I find the EPLS?

(a) You may access the *EPLS* through the Internet, currently at *http://epls.arnet.gov*.

(b) As of November 26, 2003, you may also subscribe to a printed version. However, we anticipate discontinuing the printed version. Until it is discontinued, you may obtain the printed version by purchasing a yearly subscription from the Superintendent of Documents, U.S. Government Printing Office, Washington, DC 20402, or by calling the Government Printing Office Inquiry and Order Desk at (202) 783–3238.

Subpart F—General Principles Relating to Suspension and Debarment Actions

§ 19.600 How do suspension and debarment actions start?

When we receive information from any source concerning a cause for suspension or debarment, we will promptly report and investigate it. We refer the question of whether to suspend or debar you to our suspending or debarring official for consideration, if appropriate.

§ 19.605 How does suspension differ from debarment?

Suspension differs from debarment in that—

A suspending official . . .	A debarring official . . .
(a) Imposes suspension as a temporary status of ineligibility for procurement and nonprocurement transactions, pending completion of an investigation or legal proceedings.	Imposes debarment for a specified period as a final determination that a person is not presently responsible.
(b) Must—	Must conclude, based on a *preponderance of the evidence,* that the person has engaged in conduct that warrants debarment.
(1) Have *adequate evidence* that there may be a cause for debarment of a person; and.	
(2) Conclude that *immediate action* is necessary to protect the Federal interest.	
(c) Usually imposes the suspension *first,* and then promptly notifies the suspended person, giving the person an opportunity to contest the suspension and have it lifted.	Imposes debarment *after* giving the respondent notice of the action and an opportunity to contest the proposed debarment.

§ 19.610 What procedures does the Department of the Treasury use in suspension and debarment actions?

In deciding whether to suspend or debar you, we handle the actions as informally as practicable, consistent with principles of fundamental fairness.

(a) For suspension actions, we use the procedures in this subpart and subpart G of this part.

(b) For debarment actions, we use the procedures in this subpart and subpart H of this part.

§ 19.615 How does the Department of the Treasury notify a person of a suspension or debarment action?

(a) The suspending or debarring official sends a written notice to the last known street address, facsimile number, or e-mail address of—

(1) You or your identified counsel; or

(2) Your agent for service of process, or any of your partners, officers, directors, owners, or joint venturers.

(b) The notice is effective if sent to any of these persons.

§ 19.620 Do Federal agencies coordinate suspension and debarment actions?

Yes, when more than one Federal agency has an interest in a suspension or debarment, the agencies may consider designating one agency as the lead agency for making the decision. Agencies are encouraged to establish methods and procedures for coordinating their suspension and debarment actions.

§ 19.625 What is the scope of a suspension or debarment?

If you are suspended or debarred, the suspension or debarment is effective as follows:

(a) Your suspension or debarment constitutes suspension or debarment of all of your divisions and other organizational elements from all covered

transactions, unless the suspension or debarment decision is limited—

(1) By its terms to one or more specifically identified individuals, divisions, or other organizational elements; or

(2) To specific types of transactions.

(b) Any affiliate of a participant may be included in a suspension or debarment action if the suspending or debarring official—

(1) Officially names the affiliate in the notice; and

(2) Gives the affiliate an opportunity to contest the action.

§ 19.630 May the Department of the Treasury impute conduct of one person to another?

For purposes of actions taken under this rule, we may impute conduct as follows:

(a) *Conduct imputed from an individual to an organization.* We may impute the fraudulent, criminal, or other improper conduct of any officer, director, shareholder, partner, employee, or other individual associated with an organization, to that organization when the improper conduct occurred in connection with the individual's performance of duties for or on behalf of that organization, or with the organization's knowledge, approval or acquiescence. The organization's acceptance of the benefits derived from the conduct is evidence of knowledge, approval or acquiescence.

(b) *Conduct imputed from an organization to an individual, or between individuals.* We may impute the fraudulent, criminal, or other improper conduct of any organization to an individual, or from one individual to another individual, if the individual to whom the improper conduct is imputed either participated in, had knowledge of, or reason to know of the improper conduct.

(c) *Conduct imputed from one organization to another organization.* We may impute the fraudulent, criminal, or other improper conduct of one organization to another organization when the improper conduct occurred in connection with a partnership, joint venture, joint application, association or similar arrangement, or when the organization to whom the improper conduct is imputed has the power to direct, manage, control or influence the activities of the organization responsible for the improper conduct. Acceptance of the benefits derived from the conduct is evidence of knowledge, approval or acquiescence.

§ 19.635 May the Department of the Treasury settle a debarment or suspension action?

Yes, we may settle a debarment or suspension action at any time if it is in the best interest of the Federal Government.

§ 19.640 May a settlement include a voluntary exclusion?

Yes, if we enter into a settlement with you in which you agree to be excluded, it is called a voluntary exclusion and has governmentwide effect.

§ 19.645 Do other Federal agencies know if the Department of the Treasury agrees to a voluntary exclusion?

(a) Yes, we enter information regarding a voluntary exclusion into the *EPLS*.

(b) Also, any agency or person may contact us to find out the details of a voluntary exclusion.

Subpart G—Suspension

§ 19.700 When may the suspending official issue a suspension?

Suspension is a serious action. Using the procedures of this subpart and subpart F of this part, the suspending official may impose suspension only when that official determines that—

(a) There exists an indictment for, or other adequate evidence to suspect, an offense listed under § 19.800(a), or

(b) There exists adequate evidence to suspect any other cause for debarment listed under § 19.800(b) through (d); and

(c) Immediate action is necessary to protect the public interest.

§ 19.705 What does the suspending official consider in issuing a suspension?

(a) In determining the adequacy of the evidence to support the suspension, the suspending official considers how much information is available, how credible it is given the circumstances,

whether or not important allegations are corroborated, and what inferences can reasonably be drawn as a result. During this assessment, the suspending official may examine the basic documents, including grants, cooperative agreements, loan authorizations, contracts, and other relevant documents.

(b) An indictment, conviction, civil judgment, or other official findings by Federal, State, or local bodies that determine factual and/or legal matters, constitutes adequate evidence for purposes of suspension actions.

(c) In deciding whether immediate action is needed to protect the public interest, the suspending official has wide discretion. For example, the suspending official may infer the necessity for immediate action to protect the public interest either from the nature of the circumstances giving rise to a cause for suspension or from potential business relationships or involvement with a program of the Federal Government.

§ 19.710 When does a suspension take effect?

A suspension is effective when the suspending official signs the decision to suspend.

§ 19.715 What notice does the suspending official give me if I am suspended?

After deciding to suspend you, the suspending official promptly sends you a Notice of Suspension advising you—

(a) That you have been suspended;

(b) That your suspension is based on—

(1) An indictment;

(2) A conviction;

(3) Other adequate evidence that you have committed irregularities which seriously reflect on the propriety of further Federal Government dealings with you; or

(4) Conduct of another person that has been imputed to you, or your affiliation with a suspended or debarred person;

(c) Of any other irregularities in terms sufficient to put you on notice without disclosing the Federal Government's evidence;

(d) Of the cause(s) upon which we relied under § 19.700 for imposing suspension;

(e) That your suspension is for a temporary period pending the completion of an investigation or resulting legal or debarment proceedings;

(f) Of the applicable provisions of this subpart, subpart F of this part, and any other Department of the Treasury procedures governing suspension decision making; and

(g) Of the governmentwide effect of your suspension from procurement and nonprocurement programs and activities.

§ 19.720 How may I contest a suspension?

If you as a respondent wish to contest a suspension, you or your representative must provide the suspending official with information in opposition to the suspension. You may do this orally or in writing, but any information provided orally that you consider important must also be submitted in writing for the official record.

§ 19.725 How much time do I have to contest a suspension?

(a) As a respondent you or your representative must either send, or make rrangements to appear and present, the information and argument to the suspending official within 30 days after you receive the Notice of Suspension.

(b) We consider the notice to be received by you—

(1) When delivered, if we mail the notice to the last known street address, or five days after we send it if the letter is undeliverable;

(2) When sent, if we send the notice by facsimile or five days after we send it if the facsimile is undeliverable; or

(3) When delivered, if we send the notice by e-mail or five days after we send it if the e-mail is undeliverable.

§ 19.730 What information must I provide to the suspending official if I contest a suspension?

(a) In addition to any information and argument in opposition, as a respondent your submission to the suspending official must identify—

(1) Specific facts that contradict the statements contained in the Notice of Suspension. A general denial is insufficient to raise a genuine dispute over facts material to the suspension;

(2) All existing, proposed, or prior exclusions under regulations implementing E.O. 12549 and all similar actions taken by Federal, state, or local agencies, including administrative agreements that affect only those agencies;

(3) All criminal and civil proceedings not included in the Notice of Suspension that grew out of facts relevant to the cause(s) stated in the notice; and

(4) All of your affiliates.

(b) If you fail to disclose this information, or provide false information, the Department of the Treasury may seek further criminal, civil or administrative action against you, as appropriate.

§ 19.735 Under what conditions do I get an additional opportunity to challenge the facts on which the suspension is based?

(a) You as a respondent will not have an additional opportunity to challenge the facts if the suspending official determines that—

(1) Your suspension is based upon an indictment, conviction, civil judgment, or other finding by a Federal, State, or local body for which an opportunity to contest the facts was provided;

(2) Your presentation in opposition contains only general denials to information contained in the Notice of Suspension;

(3) The issues raised in your presentation in opposition to the suspension are not factual in nature, or are not material to the suspending official's initial decision to suspend, or the official's decision whether to continue the suspension; or

(4) On the basis of advice from the Department of Justice, an office of the United States Attorney, a State attorney general's office, or a State or local prosecutor's office, that substantial interests of the government in pending or contemplated legal proceedings based on the same facts as the suspension would be prejudiced by conducting fact-finding.

(b) You will have an opportunity to challenge the facts if the suspending official determines that—

(1) The conditions in paragraph (a) of this section do not exist; and

(2) Your presentation in opposition raises a genuine dispute over facts material to the suspension.

(c) If you have an opportunity to challenge disputed material facts under this section, the suspending official or designee must conduct additional proceedings to resolve those facts.

§ 19.740 Are suspension proceedings formal?

(a) Suspension proceedings are conducted in a fair and informal manner. The suspending official may use flexible procedures to allow you to present matters in opposition. In so doing, the suspending official is not required to follow formal rules of evidence or procedure in creating an official record upon which the official will base a final suspension decision.

(b) You as a respondent or your representative must submit any documentary evidence you want the suspending official to consider.

§ 19.745 How is fact-finding conducted?

(a) If fact-finding is conducted—

(1) You may present witnesses and other evidence, and confront any witness presented; and

(2) The fact-finder must prepare written findings of fact for the record.

(b) A transcribed record of fact-finding proceedings must be made, unless you as a respondent and the Department of the Treasury agree to waive it in advance. If you want a copy of the transcribed record, you may purchase it.

§ 19.750 What does the suspending official consider in deciding whether to continue or terminate my suspension?

(a) The suspending official bases the decision on all information contained in the official record. The record includes—

(1) All information in support of the suspending official's initial decision to suspend you;

(2) Any further information and argument presented in support of, or opposition to, the suspension; and

(3) Any transcribed record of fact-finding proceedings.

(b) The suspending official may refer disputed material facts to another official for findings of fact. The suspending official may reject any resulting findings, in whole or in part, only after specifically determining them to be arbitrary, capricious, or clearly erroneous.

§ 19.755 When will I know whether the suspension is continued or terminated?

The suspending official must make a written decision whether to continue, modify, or terminate your suspension within 45 days of closing the official record. The official record closes upon the suspending official's receipt of final submissions, information and findings of fact, if any. The suspending official may extend that period for good cause.

§ 19.760 How long may my suspension last?

(a) If legal or debarment proceedings are initiated at the time of, or during your suspension, the suspension may continue until the conclusion of those proceedings. However, if proceedings are not initiated, a suspension may not exceed 12 months.

(b) The suspending official may extend the 12 month limit under paragraph (a) of this section for an additional 6 months if an office of a U.S. Assistant Attorney General, U.S. Attorney, or other responsible prosecuting official requests an extension in writing. In no event may a suspension exceed 18 months without initiating proceedings under paragraph (a) of this section.

(c) The suspending official must notify the appropriate officials under paragraph (b) of this section of an impending termination of a suspension at least 30 days before the 12 month period expires to allow the officials an opportunity to request an extension.

Subpart H—Debarment

§ 19.800 What are the causes for debarment?

We may debar a person for—

(a) Conviction of or civil judgment for—

(1) Commission of fraud or a criminal offense in connection with obtaining, attempting to obtain, or performing a public or private agreement or transaction;

(2) Violation of Federal or State antitrust statutes, including those proscribing price fixing between competitors, allocation of customers between competitors, and bid rigging;

(3) Commission of embezzlement, theft, forgery, bribery, falsification or destruction of records, making false statements, tax evasion, receiving stolen property, making false claims, or obstruction of justice; or

(4) Commission of any other offense indicating a lack of business integrity or business honesty that seriously and directly affects your present responsibility;

(b) Violation of the terms of a public agreement or transaction so serious as to affect the integrity of an agency program, such as—

(1) A willful failure to perform in accordance with the terms of one or more public agreements or transactions;

(2) A history of failure to perform or of unsatisfactory performance of one or more public agreements or transactions; or

(3) A willful violation of a statutory or regulatory provision or requirement applicable to a public agreement or transaction;

(c) Any of the following causes:

(1) A nonprocurement debarment by any Federal agency taken before October 1, 1988, or a procurement debarment by any Federal agency taken pursuant to 48 CFR part 9, subpart 9.4, before August 25, 1995;

(2) Knowingly doing business with an ineligible person, except as permitted under § 19.120;

(3) Failure to pay a single substantial debt, or a number of outstanding debts (including disallowed costs and overpayments, but not including sums owed

the Federal Government under the Internal Revenue Code) owed to any Federal agency or instrumentality, provided the debt is uncontested by the debtor or, if contested, provided that the debtor's legal and administrative remedies have been exhausted;

(4) Violation of a material provision of a voluntary exclusion agreement entered into under § 19.640 or of any settlement of a debarment or suspension action; or

(5) Violation of the provisions of the Drug-Free Workplace Act of 1988 (41 U.S.C. 701); or

(d) Any other cause of so serious or compelling a nature that it affects your present responsibility.

§ 19.805 What notice does the debarring official give me if I am proposed for debarment?

After consideration of the causes in § 19.800 of this subpart, if the debarring official proposes to debar you, the official sends you a Notice of Proposed Debarment, pursuant to § 19.615, advising you—

(a) That the debarring official is considering debarring you;

(b) Of the reasons for proposing to debar you in terms sufficient to put you on notice of the conduct or transactions upon which the proposed debarment is based;

(c) Of the cause(s) under § 19.800 upon which the debarring official relied for proposing your debarment;

(d) Of the applicable provisions of this subpart, Subpart F of this part, and any other Department of the Treasury procedures governing debarment; and

(e) Of the governmentwide effect of a debarment from procurement and nonprocurement programs and activities.

§ 19.810 When does a debarment take effect?

A debarment is not effective until the debarring official issues a decision. The debarring official does not issue a decision until the respondent has had an opportunity to contest the proposed debarment.

§ 19.815 How may I contest a proposed debarment?

If you as a respondent wish to contest a proposed debarment, you or your representative must provide the debarring official with information in opposition to the proposed debarment. You may do this orally or in writing, but any information provided orally that you consider important must also be submitted in writing for the official record.

§ 19.820 How much time do I have to contest a proposed debarment?

(a) As a respondent you or your representative must either send, or make arrangements to appear and present, the information and argument to the debarring official within 30 days after you receive the Notice of Proposed Debarment.

(b) We consider the Notice of Proposed Debarment to be received by you—

(1) When delivered, if we mail the notice to the last known street address, or five days after we send it if the letter is undeliverable;

(2) When sent, if we send the notice by facsimile or five days after we send it if the facsimile is undeliverable; or

(3) When delivered, if we send the notice by e-mail or five days after we send it if the e-mail is undeliverable.

§ 19.825 What information must I provide to the debarring official if I contest a proposed debarment?

(a) In addition to any information and argument in opposition, as a respondent your submission to the debarring official must identify—

(1) Specific facts that contradict the statements contained in the Notice of Proposed Debarment. Include any information about any of the factors listed in § 19.860. A general denial is insufficient to raise a genuine dispute over facts material to the debarment;

(2) All existing, proposed, or prior exclusions under regulations implementing E.O. 12549 and all similar actions taken by Federal, State, or local agencies, including administrative agreements that affect only those agencies;

(3) All criminal and civil proceedings not included in the Notice of Proposed

Debarment that grew out of facts relevant to the cause(s) stated in the notice; and

(4) All of your affiliates.

(b) If you fail to disclose this information, or provide false information, the Department of the Treasury may seek further criminal, civil or administrative action against you, as appropriate.

§ 19.830 Under what conditions do I get an additional opportunity to challenge the facts on which a proposed debarment is based?

(a) You as a respondent will not have an additional opportunity to challenge the facts if the debarring official determines that—

(1) Your debarment is based upon a conviction or civil judgment;

(2) Your presentation in opposition contains only general denials to information contained in the Notice of Proposed Debarment; or

(3) The issues raised in your presentation in opposition to the proposed debarment are not factual in nature, or are not material to the debarring official's decision whether to debar.

(b) You will have an additional opportunity to challenge the facts if the debarring official determines that—

(1) The conditions in paragraph (a) of this section do not exist; and

(2) Your presentation in opposition raises a genuine dispute over facts material to the proposed debarment.

(c) If you have an opportunity to challenge disputed material facts under this section, the debarring official or designee must conduct additional proceedings to resolve those facts.

§ 19.835 Are debarment proceedings formal?

(a) Debarment proceedings are conducted in a fair and informal manner. The debarring official may use flexible procedures to allow you as a respondent to present matters in opposition. In so doing, the debarring official is not required to follow formal rules of evidence or procedure in creating an official record upon which the official will base the decision whether to debar.

(b) You or your representative must submit any documentary evidence you want the debarring official to consider.

§ 19.840 How is fact-finding conducted?

(a) If fact-finding is conducted—

(1) You may present witnesses and other evidence, and confront any witness presented; and

(2) The fact-finder must prepare written findings of fact for the record.

(b) A transcribed record of fact-finding proceedings must be made, unless you as a respondent and the Department of the Treasury agree to waive it in advance. If you want a copy of the transcribed record, you may purchase it.

§ 19.845 What does the debarring official consider in deciding whether to debar me?

(a) The debarring official may debar you for any of the causes in § 19.800. However, the official need not debar you even if a cause for debarment exists. The official may consider the seriousness of your acts or omissions and the mitigating or aggravating factors set forth at § 19.860.

(b) The debarring official bases the decision on all information contained in the official record. The record includes—

(1) All information in support of the debarring official's proposed debarment;

(2) Any further information and argument presented in support of, or in opposition to, the proposed debarment; and

(3) Any transcribed record of fact-finding proceedings.

(c) The debarring official may refer disputed material facts to another official for findings of fact. The debarring official may reject any resultant findings, in whole or in part, only after specifically determining them to be arbitrary, capricious, or clearly erroneous.

§ 19.850 What is the standard of proof in a debarment action?

(a) In any debarment action, we must establish the cause for debarment by a preponderance of the evidence.

(b) If the proposed debarment is based upon a conviction or civil judgment, the standard of proof is met.

§ 19.855 Who has the burden of proof in a debarment action?

(a) We have the burden to prove that a cause for debarment exists.

(b) Once a cause for debarment is established, you as a respondent have the burden of demonstrating to the satisfaction of the debarring official that you are presently responsible and that debarment is not necessary.

§ 19.860 What factors may influence the debarring official's decision?

This section lists the mitigating and aggravating factors that the debarring official may consider in determining whether to debar you and the length of your debarment period. The debarring official may consider other factors if appropriate in light of the circumstances of a particular case. The existence or nonexistence of any factor, such as one of those set forth in this section, is not necessarily determinative of your present responsibility. In making a debarment decision, the debarring official may consider the following factors:

(a) The actual or potential harm or impact that results or may result from the wrongdoing.

(b) The frequency of incidents and/or duration of the wrongdoing.

(c) Whether there is a pattern or prior history of wrongdoing. For example, if you have been found by another Federal agency or a State agency to have engaged in wrongdoing similar to that found in the debarment action, the existence of this fact may be used by the debarring official in determining that you have a pattern or prior history of wrongdoing.

(d) Whether you are or have been excluded or disqualified by an agency of the Federal Government or have not been allowed to participate in State or local contracts or assistance agreements on a basis of conduct similar to one or more of the causes for debarment specified in this part.

(e) Whether you have entered into an administrative agreement with a Federal agency or a State or local government that is not governmentwide but is based on conduct similar to one or more of the causes for debarment specified in this part.

(f) Whether and to what extent you planned, initiated, or carried out the wrongdoing.

(g) Whether you have accepted responsibility for the wrongdoing and recognize the seriousness of the misconduct that led to the cause for debarment.

(h) Whether you have paid or agreed to pay all criminal, civil and administrative liabilities for the improper activity, including any investigative or administrative costs incurred by the government, and have made or agreed to make full restitution.

(i) Whether you have cooperated fully with the government agencies during the investigation and any court or administrative action. In determining the extent of cooperation, the debarring official may consider when the cooperation began and whether you disclosed all pertinent information known to you.

(j) Whether the wrongdoing was pervasive within your organization.

(k) The kind of positions held by the individuals involved in the wrongdoing.

(l) Whether your organization took appropriate corrective action or remedial measures, such as establishing ethics training and implementing programs to prevent recurrence.

(m) Whether your principals tolerated the offense.

(n) Whether you brought the activity cited as a basis for the debarment to the attention of the appropriate government agency in a timely manner.

(o) Whether you have fully investigated the circumstances surrounding the cause for debarment and, if so, made the result of the investigation available to the debarring official.

(p) Whether you had effective standards of conduct and internal control systems in place at the time the questioned conduct occurred.

(q) Whether you have taken appropriate disciplinary action against the individuals responsible for the activity which constitutes the cause for debarment.

(r) Whether you have had adequate time to eliminate the circumstances within your organization that led to the cause for the debarment.

(s) Other factors that are appropriate to the circumstances of a particular case.

§ 19.865 How long may my debarment last?

(a) If the debarring official decides to debar you, your period of debarment will be based on the seriousness of the cause(s) upon which your debarment is based. Generally, debarment should not exceed three years. However, if circumstances warrant, the debarring official may impose a longer period of debarment.

(b) In determining the period of debarment, the debarring official may consider the factors in § 19.860. If a suspension has preceded your debarment, the debarring official must consider the time you were suspended.

(c) If the debarment is for a violation of the provisions of the Drug-Free Workplace Act of 1988, your period of debarment may not exceed five years.

§ 19.870 When do I know if the debarring official debars me?

(a) The debarring official must make a written decision whether to debar within 45 days of closing the official record. The official record closes upon the debarring official's receipt of final submissions, information and findings of fact, if any. The debarring official may extend that period for good cause.

(b) The debarring official sends you written notice, pursuant to § 19.615 that the official decided, either—

(1) Not to debar you; or

(2) To debar you. In this event, the notice:

(i) Refers to the Notice of Proposed Debarment;

(ii) Specifies the reasons for your debarment;

(iii) States the period of your debarment, including the effective dates; and

(iv) Advises you that your debarment is effective for covered transactions and contracts that are subject to the Federal Acquisition Regulation (48 CFR chapter 1), throughout the executive branch of the Federal Government unless an agency head or an authorized designee grants an exception.

§ 19.875 May I ask the debarring official to reconsider a decision to debar me?

Yes, as a debarred person you may ask the debarring official to reconsider the debarment decision or to reduce the time period or scope of the debarment. However, you must put your request in writing and support it with documentation.

§ 19.880 What factors may influence the debarring official during reconsideration?

The debarring official may reduce or terminate your debarment based on—

(a) Newly discovered material evidence;

(b) A reversal of the conviction or civil judgment upon which your debarment was based;

(c) A bona fide change in ownership or management;

(d) Elimination of other causes for which the debarment was imposed; or

(e) Other reasons the debarring official finds appropriate.

§ 19.885 May the debarring official extend a debarment?

(a) Yes, the debarring official may extend a debarment for an additional period, if that official determines that an extension is necessary to protect the public interest.

(b) However, the debarring official may not extend a debarment solely on the basis of the facts and circumstances upon which the initial debarment action was based.

(c) If the debarring official decides that a debarment for an additional period is necessary, the debarring official must follow the applicable procedures in this subpart, and subpart F of this part, to extend the debarment.

Subpart I—Definitions

§ 19.900 Adequate evidence.

Adequate evidence means information sufficient to support the reasonable belief that a particular act or omission has occurred.

§ 19.905 Affiliate.

Persons are *affiliates* of each other if, directly or indirectly, either one controls or has the power to control the

other or a third person controls or has the power to control both. The ways we use to determine control include, but are not limited to—

(a) Interlocking management or ownership;

(b) Identity of interests among family members;

(c) Shared facilities and equipment;

(d) Common use of employees; or

(e) A business entity which has been organized following the exclusion of a person which has the same or similar management, ownership, or principal employees as the excluded person.

§ 19.910 Agency.

Agency means any United States executive department, military department, defense agency, or any other agency of the executive branch. Other agencies of the Federal government are not considered ''agencies'' for the purposes of this part unless they issue regulations adopting the governmentwide Debarment and Suspension system under Executive orders 12549 and 12689.

§ 19.915 Agent or representative.

Agent or representative means any person who acts on behalf of, or who is authorized to commit, a participant in a covered transaction.

§ 19.920 Civil judgment.

Civil judgment means the disposition of a civil action by any court of competent jurisdiction, whether by verdict, decision, settlement, stipulation, other disposition which creates a civil liability for the complained of wrongful acts, or a final determination of liability under the Program Fraud Civil Remedies Act of 1988 (31 U.S.C. 3801–3812).

§ 19.925 Conviction.

Conviction means—

(a) A judgment or any other determination of guilt of a criminal offense by any court of competent jurisdiction, whether entered upon a verdict or plea, including a plea of nolo contendere; or

(b) Any other resolution that is the functional equivalent of a judgment, including probation before judgment and deferred prosecution. A disposition without the participation of the court is the functional equivalent of a judgment only if it includes an admission of guilt.

§ 19.930 Debarment.

Debarment means an action taken by a debarring official under subpart H of this part to exclude a person from participating in covered transactions and transactions covered under the Federal Acquisition Regulation (48 CFR chapter 1). A person so excluded is debarred.

§ 19.935 Debarring official.

(a) *Debarring official* means an agency official who is authorized to impose debarment. A debarring official is either—

(1) The agency head; or

(2) An official designated by the agency head.

(b) [Reserved]

§ 19.940 Disqualified.

Disqualified means that a person is prohibited from participating in specified Federal procurement or nonprocurement transactions as required under a statute, Executive order (other than Executive Orders 12549 and 12689) or other authority. Examples of disqualifications include persons prohibited under—

(a) The Davis-Bacon Act (40 U.S.C. 276(a));

(b) The equal employment opportunity acts and Executive orders; or

(c) The Clean Air Act (42 U.S.C. 7606), Clean Water Act (33 U.S.C. 1368) and Executive Order 11738 (3 CFR, 1973 Comp., p. 799).

§ 19.945 Excluded or exclusion.

Excluded or exclusion means—

(a) That a person or commodity is prohibited from being a participant in covered transactions, whether the person has been suspended; debarred; proposed for debarment under 48 CFR part 9, subpart 9.4; voluntarily excluded; or

(b) The act of excluding a person.

§ 19.950 Excluded Parties List System.

Excluded Parties List System (EPLS) means the list maintained and disseminated by the General Services Administration (GSA) containing the names and other information about persons who are ineligible. The *EPLS* system includes the printed version entitled,

''List of Parties Excluded or Disqualified from Federal Procurement and Nonprocurement Programs,'' so long as published.

§ 19.955 Indictment.

Indictment means an indictment for a criminal offense. A presentment, information, or other filing by a competent authority charging a criminal offense shall be given the same effect as an indictment.

§ 19.960 Ineligible or ineligibility.

Ineligible or ineligibility means that a person or commodity is prohibited from covered transactions because of an exclusion or disqualification.

§ 19.965 Legal proceedings.

Legal proceedings means any criminal proceeding or any civil judicial proceeding, including a proceeding under the Program Fraud Civil Remedies Act (31 U.S.C. 3801–3812), to which the Federal Government or a State or local government or quasi-governmental authority is a party. The term also includes appeals from those proceedings.

§ 19.970 Nonprocurement transaction.

(a) *Nonprocurement transaction* means any transaction, regardless of type (except procurement contracts), including, but not limited to the following:

(1) Grants.

(2) Cooperative agreements.

(3) Scholarships.

(4) Fellowships.

(5) Contracts of assistance.

(6) Loans.

(7) Loan guarantees.

(8) Subsidies.

(9) Insurances.

(10) Payments for specified uses.

(11) Donation agreements.

(b) A nonprocurement transaction at any tier does not require the transfer of Federal funds.

§ 19.975 Notice.

Notice means a written communication served in person, sent by certified mail or its equivalent, or sent electronically by e-mail or facsimile. (See § 19.615.)

§ 19.980 Participant.

Participant means any person who submits a proposal for or who enters into a covered transaction, including an agent or representative of a participant.

§ 19.985 Person.

Person means any individual, corporation, partnership, association, unit of government, or legal entity, however organized.

§ 19.990 Preponderance of the evidence.

Preponderance of the evidence means proof by information that, compared with information opposing it, leads to the conclusion that the fact at issue is more probably true than not.

§ 19.995 Principal.

Principal means—

(a) An officer, director, owner, partner, principal investigator, or other person within a participant with management or supervisory responsibilities related to a covered transaction; or

(b) A consultant or other person, whether or not employed by the participant or paid with Federal funds, who—

(1) Is in a position to handle Federal funds;

(2) Is in a position to influence or control the use of those funds; or,

(3) Occupies a technical or professional position capable of substantially influencing the development or outcome of an activity required to perform the covered transaction.

§ 19.1000 Respondent.

Respondent means a person against whom an agency has initiated a debarment or suspension action.

§ 19.1005 State.

(a) *State* means—

(1) Any of the states of the United States;

(2) The District of Columbia;

(3) The Commonwealth of Puerto Rico;

(4) Any territory or possession of the United States; or

(5) Any agency or instrumentality of a state.

(b) For purposes of this part, *State* does not include institutions of higher education, hospitals, or units of local government.

§ 19.1010 Suspending official.

(a) *Suspending official* means an agency official who is authorized to impose suspension. The suspending official is either:

(1) The agency head; or

(2) An official designated by the agency head.

(b) [Reserved]

§ 19.1015 Suspension.

Suspension is an action taken by a suspending official under subpart G of this part that immediately prohibits a person from participating in covered transactions and transactions covered under the Federal Acquisition Regulation (48 CFR chapter 1) for a temporary period, pending completion of an agency investigation and any judicial or administrative proceedings that may ensue. A person so excluded is suspended.

§ 19.1020 Voluntary exclusion or voluntarily excluded.

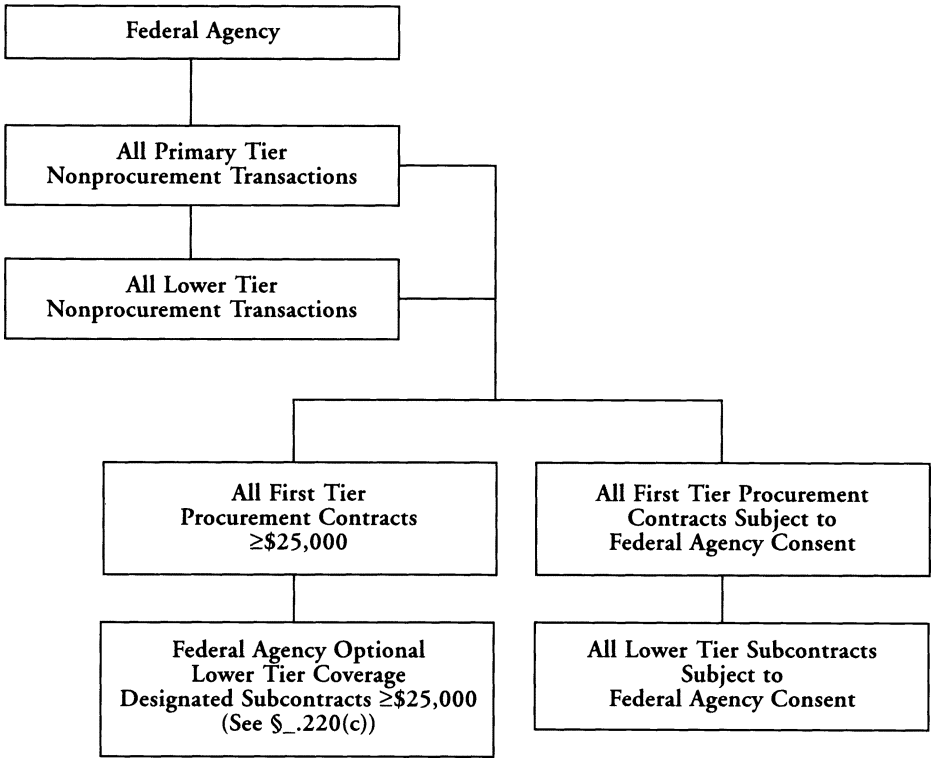
(a) *Voluntary exclusion* means a person's agreement to be excluded under the terms of a settlement between the person and one or more agencies. Voluntary exclusion must have governmentwide effect.

(b) *Voluntarily excluded* means the status of a person who has agreed to a voluntary exclusion.

Subpart J [Reserved]

APPENDIX TO PART 19—COVERED TRANSACTIONS

COVERED TRANSACTIONS



PART 20—GOVERNMENTWIDE REQUIREMENTS FOR DRUG-FREE WORKPLACE (FINANCIAL ASSISTANCE)

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AUTHORITY: 41 U.S.C. 701, *et seq.*

SOURCE: 68 FR 66557, 66607, Nov. 26, 2003, unless otherwise noted.

Subpart A—Purpose and Coverage

§ 20.100 What does this part do?

This part carries out the portion of the Drug-Free Workplace Act of 1988 (41 U.S.C. 701 *et seq.*, as amended) that applies to grants. It also applies the provisions of the Act to cooperative agreements and other financial assistance awards, as a matter of Federal Government policy.

§ 20.105 Does this part apply to me?

(a) Portions of this part apply to you if you are either—

(1) A recipient of an assistance award from the Department of the Treasury; or

(2) A(n) Department of the Treasury awarding official. (See definitions of award and recipient in §§ 20.605 and 20.660, respectively.)

(b) The following table shows the subparts that apply to you:

If you are . . .	see subparts . . .
(1) A recipient who is not an individual	A, B and E.
(2) A recipient who is an individual	A, C and E.
(3) A(n) Department of the Treasury awarding official.	A, D and E.

§ 20.110 Are any of my Federal assistance awards exempt from this part?

This part does not apply to any award that the Secretary of the Treasury determines that the application of this part would be inconsistent with the international obligations of the United States or the laws or regulations of a foreign government.

§ 20.115 Does this part affect the Federal contracts that I receive?

It will affect future contract awards indirectly if you are debarred or suspended for a violation of the requirements of this part, as described in § 20.510(c). However, this part does not apply directly to procurement contracts. The portion of the Drug-Free Workplace Act of 1988 that applies to Federal procurement contracts is carried out through the Federal Acquisition Regulation in chapter 1 of Title 48 of the Code of Federal Regulations (the drug-free workplace coverage currently is in 48 CFR part 23, subpart 23.5).

Subpart B—Requirements for Recipients Other Than Individuals

§ 20.200 What must I do to comply with this part?

There are two general requirements if you are a recipient other than an individual.

(a) First, you must make a good faith effort, on a continuing basis, to maintain a drug-free workplace. You must agree to do so as a condition for receiving any award covered by this part. The specific measures that you must take in this regard are described in more detail in subsequent sections of this subpart. Briefly, those measures are to—

(1) Publish a drug-free workplace statement and establish a drug-free

awareness program for your employees (see §§ 20.205 through 20.220); and

(2) Take actions concerning employees who are convicted of violating drug statutes in the workplace (see § 20.225).

(b) Second, you must identify all known workplaces under your Federal awards (see § 20.230).

§ 20.205 What must I include in my drug-free workplace statement?

You must publish a statement that—

(a) Tells your employees that the unlawful manufacture, distribution, dispensing, possession, or use of a controlled substance is prohibited in your workplace;

(b) Specifies the actions that you will take against employees for violating that prohibition; and

(c) Lets each employee know that, as a condition of employment under any award, he or she:

(1) Will abide by the terms of the statement; and

(2) Must notify you in writing if he or she is convicted for a violation of a criminal drug statute occurring in the workplace and must do so no more than five calendar days after the conviction.

§ 20.210 To whom must I distribute my drug-free workplace statement?

You must require that a copy of the statement described in § 20.205 be given to each employee who will be engaged in the performance of any Federal award.

§ 20.215 What must I include in my drug-free awareness program?

You must establish an ongoing drug-free awareness program to inform employees about—

(a) The dangers of drug abuse in the workplace;

(b) Your policy of maintaining a drug-free workplace;

(c) Any available drug counseling, rehabilitation, and employee assistance programs; and

(d) The penalties that you may impose upon them for drug abuse violations occurring in the workplace.

§ 20.220 By when must I publish my drug-free workplace statement and establish my drug-free awareness program?

If you are a new recipient that does not already have a policy statement as described in § 20.205 and an ongoing awareness program as described in § 20.215, you must publish the statement and establish the program by the time given in the following table:

If . . .	then you . . .
(a) The performance period of the award is less than 30 days	must have the policy statement and program in place as soon as possible, but before the date on which performance is expected to be completed.
(b) The performance period of the award is 30 days or more ...	must have the policy statement and program in place within 30 days after award.
(c) You believe there are extraordinary circumstances that will require more than 30 days for you to publish the policy statement and establish the awareness program.	may ask the Department of the Treasury awarding official to give you more time to do so. The amount of additional time, if any, to be given is at the discretion of the awarding official.

§ 20.225 What actions must I take concerning employees who are convicted of drug violations in the workplace?

There are two actions you must take if an employee is convicted of a drug violation in the workplace:

(a) First, you must notify Federal agencies if an employee who is engaged in the performance of an award informs you about a conviction, as required by § 20.205(c)(2), or you otherwise learn of the conviction. Your notification to the Federal agencies must__

(1) Be in writing;

(2) Include the employee's position title;

(3) Include the identification number(s) of each affected award;

(4) Be sent within ten calendar days after you learn of the conviction; and

(5) Be sent to every Federal agency on whose award the convicted employee was working. It must be sent to

every awarding official or his or her official designee, unless the Federal agency has specified a central point for the receipt of the notices.

(b) Second, within 30 calendar days of learning about an employee's conviction, you must either__

(1) Take appropriate personnel action against the employee, up to and including termination, consistent with the requirements of the Rehabilitation Act of 1973 (29 U.S.C. 794), as amended; or

(2) Require the employee to participate satisfactorily in a drug abuse assistance or rehabilitation program approved for these purposes by a Federal, State or local health, law enforcement, or other appropriate agency.

§ 20.230 How and when must I identify workplaces?

(a) You must identify all known workplaces under each Department of the Treasury award. A failure to do so is a violation of your drug-free workplace requirements. You may identify the workplaces__

(1) To the Department of the Treasury official that is making the award, either at the time of application or upon award; or

(2) In documents that you keep on file in your offices during the performance of the award, in which case you must make the information available for inspection upon request by Department of the Treasury officials or their designated representatives.

(b) Your workplace identification for an award must include the actual address of buildings (or parts of buildings) or other sites where work under the award takes place. Categorical descriptions may be used (e.g., all vehicles of a mass transit authority or State highway department while in operation, State employees in each local unemployment office, performers in concert halls or radio studios).

(c) If you identified workplaces to the Department of the Treasury awarding official at the time of application or award, as described in paragraph (a)(1) of this section, and any workplace that you identified changes during the performance of the award, you must inform the Department of the Treasury awarding official.

Subpart C—Requirements for Recipients Who Are Individuals

§ 20.300 What must I do to comply with this part if I am an individual recipient?

As a condition of receiving a(n) Department of the Treasury award, if you are an individual recipient, you must agree that—

(a) You will not engage in the unlawful manufacture, distribution, dispensing, possession, or use of a controlled substance in conducting any activity related to the award; and

(b) If you are convicted of a criminal drug offense resulting from a violation occurring during the conduct of any award activity, you will report the conviction:

(1) In writing.

(2) Within 10 calendar days of the conviction.

(3) To the Department of the Treasury awarding official or other designee for each award that you currently have, unless § 20.301 or the award document designates a central point for the receipt of the notices. When notice is made to a central point, it must include the identification number(s) of each affected award.

§ 20.301 [Reserved]

Subpart D—Responsibilities of Department of the Treasury Awarding Officials

§ 20.400 What are my responsibilities as a(n) Department of the Treasury awarding official?

As a(n) Department of the Treasury awarding official, you must obtain each recipient's agreement, as a condition of the award, to comply with the requirements in—

(a) Subpart B of this part, if the recipient is not an individual; or

(b) Subpart C of this part, if the recipient is an individual.

Subpart E—Violations of this Part and Consequences

§ 20.500 How are violations of this part determined for recipients other than individuals?

A recipient other than an individual is in violation of the requirements of this part if the Secretary of the Treasury determines, in writing, that—

(a) The recipient has violated the requirements of subpart B of this part; or

(b) The number of convictions of the recipient's employees for violating criminal drug statutes in the workplace is large enough to indicate that the recipient has failed to make a good faith effort to provide a drug-free workplace.

§ 20.505 How are violations of this part determined for recipients who are individuals?

An individual recipient is in violation of the requirements of this part if the Secretary of the Treasury determines, in writing, that—

(a) The recipient has violated the requirements of subpart C of this part; or

(b) The recipient is convicted of a criminal drug offense resulting from a violation occurring during the conduct of any award activity.

§ 20.510 What actions will the Federal Government take against a recipient determined to have violated this part?

If a recipient is determined to have violated this part, as described in § 20.500 or § 20.505, the Department of the Treasury may take one or more of the following actions—

(a) Suspension of payments under the award;

(b) Suspension or termination of the award; and

(c) Suspension or debarment of the recipient under 22 CFR part 19, for a period not to exceed five years.

§ 20.515 Are there any exceptions to those actions?

The Secretary of the Treasury may waive with respect to a particular award, in writing, a suspension of payments under an award, suspension or termination of an award, or suspension or debarment of a recipient if the Secretary of the Treasury determines that such a waiver would be in the public interest. This exception authority cannot be delegated to any other official.

Subpart F—Definitions

§ 20.605 Award.

Award means an award of financial assistance by the Department of the Treasury or other Federal agency directly to a recipient.

(a) The term award includes:

(1) A Federal grant or cooperative agreement, in the form of money or property in lieu of money.

(2) [Reserved]

(b) The term award does not include:

(1) Technical assistance that provides services instead of money.

(2) Loans.

(3) Loan guarantees.

(4) Interest subsidies.

(5) Insurance.

(6) Direct appropriations.

(7) Veterans' benefits to individuals (*i.e.*, any benefit to veterans, their families, or survivors by virtue of the service of a veteran in the Armed Forces of the United States).

§ 20.610 Controlled substance.

Controlled substance means a controlled substance in schedules I through V of the Controlled Substances Act (21 U.S.C. 812), and as further defined by regulation at 21 CFR 1308.11 through 1308.15.

§ 20.615 Conviction.

Conviction means a finding of guilt (including a plea of nolo contendere) or imposition of sentence, or both, by any judicial body charged with the responsibility to determine violations of the Federal or State criminal drug statutes.

§ 20.620 Cooperative agreement.

Cooperative agreement means an award of financial assistance that, consistent with 31 U.S.C. 6305, is used to enter into the same kind of relationship as a grant (see definition of grant in § 20.650), except that substantial involvement is expected between the Federal agency and the recipient when carrying out the activity contemplated

by the award. The term does not include cooperative research and development agreements as defined in 15 U.S.C. 3710a.

§ 20.625 Criminal drug statute.

Criminal drug statute means a Federal or non-Federal criminal statute involving the manufacture, distribution, dispensing, use, or possession of any controlled substance.

§ 20.630 Debarment.

Debarment means an action taken by a Federal agency to prohibit a recipient from participating in Federal Government procurement contracts and covered nonprocurement transactions. A recipient so prohibited is debarred, in accordance with the Federal Acquisition Regulation for procurement contracts (48 CFR part 9, subpart 9.4) and the common rule, Government-wide Debarment and Suspension (Nonprocurement), that implements Executive Order 12549 and Executive Order 12689.

§ 20.635 Drug-free workplace.

Drug-free workplace means a site for the performance of work done in connection with a specific award at which employees of the recipient are prohibited from engaging in the unlawful manufacture, distribution, dispensing, possession, or use of a controlled substance.

§ 20.640 Employee.

(a) *Employee* means the employee of a recipient directly engaged in the performance of work under the award, including—

(1) All direct charge employees;

(2) All indirect charge employees, unless their impact or involvement in the performance of work under the award is insignificant to the performance of the award; and

(3) Temporary personnel and consultants who are directly engaged in the performance of work under the award and who are on the recipient's payroll.

(b) This definition does not include workers not on the payroll of the recipient (e.g., volunteers, even if used to meet a matching requirement; consultants or independent contractors not on the payroll; or employees of subrecipients or subcontractors in covered workplaces).

§ 20.645 Federal agency or agency.

Federal agency or agency means any United States executive department, military department, government corporation, government controlled corporation, any other establishment in the executive branch (including the Executive Office of the President), or any independent regulatory agency.

§ 20.650 Grant.

Grant means an award of financial assistance that, consistent with 31 U.S.C. 6304, is used to enter into a relationship—

(a) The principal purpose of which is to transfer a thing of value to the recipient to carry out a public purpose of support or stimulation authorized by a law of the United States, rather than to acquire property or services for the Federal Government's direct benefit or use; and

(b) In which substantial involvement is not expected between the Federal agency and the recipient when carrying out the activity contemplated by the award.

§ 20.655 Individual.

Individual means a natural person.

§ 20.660 Recipient.

Recipient means any individual, corporation, partnership, association, unit of government (except a Federal agency) or legal entity, however organized, that receives an award directly from a Federal agency.

§ 20.665 State.

State means any of the States of the United States, the District of Columbia, the Commonwealth of Puerto Rico, or any territory or possession of the United States.

§ 20.670 Suspension.

Suspension means an action taken by a Federal agency that immediately prohibits a recipient from participating in Federal Government procurement contracts and covered nonprocurement transactions for a temporary period, pending completion of

an investigation and any judicial or administrative proceedings that may ensue. A recipient so prohibited is suspended, in accordance with the Federal Acquisition Regulation for procurement contracts (48 CFR part 9, subpart 9.4) and the common rule, Government-wide Debarment and Suspension (Nonprocurement), that implements Executive Order 12549 and Executive Order 12689. Suspension of a recipient is a distinct and separate action from suspension of an award or suspension of payments under an award.

PART 21—NEW RESTRICTIONS ON LOBBYING

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APPENDIX A TO PART 21—CERTIFICATION REGARDING LOBBYING
APPENDIX B TO PART 21—DISCLOSURE FORM TO REPORT LOBBYING

AUTHORITY: Sec. 319, Pub. L. 101–121 (31 U.S.C. 1352); 31 U.S.C. 321.

SOURCE: 55 FR 6737, 6751, Feb. 26, 1990, unless otherwise noted.

CROSS REFERENCE: See also Office of Management and Budget notice published at 54 FR 52306, December 20, 1989.

Subpart A—General

§ 21.100 Conditions on use of funds.

(a) No appropriated funds may be expended by the recipient of a Federal contract, grant, loan, or cooperative ageement to pay any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with any of the following covered Federal actions: the awarding of any Federal contract, the making of any Federal grant, the making of any Federal loan, the entering into of any cooperative agreement, and the extension, continuation, renewal, amendment, or modification of any Federal contract, grant, loan, or cooperative agreement.

(b) Each person who requests or receives from an agency a Federal contract, grant, loan, or cooperative agreement shall file with that agency a certification, set forth in appendix A, that the person has not made, and will not make, any payment prohibited by paragraph (a) of this section.

(c) Each person who requests or receives from an agency a Federal contract, grant, loan, or a cooperative agreement shall file with that agency a disclosure form, set forth in appendix B, if such person has made or has agreed to make any payment using nonappropriated funds (to include profits from any covered Federal action), which would be prohibited under paragraph (a) of this section if paid for with appropriated funds.

(d) Each person who requests or receives from an agency a commitment providing for the United States to insure or guarantee a loan shall file with that agency a statement, set forth in appendix A, whether that person has made or has agreed to make any payment to influence or attempt to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with that loan insurance or guarantee.

(e) Each person who requests or receives from an agency a commitment providing for the United States to insure or guarantee a loan shall file with

that agency a disclosure form, set forth in appendix B, if that person has made or has agreed to make any payment to influence or attempt to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with that loan insurance or guarantee.

§ 21.105 Definitions.

For purposes of this part:

(a) *Agency*, as defined in 5 U.S.C. 552(f), includes Federal executive departments and agencies as well as independent regulatory commissions and Government corporations, as defined in 31 U.S.C. 9101(1).

(b) *Covered Federal action* means any of the following Federal actions:

(1) The awarding of any Federal contract;

(2) The making of any Federal grant;

(3) The making of any Federal loan;

(4) The entering into of any cooperative agreement; and,

(5) The extension, continuation, renewal, amendment, or modification of any Federal contract, grant, loan, or cooperative agreement.

Covered Federal action does not include receiving from an agency a commitment providing for the United States to insure or guarantee a loan. Loan guarantees and loan insurance are addressed independently within this part.

(c) *Federal contract* means an acquisition contract awarded by an agency, including those subject to the Federal Acquisition Regulation (FAR), and any other acquisition contract for real or personal property or services not subject to the FAR.

(d) *Federal cooperative agreement* means a cooperative agreement entered into by an agency.

(e) *Federal grant* means an award of financial assistance in the form of money, or property in lieu of money, by the Federal Government or a direct appropriation made by law to any person. The term does not include technical assistance which provides services instead of money, or other assistance in the form of revenue sharing, loans, loan guarantees, loan insurance, interest subsidies, insurance, or direct United States cash assistance to an individual.

(f) *Federal loan* means a loan made by an agency. The term does not include loan guarantee or loan insurance.

(g) *Indian tribe* and *tribal organization* have the meaning provided in section 4 of the Indian Self-Determination and Education Assistance Act (25 U.S.C. 450B). Alaskan Natives are included under the definitions of Indian tribes in that Act.

(h) *Influencing or attempting to influence* means making, with the intent to influence, any communication to or appearance before an officer or employee or any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with any covered Federal action.

(i) *Loan guarantee* and *loan insurance* means an agency's guarantee or insurance of a loan made by a person.

(j) *Local government* means a unit of government in a State and, if chartered, established, or otherwise recognized by a State for the performance of a governmental duty, including a local public authority, a special district, an intrastate district, a council of governments, a sponsor group representative organization, and any other instrumentality of a local government.

(k) *Officer or employee of an agency* includes the following individuals who are employed by an agency:

(1) An individual who is appointed to a position in the Government under title 5, U.S. Code, including a position under a temporary appointment;

(2) A member of the uniformed services as defined in section 101(3), title 37, U.S. Code;

(3) A special Government employee as defined in section 202, title 18, U.S. Code; and,

(4) An individual who is a member of a Federal advisory committee, as defined by the Federal Advisory Committee Act, title 5, U.S. Code appendix 2.

(l) *Person* means an individual, corporation, company, association, authority, firm, partnership, society, State, and local government, regardless of whether such entity is operated for profit or not for profit. This term

excludes an Indian tribe, tribal organization, or any other Indian organization with respect to expenditures specifically permitted by other Federal law.

(m) *Reasonable compensation* means, with respect to a regularly employed officer or employee of any person, compensation that is consistent with the normal compensation for such officer or employee for work that is not furnished to, not funded by, or not furnished in cooperation with the Federal Government.

(n) *Reasonable payment* means, with respect to perfessional and other technical services, a payment in an amount that is consistent with the amount normally paid for such services in the private sector.

(o) *Recipient* includes all contractors, subcontractors at any tier, and subgrantees at any tier of the recipient of funds received in connection with a Federal contract, grant, loan, or cooperative agreement. The term excludes an Indian tribe, tribal organization, or any other Indian organization with respect to expenditures specifically permitted by other Federal law.

(p) *Regularly employed* means, with respect to an officer or employee of a person requesting or receiving a Federal contract, grant, loan, or cooperative agreement or a commitment providing for the United States to insure or guarantee a loan, an officer or employee who is employed by such person for at least 130 working days within one year immediately preceding the date of the submission that initiates agency consideration of such person for receipt of such contract, grant, loan, cooperative agreement, loan insurance commitment, or loan guarantee commitment. An officer or employee who is employed by such person for less than 130 working days within one year immediately preceding the date of the submission that initiates agency consideration of such person shall be considered to be regularly employed as soon as he or she is employed by such person for 130 working days.

(q) *State* means a State of the United States, the District of Columbia, the Commonwealth of Puerto Rico, a territory or possession of the United States, an agency or instrumentality of a State, and a multi-State, regional, or interstate entity having governmental duties and powers.

§ 21.110 Certification and disclosure.

(a) Each person shall file a certification, and a disclosure form, if required, with each submission that initiates agency consideration of such person for:

(1) Award of a Federal contract, grant, or cooperative agreement exceeding $100,000; or

(2) An award of a Federal loan or a commitment providing for the United States to insure or guarantee a loan exceeding $150,000.

(b) Each person shall file a certification, and a disclosure form, if required, upon receipt by such person of:

(1) A Federal contract, grant, or cooperative agreement exceeding $100,000; or

(2) A Federal loan or a commitment providing for the United States to insure or guarantee a loan exceeding $150,000, unless such person previously filed a certification, and a disclosure form, if required, under paragraph (a) of this section.

(c) Each person shall file a disclosure form at the end of each calendar quarter in which there occurs any event that requires disclosure or that materially affects the accuracy of the information contained in any disclosure form previously filed by such person under paragraph (a) or (b) of this section. An event that materially affects the accuracy of the information reported includes:

(1) A cumulative increase of $25,000 or more in the amount paid or expected to be paid for influencing or attempting to influence a covered Federal action; or

(2) A change in the person(s) or individual(s) influencing or attempting to influence a covered Federal action; or,

(3) A change in the officer(s), employee(s), or Member(s) contacted to influence or attempt to influence a covered Federal action.

(d) Any person who requests or receives from a person referred to in paragraph (a) or (b) of this section:

(1) A subcontract exceeding $100,000 at any tier under a Federal contract;

(2) A subgrant, contract, or subcontract exceeding $100,000 at any tier under a Federal grant;

(3) A contract or subcontract exceeding $100,000 at any tier under a Federal loan exceeding $150,000; or,

(4) A contract or subcontract exceeding $100,000 at any tier under a Federal cooperative agreement, shall file a certification, and a disclosure form, if required, to the next tier above.

(e) All disclosure forms, but not certifications, shall be forwarded from tier to tier until received by the person referred to in paragraph (a) or (b) of this section. That person shall forward all disclosure forms to the agency.

(f) Any certification or disclosure form filed under paragraph (e) of this section shall be treated as a material representation of fact upon which all receiving tiers shall rely. All liability arising from an erroneous representation shall be borne solely by the tier filing that representation and shall not be shared by any tier to which the erroneous representation is forwarded. Submitting an erroneous certification or disclosure constitutes a failure to file the required certification or disclosure, respectively. If a person fails to file a required certification or disclosure, the United States may pursue all available remedies, including those authorized by section 1352, title 31, U.S. Code.

(g) For awards and commitments in process prior to December 23, 1989, but not made before that date, certifications shall be required at award or commitment, covering activities occurring between December 23, 1989, and the date of award or commitment. However, for awards and commitments in process prior to the December 23, 1989 effective date of these provisions, but not made before December 23, 1989, disclosure forms shall not be required at time of award or commitment but shall be filed within 30 days.

(h) No reporting is required for an activity paid for with appropriated funds if that activity is allowable under either subpart B or C.

Subpart B—Activities by Own Employees

§ 21.200 Agency and legislative liaison.

(a) The prohibition on the use of appropriated funds, in § 21.100 (a), does not apply in the case of a payment of reasonable compensation made to an officer or employee of a person requesting or receiving a Federal contract, grant, loan, or cooperative agreement if the payment is for agency and legislative liaison activities not directly related to a covered Federal action.

(b) For purposes of paragraph (a) of this section, providing any information specifically requested by an agency or Congress is allowable at any time.

(c) For purposes of paragraph (a) of this section, the following agency and legislative liaison activities are allowable at any time only where they are not related to a specific solicitation for any covered Federal action:

(1) Discussing with an agency (including individual demonstrations) the qualities and characteristics of the person's products or services, conditions or terms of sale, and service capabilities; and,

(2) Technical discussions and other activities regarding the application or adaptation of the person's products or services for an agency's use.

(d) For purposes of paragraph (a) of this section, the following agencies and legislative liaison activities are allowable only where they are prior to formal solicitation of any covered Federal action:

(1) Providing any information not specifically requested but necessary for an agency to make an informed decision about initiation of a covered Federal action;

(2) Technical discussions regarding the preparation of an unsolicited proposal prior to its official submission; and,

(3) Capability presentations by persons seeking awards from an agency pursuant to the provisions of the Small Business Act, as amended by Pub. L. 95–507 and other subsequent amendments.

(e) Only those activities expressly authorized by this section are allowable under this section.

§ 21.205 Professional and technical services.

(a) The prohibition on the use of appropriated funds, in § 21.100 (a), does not apply in the case of a payment of reasonable compensation made to an officer or employee of a person requesting or receiving a Federal contract, grant, loan, or cooperative agreement or an extension, continuation, renewal, amendment, or modification of a Federal contract, grant, loan, or cooperative agreement if payment is for professional or technical services rendered directly in the preparation, submission, or negotiation of any bid, proposal, or application for that Federal contract, grant, loan, or cooperative agreement or for meeting requirements imposed by or pursuant to law as a condition for receiving that Federal contract, grant, loan, or cooperative agreement.

(b) For purposes of paragraph (a) of this section, ''professional and technical services'' shall be limited to advice and analysis directly applying any professional or technical discipline. For example, drafting of a legal document accompanying a bid or proposal by a lawyer is allowable. Similarly, technical advice provided by an engineer on the performance or operational capability of a piece of equipment rendered directly in the negotiation of a contract is allowable. However, communications with the intent to influence made by a professional (such as a licensed lawyer) or a technical person (such as a licensed accountant) are not allowable under this section unless they provide advice and analysis directly applying their professional or technical expertise and unless the advice or analysis is rendered directly and solely in the preparation, submission or negotiation of a covered Federal action. Thus, for example, communications with the intent to influence made by a lawyer that do not provide legal advice or analysis directly and solely related to the legal aspects of his or her client's proposal, but generally advocate one proposal over another are not allowable under this section because the lawyer is not providing professional legal services. Similarly, communications with the intent to influence made by an engineer providing an engineering analysis prior to the preparation or submission of a bid or proposal are not allowable under this section since the engineer is providing technical services but not directly in the preparation, submission or negotiation of a covered Federal action.

(c) Requirements imposed by or pursuant to law as a condition for receiving a covered Federal award include those required by law or regulation, or reasonably expected to be required by law or regulation, and any other requirements in the actual award documents.

(d) Only those services expressly authorized by this section are allowable under this section.

§ 21.210 Reporting.

No reporting is required with respect to payments of reasonable compensation made to regularly employed officers or employees of a person.

Subpart C—Activities by Other Than Own Employees

§ 21.300 Professional and technical services.

(a) The prohibition on the use of appropriated funds, in § 21.100 (a), does not apply in the case of any reasonable payment to a person, other than an officer or employee of a person requesting or receiving a covered Federal action, if the payment is for professional or technical services rendered directly in the preparation, submission, or negotiation of any bid, proposal, or application for that Federal contract, grant, loan, or cooperative agreement or for meeting requirements imposed by or pursuant to law as a condition for receiving that Federal contract, grant, loan, or cooperative agreement.

(b) The reporting requirements in § 21.110 (a) and (b) regarding filing a disclosure form by each person, if required, shall not apply with respect to professional or technical services rendered directly in the preparation, submission, or negotiation of any commitment providing for the United States to insure or guarantee a loan.

(c) For purposes of paragraph (a) of this section, ''professional and technical services'' shall be limited to advice and analysis directly applying any professional or technical discipline. For example, drafting or a legal document accompanying a bid or proposal by a lawyer is allowable. Similarly, technical advice provided by an engineer on the performance or operational capability of a piece of equipment rendered directly in the negotiation of a contract is allowable. However, communications with the intent to influence made by a professional (such as a licensed lawyer) or a technical person (such as a licensed accountant) are not allowable under this section unless they provide advice and analysis directly applying their professional or technical expertise and unless the advice or analysis is rendered directly and solely in the preparation, submission or negotiation of a covered Federal action. Thus, for example, communications with the intent to influence made by a lawyer that do not provide legal advice or analysis directly and solely related to the legal aspects of his or her client's proposal, but generally advocate one proposal over another are not allowable under this section because the lawyer is not providing professional legal services. Similarly, communications with the intent to influence made by an engineer providing an engineering analysis prior to the preparation or submission of a bid or proposal are not allowable under this section since the engineer is providing technical services but not directly in the preparation, submission or negotiation of a covered Federal action.

(d) Requirements imposed by or pursuant to law as a condition for receiving a covered Federal award include those required by law or regulation, or reasonably expected to be required by law or regulation, and any other requirements in the actual award documents.

(e) Persons other than officers or employees of a person requesting or receiving a covered Federal action include consultants and trade associations.

(f) Only those services expressly authorized by this section are allowable under this section.

Subpart D—Penalties and Enforcement

§ 21.400 Penalties.

(a) Any person who makes an expenditure prohibited herein shall be subject to a civil penalty of not less than $10,000 and not more than $100,000 for each such expenditure.

(b) Any person who fails to file or amend the disclosure form (see Appendix B) to be filed or amended if required herein, shall be subject to a civil penalty of not less than $10,000 and not more than $100,000 for each such failure.

(c) A filing or amended filing on or after the date on which an administrative action for the imposition of a civil penalty is commenced does not prevent the imposition of such civil penalty for a failure occurring before that date. An administrative action is commenced with respect to a failure when an investigating official determines in writing to commence an investigation of an allegation of such failure.

(d) In determining whether to impose a civil penalty, and the amount of any such penalty, by reason of a violation by any person, the agency shall consider the nature, circumstances, extent, and gravity of the violation, the effect on the ability of such person to continue in business, any prior violations by such person, the degree of culpability of such person, the ability of the person to pay the penalty, and such other matters as may be appropriate.

(e) First offenders under paragraphs (a) or (b) of this section shall be subject to a civil penalty of $10,000, absent aggravating circumstances. Second and subsequent offenses by persons shall be subject to an appropriate civil penalty between $10,000 and $100,000, as determined by the agency head or his or her designee.

(f) An imposition of a civil penalty under this section does not prevent the United States from seeking any other remedy that may apply to the same conduct that is the basis for the imposition of such civil penalty.

§ 21.405 Penalty procedures.

Agencies shall impose and collect civil penalties pursuant to the provisions of the Program Fraud and Civil Remedies Act, 31 U.S.C. sections 3803 (except subsection (c)), 3804, 3805, 3806, 3807, 3808, and 3812, insofar as these provisions are not inconsistent with the requirements herein.

§ 21.410 Enforcement.

The head of each agency shall take such actions as are necessary to ensure that the provisions herein are vigorously implemented and enforced in that agency.

Subpart E—Exemptions

§ 21.500 Secretary of Defense.

(a) The Secretary of Defense may exempt, on a case-by-case basis, a covered Federal action from the prohibition whenever the Secretary determines, in writing, that such an exemption is in the national interest. The Secretary shall transmit a copy of each such written exemption to Congress immediately after making such a determination.

(b) The Department of Defense may issue supplemental regulations to implement paragraph (a) of this section.

Subpart F—Agency Reports

§ 21.600 Semi-annual compilation.

(a) The head of each agency shall collect and compile the disclosure reports (see appendix B) and, on May 31 and November 30 of each year, submit to the Secretary of the Senate and the Clerk of the House of Representatives a report containing a compilation of the information contained in the disclosure reports received during the six-month period ending on March 31 or September 30, respectively, of that year.

(b) The report, including the compilation, shall be available for public inspection 30 days after receipt of the report by the Secretary and the Clerk.

(c) Information that involves intelligence matters shall be reported only to the Select Committee on Intelligence of the Senate, the Permanent Select Committee on Intelligence of the House of Representatives, and the Committees on Appropriations of the Senate and the House of Representatives in accordance with procedures agreed to by such committees. Such information shall not be available for public inspection.

(d) Information that is classified under Executive Order 12356 or any successor order shall be reported only to the Committee on Foreign Relations of the Senate and the Committee on Foreign Affairs of the House of Representatives or the Committees on Armed Services of the Senate and the House of Representatives (whichever such committees have jurisdiction of matters involving such information) and to the Committees on Appropriations of the Senate and the House of Representatives in accordance with procedures agreed to by such committees. Such information shall not be available for public inspection.

(e) The first semi-annual compilation shall be submitted on May 31, 1990, and shall contain a compilation of the disclosure reports received from December 23, 1989 to March 31, 1990.

(f) Major agencies, designated by the Office of Management and Budget (OMB), are required to provide machine-readable compilations to the Secretary of the Senate and the Clerk of the House of Representatives no later than with the compilations due on May 31, 1991. OMB shall provide detailed specifications in a memorandum to these agencies.

(g) Non-major agencies are requested to provide machine-readable compilations to the Secretary of the Senate and the Clerk of the House of Representatives.

(h) Agencies shall keep the originals of all disclosure reports in the official files of the agency.

§ 21.605 Inspector General report.

(a) The Inspector General, or other official as specified in paragraph (b) of this section, of each agency shall prepare and submit to Congress each year, commencing with submission of the President's Budget in 1991, an evaluation of the compliance of that agency with, and the effectiveness of, the requirements herein. The evaluation may include any recommended changes that

may be necessary to strengthen or improve the requirements.

(b) In the case of an agency that does not have an Inspector General, the agency official comparable to an Inspector General shall prepare and submit the annual report, or, if there is no such comparable official, the head of the agency shall prepare and submit the annual report.

(c) The annual report shall be submitted at the same time the agency submits its annual budget justifications to Congress.

(d) The annual report shall include the following: All alleged violations relating to the agency's covered Federal actions during the year covered by the report, the actions taken by the head of the agency in the year covered by the report with respect to those alleged violations and alleged violations in previous years, and the amounts of civil penalties imposed by the agency in the year covered by the report.

APPENDIX A TO PART 21—CERTIFICATION REGARDING LOBBYING

Certification for Contracts, Grants, Loans, and Cooperative Agreements

The undersigned certifies, to the best of his or her knowledge and belief, that:

(1) No Federal appropriated funds have been paid or will be paid, by or on behalf of the undersigned, to any person for influencing or attempting to influence an officer or employee of an agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with the awarding of any Federal contract, the making of any Federal grant, the making of any Federal loan, the entering into of any cooperative agreement, and the extension, continuation, renewal, amendment, or modification of any Federal contract, grant, loan, or cooperative agreement.

(2) If any funds other than Federal appropriated funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with this Federal contract, grant, loan, or cooperative agreement, the undersigned shall complete and submit Standard Form-LLL, ''Disclosure Form to Report Lobbying,'' in accordance with its instructions.

(3) The undersigned shall require that the language of this certification be included in the award documents for all subawards at all tiers (including subcontracts, subgrants, and contracts under grants, loans, and cooperative agreements) and that all subrecipients shall certify and disclose accordingly.

This certification is a material representation of fact upon which reliance was placed when this transaction was made or entered into. Submission of this certification is a prerequisite for making or entering into this transaction imposed by section 1352, title 31, U.S. Code. Any person who fails to file the required certification shall be subject to a civil penalty of not less than $10,000 and not more than $100,000 for each such failure.

Statement for Loan Guarantees and Loan Insurance

The undersigned states, to the best of his or her knowledge and belief, that:

If any funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with this commitment providing for the United States to insure or guarantee a loan, the undersigned shall complete and submit Standard Form-LLL, ''Disclosure Form to Report Lobbying,'' in accordance with its instructions.

Submission of this statement is a prerequisite for making or entering into this transaction imposed by section 1352, title 31, U.S. Code. Any person who fails to file the required statement shall be subject to a civil penalty of not less than $10,000 and not more than $100,000 for each such failure.

APPENDIX B TO PART 21—DISCLOSURE FORM TO REPORT LOBBYING

DISCLOSURE OF LOBBYING ACTIVITIES

Approved by OMB
0348-0046

Complete this form to disclose lobbying activities pursuant to 31 U.S.C. 1352
(See reverse for public burden disclosure.)

1. Type of Federal Action: ☐ a. contract b. grant c. cooperative agreement d. loan e. loan guarantee f. loan insurance	**2. Status of Federal Action:** ☐ a. bid/offer/application b. initial award c. post-award	**3. Report Type:** ☐ a. initial filing b. material change **For Material Change Only:** year _____ quarter _____ date of last report _____
4. Name and Address of Reporting Entity: ☐ Prime ☐ Subawardee Tier _____, *if known*: **Congressional District,** *if known*:	**5. If Reporting Entity in No. 4 is Subawardee, Enter Name and Address of Prime:** **Congressional District,** *if known*:	
6. Federal Department/Agency:	**7. Federal Program Name/Description:** CFDA Number, *if applicable*: _____	
8. Federal Action Number, *if known*:	**9. Award Amount,** *if known*: $	
10. a. Name and Address of Lobbying Entity *(if individual, last name, first name, MI)*:	**b. Individuals Performing Services** *(including address if different from No. 10a) (last name, first name, MI)*:	
(attach Continuation Sheet(s) SF-LLL-A, if necessary)		
11. Amount of Payment *(check all that apply)*: $ _____ ☐ actual ☐ planned	**13. Type of Payment** *(check all that apply)*: ☐ a. retainer ☐ b. one-time fee ☐ c. commission ☐ d. contingent fee ☐ e. deferred ☐ f. other; specify: _____	
12. Form of Payment *(check all that apply)*: ☐ a. cash ☐ b. in-kind; specify: nature _____ value _____		
14. Brief Description of Services Performed or to be Performed and Date(s) of Service, including officer(s), employee(s), or Member(s) contacted, for Payment Indicated in Item 11: *(attach Continuation Sheet(s) SF-LLL-A, if necessary)*		
15. Continuation Sheet(s) SF-LLL-A attached: ☐ Yes ☐ No		
16. Information requested through this form is authorized by title 31 U.S.C. section 1352. This disclosure of lobbying activities is a material representation of fact upon which reliance was placed by the tier above when this transaction was made or entered into. This disclosure is required pursuant to 31 U.S.C. 1352. This information will be reported to the Congress semi-annually and will be available for public inspection. Any person who fails to file the required disclosure shall be subject to a civil penalty of not less than $10,000 and not more than $100,000 for each such failure.	**Signature:** _____ **Print Name:** _____ **Title:** _____ **Telephone No.:** _____ **Date:** _____	
Federal Use Only:		**Authorized for Local Reproduction Standard Form - LLL**

INSTRUCTIONS FOR COMPLETION OF SF-LLL, DISCLOSURE OF LOBBYING ACTIVITIES

This disclosure form shall be completed by the reporting entity, whether subawardee or prime Federal recipient, at the initiation or receipt of a covered Federal action, or a material change to a previous filing, pursuant to title 31 U.S.C. section 1352. The filing of a form is required for each payment or agreement to make payment to any lobbying entity for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with a covered Federal action. Use the SF-LLL-A Continuation Sheet for additional information if the space on the form is inadequate. Complete all items that apply for both the initial filing and material change report. Refer to the implementing guidance published by the Office of Management and Budget for additional information.

1. Identify the type of covered Federal action for which lobbying activity is and/or has been secured to influence the outcome of a covered Federal action.
2. Identify the status of the covered Federal action.
3. Identify the appropriate classification of this report. If this is a followup report caused by a material change to the information previously reported, enter the year and quarter in which the change occurred. Enter the date of the last previously submitted report by this reporting entity for this covered Federal action.
4. Enter the full name, address, city, state and zip code of the reporting entity. Include Congressional District, if known. Check the appropriate classification of the reporting entity that designates if it is, or expects to be, a prime or subaward recipient. Identify the tier of the subawardee, e.g., the first subawardee of the prime is the 1st tier. Subawards include but are not limited to subcontracts, subgrants and contract awards under grants.
5. If the organization filing the report in item 4 checks "Subawardee", then enter the full name, address, city, state and zip code of the prime Federal recipient. Include Congressional District, if known.
6. Enter the name of the Federal agency making the award or loan commitment. Include at least one organizational level below agency name, if known. For example, Department of Transportation, United States Coast Guard.
7. Enter the Federal program name or description for the covered Federal action (item 1). If known, enter the full Catalog of Federal Domestic Assistance (CFDA) number for grants, cooperative agreements, loans, and loan commitments.
8. Enter the most appropriate Federal identifying number available for the Federal action identified in item 1 (e.g., Request for Proposal (RFP) number; Invitation for Bid (IFB) number; grant announcement number; the contract, grant, or loan award number; the application/proposal control number assigned by the Federal agency). Include prefixes, e.g., "RFP-DE-90-001."
9. For a covered Federal action where there has been an award or loan commitment by the Federal agency, enter the Federal amount of the award/loan commitment for the prime entity identified in item 4 or 5.
10. (a) Enter the full name, address, city, state and zip code of the lobbying entity engaged by the reporting entity identified in item 4 to influence the covered Federal action.

    (b) Enter the full names of the individual(s) performing services, and include full address if different from 10 (a). Enter Last Name, First Name, and Middle Initial (MI).
11. Enter the amount of compensation paid or reasonably expected to be paid by the reporting entity (item 4) to the lobbying entity (item 10). Indicate whether the payment has been made (actual) or will be made (planned). Check all boxes that apply. If this is a material change report, enter the cumulative amount of payment made or planned to be made.
12. Check the appropriate box(es). Check all boxes that apply. If payment is made through an in-kind contribution, specify the nature and value of the in-kind payment.
13. Check the appropriate box(es). Check all boxes that apply. If other, specify nature.
14. Provide a specific and detailed description of the services that the lobbyist has performed, or will be expected to perform, and the date(s) of any services rendered. Include all preparatory and related activity, not just time spent in actual contact with Federal officials. Identify the Federal official(s) or employee(s) contacted or the officer(s), employee(s), or Member(s) of Congress that were contacted.
15. Check whether or not a SF-LLL-A Continuation Sheet(s) is attached.
16. The certifying official shall sign and date the form, print his/her name, title, and telephone number.

Public reporting burden for this collection of information is estimated to average 30 mintues per response, including time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding the burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to the Office of Management and Budget, Paperwork Reduction Project (0348-0046), Washington, D.C. 20503.

DISCLOSURE OF LOBBYING ACTIVITIES
CONTINUATION SHEET

Approved by OMB
0348-0046

Reporting Entity: _____ **Page** _____ **of** _____

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Standard Form - LLL-A

PART 22—NONDISCRIMINATION ON THE BASIS OF RACE, COLOR, OR NATIONAL ORIGIN IN PROGRAMS OR ACTIVITIES RECEIVING FEDERAL FINANCIAL ASSISTANCE FROM THE DEPARTMENT OF THE TREASURY

Sec.
22.1 Purpose.
22.2 Application.
22.3 Definitions.
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22.8 Procedure for effecting compliance.
22.9 Hearings.
22.10 Decisions and notices.
22.11 Judicial review.
22.12 Effect on other regulations, forms, and instructions.
APPENDIX A TO PART 22—ACTIVITIES TO WHICH THIS PART APPLIES

AUTHORITY: 42 U.S.C. 2000d–2000d–7.

SOURCE: 81 FR 89855, Dec. 13, 2016, unless otherwise noted.

§ 22.1 Purpose.

The purpose of this part is to effectuate the provisions of Title VI of the Civil Rights Act of 1964 (Title VI) to the end that no person in the United States shall, on the grounds of race, color, or national origin, be excluded from participation in, be denied the benefits of, or be otherwise subjected to discrimination under any program or activity receiving federal financial assistance from the Department of the Treasury.

§ 22.2 Application.

(a) This part applies to any program for which federal financial assistance is authorized under a law administered by the Department, including the types of federal financial assistance listed in appendix A to this part. It also applies to money paid, property transferred, or other federal financial assistance extended after the effective date of this part pursuant to an application approved before that effective date. This part does not apply to:

(1) Any federal financial assistance by way of insurance or guaranty contracts;

(2) Any assistance to any individual who is the ultimate beneficiary; or

(3) Any employment practice, under any such program, of any employer, employment agency, or labor organization, except to the extent described in § 22.4(c). The fact that a type of federal financial assistance is not listed in appendix A to this part shall not mean, if Title VI is otherwise applicable, that a program is not covered. Other types of federal financial assistance under statutes now in force or hereinafter enacted may be added to appendix A to this part.

(b) In any program receiving federal financial assistance in the form, or for the acquisition, of real property or an interest in real property, to the extent that rights to space on, over, or under any such property are included as part of the program receiving that assistance, the nondiscrimination requirement of this part shall extend to any facility located wholly or in part in that space.

§ 22.3 Definitions.

As used in this part:

Applicant means a person who submits an application, request, or plan required to be approved by an official of the Department of the Treasury, or designee thereof, or by a primary recipient, as a condition to eligibility for federal financial assistance, and *application* means such an application, request, or plan.

Designated agency official means the Assistant Secretary for Management and his or her designee.

Facility includes all or any part of structures, equipment, or other real or personal property or interests therein, and the provision of facilities includes the construction, expansion, renovation, remodeling, alteration, or acquisition of facilities.

Federal financial assistance includes:

(1) Grants and loans of federal funds;

(2) The grant or donation of federal property and interests in property;

(3) The detail of federal personnel;

(4) The sale and lease of, and the permission to use (on other than a casual or transient basis), federal property or any interest in such property without

consideration or at a nominal consideration, or at a consideration which is reduced for the purpose of assisting the recipient, or in recognition of the public interest to be served by such sale or lease to the recipient; and

(5) Any federal agreement, arrangement, or other contract which has as one of its purposes the provision of assistance.

Primary recipient means any recipient that is authorized or required to extend federal financial assistance to another recipient.

Program or activity and *program* mean all of the operations of any entity described in the following paragraphs (1) through (4) of this definition, any part of which is extended federal financial assistance:

(1)(i) A department, agency, special purpose district, or other instrumentality of a State or of a local government; or

(ii) The entity of such state or local government that distributes such assistance and each such department or agency to which the assistance is extended, in the case of assistance to a State or local government;

(2)(i) A college, university, or other postsecondary institution, or a public system of higher education; or

(ii) A local educational agency (as defined in 20 U.S.C. 7801), system of vocational education, or other school system;

(3)(i) An entire corporation, partnership, or other private organization, or an entire sole proprietorship—

(A) If assistance is extended to such corporation, partnership, private organization, or sole proprietorship as a whole; or

(B) Which is principally engaged in the business of providing education, health care, housing, social services, or parks and recreation; or

(ii) The entire plant or other comparable, geographically separate facility to which federal financial assistance is extended, in the case of any other corporation, partnership, private organization or sole proprietorship; or

(4) Any other entity which is established by two or more of the entities described in the preceding paragraph (1), (2), or (3) of this definition.

Recipient may mean any State, territory, possession, the District of Columbia, or Puerto Rico, or any political subdivision thereof, or instrumentality thereof, any public or private agency, institution, or organization, or other entity, or any individual, in any State, territory, possession, the District of Columbia, or Puerto Rico, to whom federal financial assistance is extended, directly or through another recipient, including any successor, assignee, or transferee thereof, but such term does not include any ultimate beneficiary.

§ 22.4 Discrimination prohibited.

(a) *General.* No person in the United States shall, on the grounds of race, color, or national origin be excluded from participation in, be denied the benefits of, or be otherwise subjected to discrimination under, any program to which this part applies.

(b) *Specific discriminatory actions prohibited.* (1) A recipient to which this part applies may not, directly or through contractual or other arrangements, on the grounds of race, color, or national origin:

(i) Deny a person any service, financial aid, or other benefit provided under the program;

(ii) Provide any service, financial aid, or other benefit to a person which is different, or is provided in a different manner, from that provided to others under the program;

(iii) Subject a person to segregation or separate treatment in any matter related to his receipt of any service, financial aid, or other benefit under the program;

(iv) Restrict a person in any way in the enjoyment of any advantage or privilege enjoyed by others receiving any service, financial aid, or other benefit under the program;

(v) Treat a person differently from others in determining whether he satisfies any admission, enrollment, quota, eligibility, membership, or other requirement or condition which persons must meet in order to be provided any service, financial aid, or other benefit provided under the program;

(vi) Deny a person an opportunity to participate in the program through the

provision of services or otherwise to afford him an opportunity to do so which is different from that afforded others under the program (including the opportunity to participate in the program as a volunteer or as an employee, but only to the extent set forth in paragraph (c) of this section); or

(vii) Deny a person the opportunity to participate as a member of a planning, advisory, or similar body which is an integral part of the program.

(2) A recipient, in determining the types of services, financial aid, or other benefits, or facilities which will be provided under any such program, or the class of persons to whom, or the situations in which, such services, financial aid, other benefits, or facilities will be provided under any such program, or the class of persons to be afforded an opportunity to participate in any such program, may not, directly or through contractual or other arrangements, use criteria or methods of administration which have the effect of subjecting persons to discrimination because of their race, color, or national origin or have the effect of defeating or substantially impairing accomplishment of the objectives of the program with respect to individuals of a particular race, color, or national origin.

(3) In determining the site or location of facilities, a recipient or applicant may not make selections with the purpose or effect of excluding persons from, denying them the benefits of, or subjecting them to discrimination under any program to which this regulation applies, on the grounds of race, color, or national origin; or with the purpose or effect of defeating or substantially impairing the accomplishment of the objectives of Title VI or this part.

(4) As used in this section the services, financial aid, or other benefits provided under a program receiving federal financial assistance include any service, financial aid, or other benefit provided in or through a facility provided with the aid of federal financial assistance.

(5) The enumeration of specific forms of prohibited discrimination in this paragraph does not limit the generality of the prohibition in paragraph (a) of this section.

(6) This part does not prohibit the consideration of race, color, or national origin if the purpose and effect are to remove or overcome the consequences of practices or impediments which have restricted the availability of, or participation in, the program or activity receiving federal financial assistance, on the grounds of race, color, or national origin. Where prior discriminatory practice or usage tends, on the grounds of race, color, or national origin to exclude individuals from participation in, to deny them the benefits of, or to subject them to discrimination under any program or activity to which this part applies, the applicant or recipient must take affirmative action to remove or overcome the effects of the prior discriminatory practice or usage. Even in the absence of prior discriminatory practice or usage, a recipient in administering a program or activity to which this part applies, may take affirmative action to assure that no person is excluded from participation in or denied the benefits of the program or activity on the grounds of race, color, or national origin.

(c) *Employment practices.* (1) Where a primary objective of the federal financial assistance to a program to which this part applies is to provide employment, a recipient subject to this part shall not, directly or through contractual or other arrangements, subject a person to discrimination on the ground of race, color, or national origin in its employment practices under such program (including recruitment or recruitment advertising, hiring, firing, upgrading, promotion, demotion, transfer, layoff, termination, rates of pay or other forms of compensation or benefits, selection for training or apprenticeship, and use of facilities). Such recipient shall take affirmative action to insure that applicants are employed, and employees are treated during employment, without regard to their race, color, or national origin. The requirements applicable to construction employment under any such program shall be those specified in or pursuant to Part III of Executive Order 11246 or any Executive Order which supersedes it.

(2) Where a primary objective of the federal financial assistance is not to

provide employment, but discrimination on the grounds of race, color, or national origin in the employment practices of the recipient or other persons subject to the regulation tends, on the grounds of race, color, or national origin, to exclude individuals from participation in, deny them the benefits of, or subject them to discrimination under any program to which this regulation applies, the provisions of paragraph (c)(1) of this section shall apply to the employment practices of the recipient or other persons subject to the regulation, to the extent necessary to assure equality of opportunity to, and nondiscriminatory treatment of, beneficiaries.

§ 22.5 Assurances required.

(a) *General.* Either at the application stage or the award stage, federal agencies must ensure that applications for federal financial assistance or awards of federal financial assistance contain, be accompanied by, or be covered by a specifically identified assurance from the applicant or recipient, satisfactory to the designated agency official, that each program or activity operated by the applicant or recipient and to which these Title VI regulations apply will be operated in compliance with these Title VI regulations.

(b) *Duration of obligation.* (1) In the case where the federal financial assistance is to provide or is in the form of personal property, or real property or interest therein or structures thereon, the assurance shall obligate the recipient, or, in the case of a subsequent transfer, the transferee, for the period during which the property is used for a purpose for which the federal financial assistance is extended or for another purpose involving the provision of similar services or benefits, or for as long as the recipient retains ownership or possession of the property, whichever is longer. In all other cases the assurance shall obligate the recipient for the period during which federal financial assistance is extended to the program.

(2) In the case where federal financial assistance is provided in the form of a transfer of real property, structures, or improvements thereon, or interest therein, from the federal Government, the instrument effecting or recording the transfer shall contain a covenant running with the land assuring nondiscrimination for the period during which the real property is used for a purpose for which the federal financial assistance is extended or for another purpose involving the provision of similar services or benefits. Where no transfer of property or interest therein from the federal government is involved, but property is acquired or improved with federal financial assistance, the recipient shall agree to include such covenant in any subsequent transfer of such property. When the property is obtained from the federal government, such covenant may also include a condition coupled with a right to be reserved by the Department to revert title to the property in the event of a breach of the covenant where, in the discretion of the designated agency official, such a condition and right of reverter is appropriate to the statute under which the real property is obtained and to the nature of the grant and the grantee. In such event if a transferee of real property proposes to mortgage or otherwise encumber the real property as security for financing construction of new, or improvement of existing, facilities on such property for the purposes for which the property was transferred, the designated agency official may agree, upon request of the transferee and if necessary to accomplish such financing, and upon such conditions as the designated agency official deems appropriate, to subordinate such right of reversion to the lien of such mortgage or other encumbrance.

(c) *Continuing federal financial assistance.* Every application by a State or a State agency for continuing federal financial assistance to which this part applies (including the types of federal financial assistance listed in appendix A to this part) shall as a condition to its approval and the extension of any federal financial assistance pursuant to the application:

(1) Contain, be accompanied by, or be covered by a statement that the program is (or, in the case of a new program, will be) conducted in compliance with all requirements imposed by or pursuant to this part; and

(2) Provide, be accompanied by, or be covered by provision for such methods of administration for the program as are found by the designated agency official to give reasonable guarantee that the applicant and all recipients of federal financial assistance under such program will comply with all requirements imposed by or pursuant to this part.

(d) *Assurance from institutions.* (1) In the case of any application for federal financial assistance to an institution of higher education (including assistance for construction, for research, for special training projects, for student loans or for any other purpose), the assurance required by this section shall extend to admission practices and to all other practices relating to the treatment of students.

(2) The assurance required with respect to an institution of higher education, hospital, or any other institution, insofar as the assurance relates to the institution's practices with respect to admission or other treatment of individuals as students, patients, or clients of the institution or to the opportunity to participate in the provision of services or other benefits to such individuals, shall be applicable to the entire institution.

(e) *Form.* (1) The assurances required by paragraph (a) of this section, which may be included as part of a document that addresses other assurances or obligations, shall include that the applicant or recipient will comply with all applicable federal statutes relating to nondiscrimination. This includes but is not limited to Title VI of the Civil Rights Act of 1964, as amended, 42 U.S.C. 2000d, *et seq.*

(2) The designated agency official will specify the extent to which such assurances will be required of the applicant's or recipient's subgrantees, contractors, subcontractors, transferees, or successors in interest. Any such assurance shall include provisions which give the United States a right to seek its judicial enforcement.

§ 22.6 Compliance information.

(a) *Cooperation and assistance.* The designated Agency official shall to the fullest extent practicable seek the cooperation of recipients in obtaining compliance with this part and shall provide assistance and guidance to recipients to help them comply voluntarily with this part.

(b) *Compliance reports.* Each recipient shall keep such records and submit to the designated Agency official timely, complete, and accurate compliance reports at such times, and in such form and containing such information, as the designated Agency official may determine to be necessary to enable the designated Agency official to ascertain whether the recipient has complied or is complying with this part. In the case in which a primary recipient extends federal financial assistance to any other recipient, such other recipient shall also submit such compliance reports to the primary recipient as may be necessary to enable the primary recipient to carry out its obligations under this part. In general recipients should have available for the designated Agency official racial and ethnic data showing the extent to which members of minority groups are beneficiaries of programs receiving Federal financial assistance.

(c) *Access to sources of information.* Each recipient shall permit access by the designated Agency official during normal business hours to such of its books, records, accounts, and other sources of information, and its facilities as may be pertinent to ascertain compliance with this part. Where any information required of a recipient is in the exclusive possession of any other agency, institution, or person and this agency, institution, or person fails or refuses to furnish this information, the recipient shall so certify in its report and shall set forth what efforts it has made to obtain the information.

(d) *Information to beneficiaries and participants.* Each recipient shall make available to participants, beneficiaries, and other interested persons such information regarding the provisions of this part and its applicability to the program for which the recipient receives federal financial assistance, and make such information available to them in such manner, as the designated Agency official finds necessary to apprise such persons of the protections against discrimination assured them by Title VI and this part.

§ 22.7 Conduct of investigations.

(a) *Periodic compliance reviews.* The designated Agency official shall from time to time review the practices of recipients to determine whether they are complying with this part.

(b) *Complaints.* Any person who believes that he or she, or any specific class of persons, has been subjected to discrimination prohibited by this part may by himself or herself, or by a representative, file with the designated Agency official a written complaint. A complaint must be filed not later than 180 days after the date of the alleged discrimination, unless the time for filing is extended by the designated Agency official.

(c) *Investigations.* The designated Agency official will make a prompt investigation whenever a compliance review, report, complaint, or any other information indicates a possible failure to comply with this part. The investigation will include, where appropriate, a review of the pertinent practices and policies of the recipient, the circumstances under which the possible noncompliance with this part occurred, and other factors relevant to a determination as to whether the recipient has failed to comply with this part.

(d) *Resolution of matters.* (1) If an investigation pursuant to paragraph (c) of this section indicates a failure to comply with this part, the designated Agency official will so inform the recipient and the matter will be resolved by informal means whenever possible. If it has been determined that the matter cannot be resolved by informal means, action will be taken as provided for in § 22.8.

(2) If an investigation does not warrant action pursuant to paragraph (d)(1) of this section the designated Agency official will so inform the recipient and the complainant, if any, in writing.

(e) *Intimidatory or retaliatory acts prohibited.* No recipient or other person shall intimidate, threaten, coerce, or discriminate against any individual for the purpose of interfering with any right or privilege secured by section 601 of Title VI or this part, or because the individual has made a complaint, testified, assisted, or participated in any manner in an investigation, proceeding, or hearing under this part. The identity of complainants shall be kept confidential except to the extent necessary to carry out the purposes of this part, including the conduct of any investigation, hearing, or judicial proceeding arising thereunder.

§ 22.8 Procedure for effecting compliance.

(a) *General.* If there appears to be a failure or threatened failure to comply with this part, and if the noncompliance or threatened noncompliance cannot be corrected by informal means, compliance with this part may be effected by the suspension or termination of or refusal to grant or to continue federal financial assistance or by any other means authorized by law. Such other means may include, but are not limited to:

(1) A referral to the Department of Justice with a recommendation that appropriate proceedings be brought to enforce any rights of the United States under any law of the United States (including other titles of the Civil Rights Act of 1964), or any assurance or other contractual undertaking; and

(2) Any applicable proceeding under State or local law.

(b) *Noncompliance with § 22.5.* If an applicant fails or refuses to furnish an assurance required under § 22.5 or otherwise fails or refuses to comply with a requirement imposed by or pursuant to that section, federal financial assistance may be suspended, terminated, or refused in accordance with the procedures of paragraph (c) of this section. The Agency shall not be required to provide assistance in such a case during the pendency of the administrative proceedings under such paragraph. However, subject to § 22.12, the Agency shall continue assistance during the pendency of such proceedings where such assistance is due and payable pursuant to an application approved prior to the effective date of this part.

(c) *Termination of or refusal to grant or to continue federal financial assistance.* (1) No order suspending, terminating, or refusing to grant or continue federal financial assistance shall become effective until:

(i) The designated Agency official has advised the applicant or recipient of

the applicant's or recipient's failure to comply and has determined that compliance cannot be secured by voluntary means;

(ii) There has been an express finding on the record, after opportunity for hearing, of a failure by the applicant or recipient to comply with a requirement imposed by or pursuant to this part;

(iii) The action has been approved by the designated Agency official pursuant to § 22.10(e); and

(iv) The expiration of 30 days after the designated Agency official has filed with the committee of the House and the committee of the Senate having legislative jurisdiction over the program involved, a full written report of the circumstances and the grounds for such action.

(2) Any action to suspend or terminate or to refuse to grant or to continue federal financial assistance shall be limited to the particular political entity, or part thereof, or other applicant or recipient as to whom such a finding has been made and shall be limited in its effect to the particular program, or part thereof, in which such noncompliance has been so found.

(d) *Other means authorized by law.* No action to effect compliance with Title VI by any other means authorized by law shall be taken by the Department of the Treasury until:

(1) The designated Agency official has determined that compliance cannot be secured by voluntary means;

(2) The recipient or other person has been notified of its failure to comply and of the action to be taken to effect compliance; and

(3) The expiration of at least 10 days from the mailing of such notice to the recipient or other person. During this period of at least 10 days, additional efforts shall be made to persuade the recipient or other person to comply with the regulation and to take such corrective action as may be appropriate.

§ 22.9 Hearings.

(a) *Opportunity for hearing.* Whenever an opportunity for a hearing is required by § 22.8(c), reasonable notice shall be given by registered or certified mail, return receipt requested, to the affected applicant or recipient. This notice shall advise the applicant or recipient of the action proposed to be taken, the specific provision under which the proposed action against it is to be taken, and the matters of fact or law asserted as the basis for this action, and either:

(1) Fix a date not less than 20 days after the date of such notice within which the applicant or recipient may request of the designated agency official that the matter be scheduled for hearing; or

(2) Advise the applicant or recipient that the matter in question has been set for hearing at a stated place and time. The time and place so fixed shall be reasonable and shall be subject to change for cause. The complainant, if any, shall be advised of the time and place of the hearing. An applicant or recipient may waive a hearing and submit written information and argument for the record. The failure of an applicant or recipient to request a hearing under this paragraph or to appear at a hearing for which a date has been set shall be deemed to be a waiver of the right to a hearing under section 602 of Title VI and § 22.8(c) and consent to the making of a decision on the basis of such information as is available.

(b) *Time and place of hearing.* Hearings shall be held at the offices of the Department of the Treasury component administering the program, at a time fixed by the designated Agency official unless the designated Agency official determines that the convenience of the applicant or recipient or of the Agency requires that another place be selected. Hearings shall be held before the designated Agency official, or at designated Agency official's discretion, before a hearing examiner appointed in accordance with section 3105 of title 5, United States Code, or detailed under section 3344 of title 5, United States Code.

(c) *Right to counsel.* In all proceedings under this section, the applicant or recipient and the Agency shall have the right to be represented by counsel.

(d) *Procedures, evidence, and record.* (1) The hearing, decision, and any administrative review thereof shall be conducted in conformity with sections 554 through 557 of title 5, United States Code, and in accordance with such rules of procedure as are proper (and

not inconsistent with this section) relating to the conduct of the hearing, giving of notices subsequent to those provided for in paragraph (a) of this section, taking of testimony, exhibits, arguments and briefs, requests for findings, and other related matters. Both the designated Agency official and the applicant or recipient shall be entitled to introduce all relevant evidence on the issues as stated in the notice for hearing or as determined by the officer conducting the hearing at the outset of or during the hearing.

(2) Technical rules of evidence do not apply to hearings conducted pursuant to this part, but rules or principles designed to assure production of the most credible evidence available and to subject testimony to test by cross-examination shall be applied where determined reasonably necessary by the officer conducting the hearing. The hearing officer may exclude irrelevant, immaterial, or unduly repetitious evidence. All documents and other evidence offered or taken for the record shall be open to examination by the parties and opportunity shall be given to refute facts and arguments advanced on either side of the issues. A transcript shall be made of the oral evidence except to the extent the substance thereof is stipulated for the record. All decisions shall be based upon the hearing record and written findings shall be made.

(e) *Consolidated or joint hearings.* In cases in which the same or related facts are asserted to constitute noncompliance with this part with respect to two or more federal statutes, authorities, or other means by which federal financial assistance is extended and to which this part applies, or noncompliance with this part and the regulations of one or more other federal departments or agencies issued under Title VI, the designated Agency official may, by agreement with such other departments or agencies, where applicable, provide for the conduct of consolidated or joint hearings, and for the application to such hearings of rules or procedures not inconsistent with this part. Final decisions in such cases, insofar as this regulation is concerned, shall be made in accordance with § 22.10.

§ 22.10 Decisions and notices.

(a) *Procedure on decisions by hearing examiner.* If the hearing is held by a hearing examiner, the hearing examiner shall either make an initial decision, if so authorized, or certify the entire record including his recommended findings and proposed decision to the designated agency official for a final decision, and a copy of such initial decision or certification shall be mailed to the applicant or recipient. Where the initial decision is made by the hearing examiner the applicant or recipient may, within 30 days after the mailing of such notice of initial decision, file with the designated Agency official the applicant's or recipient's exceptions to the initial decision, with the reasons therefor. In the absence of exceptions, the designated Agency official may, on his or her own motion, within 45 days after the initial decision, serve on the applicant or recipient a notice that the designated Agency official will review the decision. Upon the filing of such exceptions or of notice of review, the designated Agency official shall review the initial decision and issue his or her own decision thereon including the reasons therefor. In the absence of either exceptions or a notice of review the initial decision shall, subject to paragraph (e) of this section, constitute the final decision of the designated Agency official.

(b) *Decisions on record or review by the designated Agency official.* Whenever a record is certified to the designated Agency official for decision or he or she reviews the decision of a hearing examiner pursuant to paragraph (a) of this section, or whenever the designated Agency official conducts the hearing, the applicant or recipient shall be given reasonable opportunity to file with the designated Agency official briefs or other written statements of its contentions, and a written copy of the final decision of the designated Agency official shall be sent to the applicant or recipient and to the complainant, if any.

(c) *Decisions on record where a hearing is waived.* Whenever a hearing is waived pursuant to § 22.9, a decision shall be made by the designated Agency official on the record and a written copy of

such decision shall be sent to the applicant or recipient, and to the complainant, if any.

(d) *Rulings required*. Each decision of a hearing examiner or the designated Agency official shall set forth his or her ruling on each finding, conclusion, or exception presented, and shall identify the requirement or requirements imposed by or pursuant to this part with which it is found that the applicant or recipient has failed to comply.

(e) *Approval by designated Agency official*. Any final decision by an official of the Agency, other than the designated Agency official personally, which provides for the suspension or termination of, or the refusal to grant or continue federal financial assistance, or the imposition of any other sanction available under this part or Title VI, shall promptly be transmitted to the designated Agency official personally, who may approve such decision, may vacate it, or remit or mitigate any sanction imposed.

(f) *Content of orders*. The final decision may provide for suspension or termination of, or refusal to grant or continue federal financial assistance, in whole or in part, to which this regulation applies, and may contain such terms, conditions, and other provisions as are consistent with and will effectuate the purposes of Title VI and this part, including provisions designed to assure that no federal financial assistance to which this regulation applies will thereafter be extended to the applicant or recipient determined by such decision to be in default in its performance of an assurance given by it pursuant to this part, or to have otherwise failed to comply with this part, unless and until it corrects its noncompliance and satisfies the designated Agency official that it will fully comply with this part.

(g) *Post termination proceedings*. (1) An applicant or recipient adversely affected by an order issued under paragraph (f) of this section shall be restored to full eligibility to receive federal financial assistance if it satisfies the terms and conditions of that order for such eligibility or if it brings itself into compliance with this part and provides reasonable assurance that it will fully comply with this part.

(2) Any applicant or recipient adversely affected by an order entered pursuant to paragraph (f) of this section may at any time request the designated Agency official to restore fully its eligibility to receive federal financial assistance. Any such request shall be supported by information showing that the applicant or recipient has met the requirements of paragraph (g)(1) of this section. If the designated Agency official determines that those requirements have been satisfied, he or she shall restore such eligibility.

(3) If the designated Agency official denies any such request, the applicant or recipient may submit a request for a hearing in writing, specifying why it believes such official to have been in error. It shall thereupon be given an expeditious hearing, with a decision on the record in accordance with rules or procedures issued by the designated Agency official. The applicant or recipient will be restored to such eligibility if it proves at such a hearing that it satisfied the requirements of paragraph (g)(1) of this section. While proceedings under this paragraph are pending, the sanctions imposed by the order issued under paragraph (f) of this section shall remain in effect.

§ 22.11 Judicial review.

Action taken pursuant to section 602 of the Title VI is subject to judicial review as provided in section 603 of the Title VI.

§ 22.12 Effect on other regulations, forms, and instructions.

(a) *Effect on other regulations*. All regulations, orders, or like directions issued before the effective date of this part by any officer of the Department of the Treasury which impose requirements designed to prohibit any discrimination against individuals on the grounds of race, color, or national origin under any program to which this part applies, and which authorize the suspension or termination of or refusal to grant or to continue federal financial assistance to any applicant for a recipient of such assistance for failure to comply with such requirements, are hereby superseded to the extent that such discrimination is prohibited by this part, except that nothing in this

part may be considered to relieve any person of any obligation assumed or imposed under any such superseded regulation, order, instruction, or like direction before the effective date of this part. Nothing in this part, however, supersedes any of the following (including future amendments thereof):

(1) Executive Order 11246 (3 CFR, 1965 Supp., p. 167) and regulations issued thereunder; or

(2) Any other orders, regulations, or instructions, insofar as such orders, regulations, or instructions prohibit discrimination on the ground of race, color, or national origin in any program or situation to which this part is inapplicable, or prohibit discrimination on any other ground.

(b) *Forms and instructions.* The designated Agency official shall issue and promptly make available to all interested persons forms and detailed instructions and procedures for effectuating this part as applied to programs to which this part applies and for which the designated Agency official is responsible.

(c) *Supervision and coordination.* The designated Agency official may from time to time assign to officials of the Agency, or to officials of other departments or agencies of the Government with the consent of such departments or agencies, responsibilities in connection with the effectuation of the purposes of Title VI and this part (other than responsibility for final decision as provided in §22.10), including the achievement of effective coordination and maximum uniformity within the Agency and within the Executive Branch of the Government in the application of Title VI and this part to similar programs and in similar situations. Any action taken, determination made or requirement imposed by an official of another department or agency acting pursuant to an assignment of responsibility under this paragraph shall have the same effect as though such action had been taken by the designated Agency official of the Department.

APPENDIX A TO PART 22—ACTIVITIES TO WHICH THIS PART APPLIES

NOTE: Failure to list a type of federal assistance in this appendix A shall not mean, if Title VI is otherwise applicable, that a program is not covered.

Component	Program or activity	Authority
Departmental Offices, Office of Domestic Finance, Office of Financial Institutions.	Community Development Financial Institutions Fund—Financial Component.	Riegle Community Development and Regulatory Improvement Act of 1994, 12 U.S.C. 4701 *et seq.*
Departmental Offices, Office of Domestic Finance, Office of Financial Institutions.	Community Development Financial Institutions Fund—Technical Assistance Component.	Riegle Community Development and Regulatory Improvement Act of 1994, 12 U.S.C. 4701 *et seq.*
Departmental Offices, Office of Domestic Finance, Office of Financial Institutions.	Bank Enterprise Award Program	Riegle Community Development and Regulatory Improvement Act of 1994 sec. 114, 12 U.S.C. 4713.
Departmental Offices, Office of Domestic Finance, Office of Financial Institutions.	Native American Community Development Financial Institutions Assistance Program, Financial Assistance (FA) Awards.	Riegle Community Development Banking and Financial Institutions Act of 1994, 12 U.S.C. 4701 *et seq.*
Departmental Offices, Office of Domestic Finance, Office of Financial Institutions.	Native American Community Development Financial Institutions Assistance (NACA) Program, Technical Assistance Grants.	Riegle Community Development Banking and Financial Institutions Act of 1994, 12 U.S.C. 4701 *et seq.*
Departmental Offices, Office of Domestic Finance, Office of Financial Institutions.	Community Development Financial Institutions Fund, Capital Magnet Fund.	Housing and Economic Recovery Act of 2008 sec. 1339, 12 U.S.C. 4569.
Departmental Offices, Office of Domestic Finance, Office of Small Business, Community Development, and Housing Policy.	State Small Business Credit Initiative	Small Business Jobs Act of 2010, 12 U.S.C. 5701 *et seq.*
Internal Revenue Service	Tax Counseling for the Elderly Grant Program.	Revenue Act of 1978 sec. 163, Public Law 95–600, 92 Stat 2763, 2810–2811.
Internal Revenue Service	Volunteer Income Tax Assistance Program.	Tax Reform Act of 1969, Public Law 91–172, 83 Stat. 487.
Internal Revenue Service	Volunteer Income Tax Assistance Grant Program.	Consolidated Appropriations Act, Public Law 110–161, 121 Stat. 1844, 1975–76 (2007).
Internal Revenue Service	Low Income Taxpayer Clinic Grant Program.	Internal Revenue Service Restructuring and Reform Act of 1998 sec. 3601, 26 U.S.C. 7526.

Component	Program or activity	Authority
United States Mint	U.S. Commemorative Coin Programs	Specific acts of Congress that authorize United States commemorative coin and medal programs provide assistance. *See, e.g.,* the Louis Braille Bicentennial—Braille Literacy Commemorative Coin Act, Public Law 109–247 (2006); the Boy Scouts of America Centennial Commemorative Coin Act, Public Law 110–363 (2008); the American Veterans Disabled for Life Commemorative Coin Act, Public Law 110–277 (2008); and the National September 11 Memorial & Museum Commemorative Medal Act of 2010, Public Law 111–221 (2010).
Departmental Offices, Treasury Executive Office for Asset Forfeiture.	Equitable sharing program (transfer of forfeited property to state and local law enforcement agencies).	18 U.S.C. 981(e)(2); 21 U.S.C. 881(e)(1)(A); 31 U.S.C. 9703.
Various Treasury Bureaus and Offices (including the Internal Revenue Service).	Unreimbursed detail of Federal Employees through the Intergovernmental Personnel Act.	5 U.S.C. 3371 through 3376.
Departmental Offices, Office of the Fiscal Assistant Secretary.	Grants under the RESTORE Act's Direct Component and Centers of Excellence program and supplemental compliance responsibilities for its Comprehensive Plan and Spill Impact Components.	Resources and Ecosystems Sustainability, Tourist Opportunities, and Revived Economies of the Gulf Coast States Act of 2012, Public Law 112–141.

PART 23—NONDISCRIMINATION ON THE BASIS OF AGE IN PROGRAMS AND ACTIVITIES RECEIVING FEDERAL FINANCIAL ASSISTANCE FROM THE DEPARTMENT OF THE TREASURY

Subpart A—General

Sec.
23.1 What is the purpose of the Age Discrimination Act of 1975?
23.2 What is the purpose of Treasury's age discrimination regulations?
23.3 To what programs does this part apply?
23.4 Definitions of terms used in this part.

Subpart B—Standards for Determining Age Discrimination

23.11 Rules against age discrimination.
23.12 Definitions of ''normal operation'' and ''statutory objective.''
23.13 Exceptions to the rules against age discrimination: Normal operation or statutory objective of any program or activity.
23.14 Exceptions to the rules against age discrimination: Reasonable factors other than age.
23.15 Burden of proof.
23.16 Affirmative action by recipient.
23.17 Special benefits for children and the elderly.
23.18 Age distinctions contained in Treasury regulations.

Subpart C—Duties of Treasury Recipients

23.31 General responsibilities.
23.32 Notice to subrecipients and beneficiaries.
23.33 Assurance of compliance and recipient assessment of age distinctions.
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Subpart D—Investigations, Conciliation, and Enforcement Procedures

23.41 Compliance reviews.
23.42 Complaints.
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23.47 Hearings, decisions, post-termination proceedings.
23.48 Remedial action by recipient.
23.49 Alternate funds disbursal procedure.
23.50 Exhaustion of administrative remedies.

AUTHORITY: Age Discrimination Act of 1975, as amended, 42 U.S.C. 6101 *et seq.* (45 CFR part 90)

SOURCE: 82 FR 47108, Oct. 11, 2017, unless otherwise noted.

Subpart A—General

§ 23.1 What is the purpose of the Age Discrimination Act of 1975?

The Age Discrimination Act of 1975, as amended, is designed to prohibit discrimination on the basis of age in programs or activities receiving Federal financial assistance. The Act also permits federally assisted programs and activities, and recipients of Federal funds, to continue to use certain age distinctions and factors other than age that meet the requirements of the Act and these regulations.

§ 23.2 What is the purpose of Treasury's age discrimination regulations?

The purpose of these regulations is to set out Treasury's policies and procedures under the Age Discrimination Act of 1975 and the general age discrimination regulations at 45 CFR part 90. The Act and the general regulations prohibit discrimination on the basis of age in programs or activities receiving Federal financial assistance. The Act and the general regulations permit federally assisted programs and activities, and recipients of Federal funds, to continue to use age distinctions and factors other than age that meet the requirements of the Act and its implementing regulations. These regulations do not apply to actions arising under the Age Discrimination in Employment Act of 1967, Public Law 90–202, 29 U.S.C. 621 through 634 (ADEA), and do not in any way affect the Equal Employment Opportunity Commission's regulations implementing the ADEA at 29 CFR 1625, 1626, and 1627.

§ 23.3 To what programs does this part apply?

(a) This part applies to any program or activity receiving Federal financial assistance from Treasury.

(b) The regulations in this part do not apply to:

(1) An age distinction contained in that part of a Federal, State, or local statute or ordinance adopted by an elected, general purpose legislative body that:

(i) Provides any benefits or assistance to persons based on age; or

(ii) Establishes criteria for participation in age-related terms; or

(iii) Describes intended beneficiaries to target groups in age-related terms; or

(2) Any employment practice of any employer, employment agency, labor organization, or any labor-management joint apprenticeship training program.

§ 23.4 Definition of terms used in this part.

As used in these regulations, the term:

Act means the Age Discrimination Act of 1975, as amended, 42 U.S.C. 6101–6107.

Action means any act, activity, policy, rule, standard, or method of administration; or the use of any policy, rule, standard, or method of administration.

ADEA means the Age Discrimination in Employment Act of 1967, which forbids employment discrimination against anyone 40 years of age or older.

Age means how old a person is, or the number of years from the date of a person's birth.

Age distinction means any action using age or an age-related term.

Age-related term means a word or words that necessarily imply a particular age or range of ages (for example, ''children,'' ''adult,'' ''older persons,'' but not ''student'').

Federal financial assistance means any grant, entitlement, loan, cooperative agreement, contract (other than a procurement contract or a contract of insurance or guaranty), or any other arrangement by which Treasury provides assistance in the form of:

(1) Funds; or

(2) Services of Federal personnel; or

(3) Real and personal property or any interest in or use or property, including:

(i) Transfers or leases of property for less than fair market value or for reduced consideration; and

(ii) Proceeds from a subsequent transfer or lease of property if the federal share of its fair market value is not returned to the Federal Government.

Program or activity means all of the operations of any entity described in

paragraphs (1) through (4) of this definition, any part of which is extended Federal financial assistance:

(1)(i) A department, agency, special purpose district, or other instrumentality of a State or of a local government; or

(ii) The entity of such State or local government that distributes such assistance and each such department or agency (and each other State or local government entity) to which the assistance is extended, in the case of assistance to a State or local government;

(2)(i) A college, university, or other postsecondary institution, or a public system of higher education; or

(ii) A local educational agency (as defined in 20 U.S.C. 7801), system of vocational education, or other school system;

(3)(i) An entire corporation, partnership, or other private organization, or an entire sole proprietorship—

(A) If assistance is extended to such corporation, partnership, private organization, or sole proprietorship as a whole; or

(B) That is principally engaged in the business of providing education, health care, housing, social services, or parks and recreation; or

(ii) The entire plant or other comparable, geographically separate facility to which Federal financial assistance is extended, in the case of any other corporation, partnership, private organization, or sole proprietorship; or

(4) Any other entity that is established by two or more of the entities described in paragraph (1), (2), or (3) of this definition.

Recipient means any State or its political subdivision, any instrumentality of a State or its political subdivision, any public or private agency, institution, organization, or other entity, or any person to which Federal financial assistance is extended, directly or through another recipient. Recipient includes any successor, assignee, or transferee, but excludes the ultimate beneficiary of the assistance.

Secretary means the Secretary of the Treasury, or his or her designee.

Subrecipient means any of the entities in the definition of *recipient* to which a recipient extends or passes on Federal financial assistance. A subrecipient is generally regarded as a recipient of Federal financial assistance and has all the duties of a recipient in these regulations.

Treasury means the United States Department of the Treasury.

United States means the fifty states, the District of Columbia, Puerto Rico, the Virgin Islands, American Samoa, Guam, Wake Island, the Trust Territory of the Pacific Islands, the Northern Marianas, and the territories and possessions of the United States.

Subpart B—Standards for Determining Age Discrimination

§ 23.11 Rules against age discrimination.

The rules stated in this section are limited by the exceptions contained in §§ 23.13 and 23.14.

(a) *General rule*. No person in the United States shall, on the basis of age, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under, any program or activity receiving Federal financial assistance.

(b) *Specific rules*. A recipient may not, in any program or activity receiving Federal financial assistance, directly or through contractual licensing, or other arrangements, use age distinctions or take any other actions that have the effect, on the basis of age, of:

(1) Excluding individuals from, denying them the benefits of, or subjecting them to discrimination under, a program or activity receiving Federal financial assistance; or

(2) Denying or limiting individuals in their opportunity to participate in any program or activity receiving Federal financial assistance.

(c) *Non-exhaustive list*. The specific forms of age discrimination listed in paragraph (b) of this section do not necessarily constitute a complete list.

§ 23.12 Definitions of "normal operation" and "statutory objective."

For purposes of §§ 23.13 and 23.14, the terms ''normal operation'' and ''statutory objective'' shall have the following meaning:

(a) *Normal operation* means the operation of a program or activity without

significant changes that would impair its ability to meet its objectives.

(b) *Statutory objective* means any purpose of a program or activity expressly stated in any Federal statute, State statute, or local statute or ordinance adopted by an elected, general purpose legislative body.

§ 23.13 Exceptions to the rules against age discrimination: Normal operation or statutory objective of any program or activity.

A recipient is permitted to take an action, otherwise prohibited by § 23.11, if the action reasonably takes into account age as a factor necessary to the normal operation or the achievement of any statutory objective of a program or activity. An action reasonably takes into account age as a factor necessary to the normal operation or the achievement of any statutory objective of a program or activity, if:

(a) Age is used as a measure or approximation of one or more other characteristics; and

(b) The other characteristic(s) must be measured or approximated for the normal operation of the program or activity to continue, or to achieve any statutory objective of the program or activity; and

(c) The other characteristic(s) can be reasonably measured or approximated by the use of age; and

(d) The other characteristic(s) are impractical to measure directly on an individual basis.

§ 23.14 Exceptions to the rules against age discrimination: Reasonable factors other than age.

A recipient is permitted to take an action otherwise prohibited by § 23.11 that is based on a factor other than age, even though that action may have a disproportionate effect on persons of different ages. An action may be based on a factor other than age only if the factor bears a direct and substantial relationship to the normal operation of the program or activity or to the achievement of a statutory objective.

§ 23.15 Burden of proof.

The burden of proving that an age distinction or other action falls within the exceptions outlined in §§ 23.13 and 23.14 is on the recipient of Federal financial assistance.

§ 23.16 Affirmative action by recipient.

Even in the absence of a finding of discrimination, a recipient may take affirmative action to overcome the effects of conditions that resulted in limited participation in the recipient's program or activity on the basis of age.

§ 23.17 Special benefits for children and the elderly.

If a recipient's operation of a program or activity provides special benefits to the elderly or to children, such use of age distinctions shall be presumed to be necessary to the normal operation of the program or activity, notwithstanding the provisions of § 23.13.

§ 23.18 Age distinctions contained in Treasury regulations.

Any age distinctions contained in a rule or regulation issued by Treasury shall be presumed to be necessary to the achievement of a statutory objective of the program or activity to which the rule or regulation applies, notwithstanding the provisions of § 23.13.

Subpart C—Duties of Treasury Recipients

§ 23.31 General responsibilities.

Each Treasury recipient has primary responsibility to ensure that its programs and activities are in compliance with the Act and these regulations, and shall take steps to eliminate violations of the Act. A recipient also has responsibility to maintain records, provide information, and afford Treasury access to its records to the extent Treasury finds necessary to determine whether the recipient is in compliance with the Act and these regulations.

§ 23.32 Notice to subrecipients and beneficiaries.

(a) Where a recipient passes on Federal financial assistance from Treasury to subrecipients, the recipient shall provide the subrecipients written notice of their obligations under the Act and these regulations.

(b) Each recipient shall make necessary information about the Act and these regulations available to its program beneficiaries to inform them about the protections against discrimination provided by the Act and these regulations.

§ 23.33 Assurance of compliance and recipient assessment of age distinctions.

(a) *Written assurance.* Each recipient of Federal financial assistance from Treasury shall sign a written assurance as specified by Treasury that it will comply with the Act and these regulations.

(b) *Recipient assessment of age distinctions.* (1) As part of a compliance review under § 23.41 or a complaint investigation under § 23.44, Treasury may require a recipient employing the equivalent of 15 or more employees to complete a written self-evaluation, in a manner specified by the responsible Department official, of any age distinction imposed in its program or activity receiving Federal financial assistance from Treasury to assess the recipient's compliance with the Act.

(2) Whenever an assessment indicates a violation of the Act or the Treasury regulations, the recipient shall take corrective action.

§ 23.34 Information requirements.

Each recipient shall:

(a) Keep records in a form and containing information that Treasury determines may be necessary to ascertain whether the recipient is complying with the Act and these regulations.

(b) Provide to Treasury, upon request, information and reports that Treasury determines are necessary to ascertain whether the recipient is complying with the Act and these regulations.

(c) Permit reasonable access by Treasury to the books, records, accounts, and other recipient facilities and sources of information to the extent Treasury determines is necessary to ascertain whether the recipient is complying with the Act and these regulations.

Subpart D—Investigation, Conciliation, and Enforcement Procedures

§ 23.41 Compliance reviews.

(a) Treasury may conduct compliance reviews and pre-award reviews or use other similar procedures that will permit it to investigate and correct violations of the Act and these regulations. Treasury may conduct these reviews even in the absence of a complaint against a recipient. The reviews may be as comprehensive as necessary to determine whether a violation of the Act or these regulations has occurred.

(b) If a compliance review or pre-award review indicates a violation of the Act or these regulations, Treasury will attempt to achieve voluntary compliance. If voluntary compliance cannot be achieved, Treasury will arrange for enforcement as described in § 23.46.

§ 23.42 Complaints.

(a) Any person, individually or as a member of a class or on behalf of others, may file a complaint with Treasury, alleging discrimination prohibited by the Act or these regulations based on an action occurring on or after July 1, 1979. A complainant shall file a complaint within 180 days from the date the complainant first had knowledge of the alleged act of discrimination. However, for good cause shown, Treasury may extend this time limit.

(b) Treasury will consider the date a complaint is filed to be the date upon which the complaint is sufficient to be processed.

(c) Treasury will attempt to facilitate the filing of complaints wherever possible, including taking the following measures:

(1) Accepting as a sufficient complaint any written statement that identifies the parties involved and the date the complainant first had knowledge of the alleged violation, describes generally the action or practice complained of, and is signed by the complainant.

(2) Freely permitting a complainant to add information to the complaint to meet the requirements of a sufficient complaint.

(3) Notifying the complainant and the recipient of their rights and obligations under the complaint procedure, including the right to have a representative at all stages of the complaint resolution process.

(4) Notifying the complainant and the recipient (or their representatives) of their right to contact Treasury for information and assistance regarding the complaint resolution process.

(d) Treasury will notify the complainant when the complaint falls outside the jurisdiction of these regulations, and will state the reason(s) why it is outside the jurisdiction of these regulations.

§ 23.43 Mediation.

(a) Treasury will promptly refer to a mediation agency designated by the Secretary of the Department of Health and Human Services (HHS) all sufficient complaints that:

(1) Fall within the jurisdiction of the Act and these regulations, unless the age distinction complained of is clearly within an exception; and,

(2) Contain all information necessary for further processing.

(b) Both the complainant and the recipient shall participate in the mediation process to the extent necessary to reach an agreement or make an informed judgment that an agreement is not possible.

(c) If the complainant and the recipient reach an agreement, the mediator shall prepare a written statement of the agreement and have the complainant and the recipient sign it. The mediator shall send a copy of the agreement to Treasury. Treasury will take no further action on the complaint unless the complainant or the recipient fails to comply with the agreement.

(d) The mediator shall protect the confidentially of all information obtained in the course of the mediation process. No mediator shall testify in any adjudicative proceeding, produce any document, or otherwise disclose any information obtained in the course of the mediation process without prior approval of the head of the mediation agency.

(e)(1) The mediation will proceed for a maximum of 60 days after a complaint is filed with Treasury. Mediation ends if:

(i) 60 days elapse from the time the complaint is filed; or

(ii) Prior to the end of that 60-day period, an agreement is reached; or

(iii) Prior to the end of that 60-day period, the mediator determines that an agreement cannot be reached.

(2) This 60-day period may be extended by the mediator, with the concurrence of Treasury, for not more than 30 days if the mediator determines that agreement likely will be reached during such extended period.

(f) The mediator shall notify Treasury when mediation is not successful and Treasury will continue processing the complaint.

§ 23.44 Investigation.

(a) *Informal investigation.* (1) Treasury will investigate complaints that are unresolved after mediation or are reopened because of a violation of a mediation agreement.

(2) As part of the initial investigation, Treasury will use informal fact finding methods, including joint or separate discussions with the complainant and recipient, to establish the facts and, if possible, settle the complaint on terms that are mutually agreeable to the parties. Treasury may seek the assistance of any involved State agency.

(3) Any settlement agreement will be put in writing and the parties will sign it.

(4) The settlement shall not affect the operation of any other enforcement effort of Treasury, including compliance reviews and investigation of other complaints that may involve the recipient.

(5) The settlement is not a finding of discrimination against a recipient.

(b) *Formal investigation.* If Treasury cannot resolve the complaint through informal investigation, it will begin to develop formal findings through further investigation of the complaint. If the investigation indicates a violation of these regulations, Treasury will attempt to obtain voluntary compliance. If Treasury cannot obtain voluntary compliance, it will begin enforcement as described in § 23.46

§ 23.45 Prohibition against intimidation or retaliation.

A recipient may not engage in acts of intimidation or retaliation against any person who:

(a) Attempts to assert a right protected by the Act or these regulations; or

(b) Cooperates in any mediation, investigation, hearing, or other part of Treasury's investigation, conciliation, and enforcement process.

§ 23.46 Compliance procedures.

(a) Treasury may enforce the Act and these regulations through:

(1) Termination of a recipient's Federal financial assistance from Treasury under the program or activity involved where the recipient has violated the Act or these regulations. The determination of the recipient's violation may be made only after a recipient has had an opportunity for a hearing on the record before an administrative law judge.

(2) Any other means authorized by law, including but not limited to:

(i) Referral to the Department of Justice for proceedings to enforce any rights of the United States or obligations of the recipient created by the Act or these regulations;

(ii) Referral to the Equal Employment Opportunity Commission, Department of Labor, the Department of Health and Human Services, or the Department of Education, as applicable; and

(iii) Use of any requirement of or referral to any Federal, State, or local government agency that will have the effect of correcting a violation of the Act or these regulations.

(b) Treasury will limit any termination under paragraph (a)(1) of this section to the particular recipient and particular program or activity or part of such program or activity Treasury finds in violation of these regulations. Treasury will not base any part of a termination on a finding with respect to any program or activity of the recipient that does not receive Federal financial assistance from Treasury.

(c) Treasury will take no action under paragraph (a) of this section until:

(1) The Secretary has advised the recipient of its failure to comply with theAct and these regulations and has determined that voluntary compliance cannot be obtained.

(2) Thirty days have elapsed after the Secretary has sent a written report of the circumstances and grounds of the action to the committees of Congress having legislative jurisdiction over the Federal program or activity involved. The Secretary will file a report whenever any action is taken under paragraph (a) of this section.

(d) Treasury also may defer granting new Federal financial assistance to a recipient when a hearing under paragraph (a)(1) of this section is initiated.

(1) New Federal financial assistance from Treasury includes all assistance for which Treasury requires an application or approval, including renewal or continuation of existing activities, or authorization of new activities, during the deferral period. New Federal financial assistance from Treasury does not include increases in funding as a result of changed computation of formula awards or assistance approved prior to the beginning of a hearing under paragraph (a)(1) of this section.

(2) Treasury will not begin a deferral until the recipient has received a notice of an opportunity for a hearing under paragraph (a)(1) of this section. Treasury will not continue a deferral for more than 60 days unless a hearing has begun within that time or the time for beginning the hearing has been extended by mutual consent of the recipient and the Secretary. Treasury will not continue a deferral for more than 30 days after the close of the hearing, unless the hearing results in a finding against the recipient.

(3) Treasury will limit any deferral to the particular recipient and particular program or activity or part of such program or activity Treasury finds in violation of these regulations. Treasury will not base any part of a deferral on a finding with respect to any program or activity of the recipient that does not, and would not in connection with the new funds, receive Federal financial assistance from Treasury.

§ 23.47 Hearings, decisions, post-termination proceedings.

Treasury procedural provisions for hearings, decisions, and post-termination proceedings applicable to Title VI of the Civil Rights Act of 1964 and its implementing regulations within Title 31 of the CFR shall apply to Treasury enforcement of these regulations.

§ 23.48 Remedial action by recipient.

Where Treasury finds a recipient has discriminated on the basis of age in violation of the Act or this part, the recipient shall take any remedial action that Treasury may require to overcome the effects of the discrimination.

§ 23.49 Alternate funds disbursal procedure.

(a) When Treasury withholds funds from a recipient under these regulations, the Secretary may disburse the withheld funds directly to an alternate recipient, where appropriate: Any public or non-profit private organization or agency, or State or political subdivision of the State.

(b) The Secretary will require any alternate recipient to demonstrate:

(1) The ability to comply with these regulations; and

(2) The ability to achieve the goals of the Federal statute authorizing the Federal financial assistance.

§ 23.50 Exhaustion of administrative remedies.

(a) A complainant may file a civil action following the exhaustion of administrative remedies under the Act. Administrative remedies are exhausted if:

(1) 180 days have elapsed since the complainant filed the complaint and Treasury has made no finding with regard to the complainant; or

(2) Treasury issues any finding in favor of the recipient.

(b) If Treasury fails to make a finding within 180 days or issues a finding in favor of the recipient, Treasury shall:

(1) Promptly advise the complainant of this fact; and

(2) Advise the complainant of his or her right to bring a civil action for injunctive relief; and

(3) Inform the complainant:

(i) That the complainant may bring a civil action only in a United States district court for the district in which the recipient is found or transacts business;

(ii) That a complainant prevailing in a civil action has the right to be awarded the costs of the action, including reasonable attorney's fee, but that the complainant must demand these costs in the complaint.

(iii) That before commencing the action the complainant shall give 30 days notice by registered mail to the Secretary, the Secretary of HHS, the Attorney General of the United States, and the recipient.

(iv) That the notice must state: The alleged violation of the Act; the relief requested; the court in which the complainant is bringing the action; and whether or not attorney's fees are demanded in the event the complainant prevails; and

(v) That the complainant may not bring an action if the same alleged violation of the Act by the same recipient is the subject of a pending action in any court of the United States.

PART 25—PREPAYMENT OF FOREIGN MILITARY SALES LOANS MADE BY THE DEFENSE SECURITY ASSISTANCE AGENCY AND FOREIGN MILITARY SALES LOANS MADE BY THE FEDERAL FINANCING BANK AND GUARANTEED BY THE DEFENSE SECURITY ASSISTANCE AGENCY

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AUTHORITY: Title III, Pub. L. 100–202; 31 U.S.C. 321.

SOURCE: 53 FR 25426, July 6, 1988, unless otherwise noted.

Subpart A—General

§ 25.100 Definitions.

In this part, unless the context indicates otherwise:

(a) *Act* means the provisions entitled ''Foreign Military Sales Debt Reform,'' of Title III, entitled ''Military Assistance,'' of an act entitled ''Foreign Operations, Export Financing and Related Programs Appropriations Act, 1988'' (Pub. L. 100–202), enacted December 22, 1987.

(b) *AECA* means the Arms Export Control Act, as amended (22 U.S.C. 2751 *et seq.*).

(c) *Borrower* means the obligor on an FMS Advance.

(d) *Closing date* means:

(1) With respect to the prepayment of the amounts permitted by this part to be prepaid of FMS Loans held by DSAA, the date designated by the mutual agreement of both the Borrower and DSAA on which the Guaranty will be attached to the Private Loan Note or the Private Loan Portion Notes, as the case may be, the Private Loan will be funded, and the Total Permitted Prepayment Amount, or the portion thereof which the Borrower has selected to prepay, will be prepaid; and

(2) With respect to the prepayment of the amounts permitted by this part to be prepaid of FMS Loans held by the FFB and guaranteed by DSAA, the date designated by the mutual agreement of the Borrower, the FFB, and DSAA on which the Guaranty will be attached to the Private Loan Note or the Private Loan Portion Notes, as the case may be, the Private Loan will be funded, and the Total Permitted Prepayment Amount, or Portion thereof which the Borrower has selected to prepay, will be prepaid.

(e) *Derivative* means any right, interest, instrument or security issued or traded on the credit of the Private Loan or any Private Loan Portion, including but not limited to:

(1) Any participation share of, or undivided ownership or other equity interest in, the Private Loan or any Private Loan Portion;

(2) Any note, bond or other debt instrument or obligation which is collateralized or otherwise secured by a pledge of, or secruity interest in, the Private Loan or any Private Loan Portion; or

(3) Any such interest in such an interest or any such instrument secured by such an instrument.

(f) *DSAA* means the Defense Security Assistance Agency, an agency within the Department of Defense.

(g) *Eligible FMS advance* means any FMS Advance which:

(1) Was outstanding on December 22, 1987;

(2) Has principal amounts becoming due and payable after September 30, 1989; and

(3) Bears interest at a rate equal to or greater than 10 percentum per annum.

Eligible FMS Advance may include FMS Advances meeting the criteria of Eligible FMS Advance which are made on account of FMS Loans even when such FMS Loans do not, in themselves, meet the criteria of Eligible FMS Loan.

(h) *Eligible FMS loan* means any FMS Loan which:

(1) Was outstanding on December 22, 1987;

(2) Has principal amounts becoming due and payable after September 30, 1989; and

(3) Bears interest pursuant to the terms of the loan agreement relating thereto at a consolidated rate equal to or greater than 10 percentum per annum.

Eligible FMS Loans may include FMS Advances which are made on account of FMS Loans meeting the criteria of Eligible FMS Loan even when such FMS Advances do not, in themselves, meet the criteria of Eligible FMS Advance.

(i) *Eligible private lender* means either:

(1) Any of the following entities:

(i) Any banking, savings, or lending institution, or any subsidiary or affiliate thereof, chartered or otherwise lawfully organized under the laws of any State, the District of Columbia, the United States or any territory or possession of the United States, including, but not limited to, any bank, trust company, industrial bank, investment banking company, savings association, savings and loan association, building and loan association, savings bank, credit union, or finance company, which is doing business in the United States;

(ii) Any broker or dealer registered with the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934;

(iii) Any company lawfully organized as an insurance company, and which is subject to supervision by the insurance commissioner or a similar official or agency of a State; or

(iv) Any United States pension fund; or

(2) Any trust or other special purpose financing entity which is funded initially by an entity or entities of the type described in paragraph (i)(1) of this section.

(j) *FFB* means the Federal Financing Bank, and instrumentality and wholly-owned corporation of the United States.

(k) *FMS* means Foreign Military Sales.

(l) *FMA advance* means:

(1) A disbursement of funds made pursuant to a loan agreement between the Borrower and DSAA, which loan agreement provides for making of an FMS Loan; or

(2) A disbursement of funds made pursuant to a loan agreement between the Borrower and the FFB, which loan agreement provides for the making of an FMS Loan.

(m) *FMS loan* means either:

(1) A loan made directly by the Secretary of Defense pursuant to section 23 of AECA; or

(2) A loan made by the FFB and guaranteed by the Secretary of Defense pursuant to section 24 of AECA; and ''FMS Loans'' mean the aggregate of such loans made to or for the account of a Borrower.

(n) *Guaranteed-amount debt derivative* means any note, bond or other debt instrument or obligation which is collateralized or otherwise secured by a pledge of, or security interest in, the Private Loan Note or any Private Loan Portion Note or any Derivative, as the case may be, which has an exclusive or preferred claim to the Guaranteed Loan Amount or the respective Guaranteed Loan Portion Amount or the respective Guaranteed-Amount Equivalent, as the case may be.

(o) *Guaranteed-amount equity derivative* means any participation share of, or undivided ownership or other equity interest in, the Private Loan or any Private Loan Portion or any Derivative, as the case may be, which has an exclusive or preferred claim to the Guaranteed Loan Amount or the respective Guaranteed Loan Portion Amount or the respective Guaranteed-Amount Equivalent, as the case may be.

(p) *Guaranteed-amount equivalent* means:

(1) With respect to any Derivative which is equal in principal amount to the Private Loan or any Private Loan Portion, that amount of payment on account of such Derivative which is equal to the Guaranteed Loan Amount or the respective Guaranteed Loan Portion Amount, as the case may be; or

(2) With respect to any Derivatives which in the aggregate are equal in principal amount to the Private Loan or any Private Loan Portion, that amount of payment on account of such derivatives which is equal to the Guaranteed Loan Amount or the respective Guaranteed Loan Portion Amount, as the case may be.

(q) *Guaranteed loan amount* means that amount of payment on account of the Private Loan which is guaranteed under the terms of the Guaranty.

(r) *Guaranteed loan portion amount* means that amount of payment on account of any Private Loan Portion which is guaranteed under the terms of the Guaranty.

(s) *Guaranty* means either a new guaranty of the United States issued by DSAA or an existing guaranty of the United States transferred by DSAA, in the form of guaranty set forth in § 25.405, which guaranty will be

attached to a Private Loan Note or Private Loan Portion Note.

(t) *Interest rate difference* means the difference between:

(1) The cost of funds to the Borrower for the Private Loan (expressed in terms of the true rate of interest applicable to the Private Loan) if paragraph (a) of § 25.404 applies to the Private Loan; and

(2) The cost of funds to the Borrower for the Private Loan (expressed in terms of the true rate of interest applicable to the Private Loan) if paragraph (a) of § 25.404 does not apply to the Private Loan.

(u) *Non-registered obligation* means a bearer obligation which does not comply with all of the registration requirements of the Internal Revenue Code.

(v) *Permitted arrears prepayment amount* means the sum of all arrears, if any, on all FMS Loans, which arrears are outstanding on the Closing Date.

(w) *Permitted guaranty holder* means:

(1) An individual domiciled in the United States;

(2) A corporation incorporated, chartered or otherwise organized in the United States; or

(3) A partnership or other juridical entity doing business in the United States.

(x) *Permitted P&I prepayment amount* means, with respect to each Eligible FMS Loan or Eligible FMS Advance, as the case may be, the sum of:

(1) All principal amounts which become due and payable after September 30, 1989, on the respective Eligible FMS Loan or Eligible FMS Advance; and

(2) All unpaid interest, if any, on the respective Eligible FMS Loan or Eligible FMS Advance accrued as of the Closing Date.

(y) *Private loan* means, collectively, the loan or loans that is or are obtained by the Borrower from an Eligible Private Lender to prepay the Total Permitted Prepayment Amount, or the portion thereof which the Borrower has selected to prepay.

(z) *Private loan note* means, collectively, the note or notes executed and delivered by the Borrower to evidence the Private Loan.

(aa) *Private loan portion* means any portion of the Private Loan.

(bb) *Private loan portion note* means any note executed and delivered by the Borrower to evidence a Private Loan Portion.

(cc) *Total permitted prepayment amount* means the sum of:

(1) The aggregate of the respective Permitted P&I Prepayment amount for all Eligible FMS Loans and all Eligible FMS Advances on account of FMS Loans which FMS Loans do not, in themselves, meet the criteria of Eligible FMS Loans; and

(2) The Permitted Arrears Prepayment Amount.

(dd) *Unguaranteed-amount equivalent* means all amounts of payment on account of any Derivative other than the respective Guaranteed-Amount Equivalent.

(ee) *Unguaranteed loan amount* means all amounts of payment on account of the Private Loan other than the Guaranteed Amount.

(ff) *Unguaranteed loan portion amount* means all amounts of payment on account of any Private Loan Portion other than the respective Guaranteed Loan Portion Amount.

§ 25.101 OMB control number.

The reporting requirements in this part have been approved under the Office of Management and Budget control number 1505–0109.

Subpart B—Qualifications for Prepayment

§ 25.200 General rules.

(a) To qualify for a loan prepayment at par pursuant to subsection (a) of the Act, a Borrower must have an Eligible FMS Loan or an Eligible FMS Advance.

(b) A Borrower may prepay the Total Permitted Prepayment Amount in portions using more than one closing; however, all prepayments of the Total Permitted Prepayment Amount must have a Closing Date that is not later than September 30, 1991.

(c) A Borrower may prepay all or a portion of the Total Permitted Prepayment Amount; however, if a Borrower selects to prepay any Permitted P&I Prepayment Amount of an FMS Advance, the Borrower must prepay the

entire Permitted P&I Prepayment Amount of such FMS Advance.

(d) If the payment billings of an FMS Loan have been consolidated in accordance with the terms of the respective loan agreement, and if any principal payments have been made on account of the FMS Loan, then the outstanding principal balances of any Eligible FMS Advances shall be determined in accordance with the principal of ''first disbursed, first repaid,'' that is, advances on account of the FMS Loan shall be deemed to have been repaid in the chronological order in which they were disbursed.

Subpart C—Procedures

§ 25.300 Application procedure.

(a) Each Borrower that wishes to prepay at par the Total Permitted Prepayment Amount, or any portion thereof, must submit a written prepayment application. To be considered complete, a prepayment application must contain the following information and materials:

(1) Part I of the prepayment application shall be the identification of each Eligible FMS Loan or Eligible FMS Advance, as the case may be, with respect to which the Borrower has selected to prepay the amount thereof permitted by this part to be prepaid, setting forth with respect to each such Eligible FMS Loan or Eligible FMS Advance:

(i) The date on which the Eligible FMS Advance was made or the date on which the Eligible FMS Loan was signed;

(ii) The original amount of the Eligible FMS Loan or Eligible FMS Advance;

(iii) The principal and interest payment schedule of the Eligible FMS Loan or Eligible FMS Advance; and

(iv) The maturity of the Eligible FMS Loan or Eligible FMS Advance.

(2) Part II of the prepayment application shall be the Borrower's estimate of the Permitted Arrears Prepayment Amount calculated as of the date of the application;

(3) Part III of the prepayment application shall be a description of each Private Loan, 90 percent of which the Borrower seeks to have guaranteed, setting forth with respect to each Private Loan:

(i) The total amount of the Private Loan,

(ii) The proposed principal and interest payment schedule of the Private Loan,

(iii) The proposed maturity of the Private Loan, and

(iv) The identity of each Eligible FMS Loan or Eligible FMS Advance with respect to which amount thereof permitted by this part to be prepaid is to be prepaid with the proceeds of the Private Loan;

(4) Part IV of the prepayment application shall be all material transaction documents, in substantially final form, relating to the prepayment of the Total Permitted Prepayment Amount, or the portion thereof which the Borrower has selected to prepay, with the proceeds of the Private Loan; and

(5) Part V of the prepayment application shall be the name, address, and telephone number of the Borrower's contact person with whom the FFB or DSAA will communicate to arrange for prepayment and closing.

(b) Each prepayment application shall be submitted in triplicate to DSAA at the following address: Defense Security Assistance Agency, The Pentagon, Washington, DC 20301–2800, Attention: Deputy Comptroller.

(c) A Borrower wishing to obtain preliminary, nonbinding review of a plan to prepay at par the Total Permitted Prepayment Amount, or any portion thereof, may, at the Borrower's option, prior to submitting a prepayment application in accordance with paragraph (a) of this section, submit to DSAA, at the address set forth in paragraph (b) of this section, a written plan of prepayment. To qualify for review, a plan of prepayment must include a detailed description of the proposed financing structure clearly addressing the terms and conditions of the proposed Private Loan. DSAA will review each plan of prepayment submitted by Borrowers and may engage in informal, non-binding discussions with each Borrower that submitted a plan of prepayment to assist such Borrower in preparing a prepayment application.

§ 25.301 Approval procedure.

(a) *Distribution, Review, and Processing by DSAA.* (1) Upon receipt of three copies of a completed prepayment application from a Borrower, DSAA will promptly deliver one copy of Parts I and II of the prepayment application to the State Department and one copy of Parts I, II, and V of the prepayment application to the Treasury Department.

(2) DSAA will review each completed prepayment application to ensure that the Private Loan complies with the requirements of this part, including without limitation the requirements of § 25.400. DSAA will also review each completed prepayment application to ensure that the provisions of subsection (d) of the Act (Purposes and Reports) are considered. DSAA will process each completed prepayment application within 16 days after receipt by DSAA of the respective completed application from a Borrower.

(3) After DSAA has processed a completed prepayment application, DSAA will either:

(i) Return the application to the Borrower; or

(ii) Deliver to the State Department written evidence of the approval of the prepayment application by DSAA.

(b) *Review and Processing by the State Department.* (1) The State Department will review Parts I and II of each prepayment application received by the State Department from DSAA to ensure that the provisions of subsection (d) of the Act (Purposes and Reports) are considered. The State Department will process Parts I and II of each prepayment application within 7 days after receipt by the State Department of written evidence of the approval of the prepayment application by DSAA.

(2) After the State Department has processed Parts I and II of a prepayment application, the State Department will either:

(i) Return the parts of the application to DSAA for return to the Borrower; or

(ii) Deliver to the Treasury Department written evidence of the approvals of the prepayment application by DSAA and the State Department.

(c) *Processing by the Treasury Department*—(1) *FMS Loans held by DSAA.* (i) The Treasury Department will process Parts I and II of each prepayment application regarding an Eligible FMS Loan made by DSAA or an Eligible FMS Advance on account of an FMS Loan made by DSAA, as the case may be, within 7 days after receipt by the Treasury Department of written evidence of the approvals of the prepayment application by DSAA and the State Department;

(ii) After the Treasury Department has processed Parts I and II of a prepayment application, the Treasury Department will return the parts of the application to DSAA, and thereupon DSAA will commence the Closing Procedures described in § 25.303(a) with respect to the application.

(2) *FMS Loans held by the FFB.* (i) The Treasury Department will process Parts I and II of each prepayment application regarding an Eligible FMS Loan made by the FFB and guaranteed by DSAA or an Eligible FMS Advance on account of an FMS Loan made by the FFB and guaranteed by DSAA, as the case may be, within 7 days after receipt by the Treasury Department from the State Department of written evidence of the approvals of the prepayment application by DSAA and the State Department; and

(ii) After the Treasury Department has processed Parts I and II of a prepayment application, the Treasury Department will commence the Closing Procedures described in § 25.303(b) with respect to the application.

§ 25.302 Application withdrawal; effect of approval.

A Borrower that submits a prepayment application may withdraw the prepayment application at any time prior to its approval. Even after a Borrower's prepayment application has been approved, the Borrower is not obligated to prepay its Eligible FMS Loans or Eligible FMS Advances.

§ 25.303 Closing procedure.

(a) *FMS loans held by DSAA.* (1) After the Treasury has processed Parts I and II of a prepayment application regarding an Eligible FMS Loan made by DSAA or an Eligible FMS Advance on account of an FMS Loan made by DSAA, as the case may be, DSAA will

communicate with the Borrower's contact person identified in Part V of the prepayment application to establish a Closing Date mutually agreeable to the Borrower and DSAA. DSAA will inform the Borrower of the final amount of the Total Permitted Prepayment Amount, or the portion thereof which the Borrower has selected to prepay, as of the Closing Date established. The determination by DSAA of the final amount of the Total Permitted Prepayment Amount, or the portion thereof which the Borrower has selected to prepay, shall be conclusive.

(2) On the Closing Date, the Guaranty will be attached to the Private Loan Note or the Private Loan Portion Notes, as the case may be, the Private Loan shall be funded, and the Total Permitted Prepayment Amount, or the portion thereof which the Borrower has selected to prepay, will be prepaid.

(3) The attachment of the Guaranty to the Private Loan Note or the Private Loan Portion Notes, as the case may be, will take place at such location as may be designated by the mutual agreement of the Borrower and DSAA.

(4) Prior to 1:00 p.m. prevailing local time in New York, New York, on the Closing Date, immediately available funds in amounts sufficient to prepay the Total Permitted Prepayment Amount, or the portion thereof which the Borrower has selected to prepay, shall be transferred by electronic funds transfer to DSAA at the Treasury Department account at the Federal Reserve Bank of New York. The funds transfer message must include the following credit information:

United States Treasury, New York, New York, 021030004, TREAS NYC/ (5037).
For credit to the Defense Security Assistance Agency, The Pentagon, Washington, DC 20301–2800.

This information must be *exactly* in this form (including spacing between words and numbers) to insure timely receipt by the DSAA. Checks, drafts, and other orders for payment will not be accepted.

(b) *FMS Loans held by the FFB.* (1) After the Treasury Department has processed Parts I and II of a prepayment application regarding an Eligible FMS Loan made by the FFB and guaranteed by DSAA or an Eligible FMS Advance on account of an FMS Loan made by the FFB and guaranteed by DSAA, as the case may be, the FFB will communicate with the Borrower's contact person identified in Part V of the prepayment application to establish a Closing Date mutually agreeable to the Borrower, the FFB, and DSAA. The FFB will inform the Borrower of the final amount of the Total Permitted Prepayment Amount, or the portion thereof which the Borrower has selected to prepay, as of the Closing Date established. The determination by the FFB of the final amount of the Total Permitted Prepayment Amount, or the portion thereof which the Borrower has selected to prepay, shall be conclusive.

(2) On the Closing Date, the Guaranty will be attached to the Private Loan Note or the Private Loan Portion Notes, as the case may be, the Private Loan will be funded, and the Total Permitted Prepayment Amount, or the portion thereof which the Borrower has selected to prepay, will be prepaid.

(3) The attachment of the Guaranty to the Private Loan Note or the Private Loan Portion Notes, as the case may be, will take place at such location as may be designated by the mutual agreement of the Borrower and DSAA.

(4) Prior to 1:00 p.m. prevailing local time in New York, New York, on the Closing Date, immediately available funds in amounts sufficient to prepay at par the Permitted Prepayment Amount, or the portion thereof which the Borrower has selected to prepay, shall be transferred by electronic funds transfer to the Treasury Department account at the Federal Reserve Bank of New York. The funds transfer message must include the following credit information:

United States Treasury, New York, New York, 021030004, TREAS NYC/ (20180006).
For credit to the Federal Financing Bank, Room 143, Liberty Center Building, 401 14th Street SW., Washington, DC 20227.

This information must be *exactly* in this form (including spacing between words and numbers) to insure timely receipt by the FFB. Checks, drafts, and others for payment will not be accepted.

(c) *Changes in the closing date.* If a Borrower does not prepay the Total Permitted Prepayment Amount or the portion thereof which the Borrower has selected to prepay, on the mutually agreed upon Closing Date, the Borrower may prepay the Total Permitted Prepayment Amount, or the portion thereof which the Borrower has selected to prepay, on a new Closing Date, *provided* that the new Closing Date is mutually agreeable to all interested parties, and *provided, further,* that the Borrower prepays such amount in accordance with the approved prepayment application, adjusted for changes in accrued interest.

Subpart D—Form of Private Loan

§ 25.400 Loan provisions.

(a) Subject to the provisions of paragraph (b) of this section, the principal and interest payment schedule and maturity of the Private Loan must be the same as the payment schedules and maturities of the Eligible FMS Loans or Eligible FMS Advances, as the case may be, which the Borrower has selected to prepay with the proceeds of the Private Loan.

(b) Notwithstanding the preceding paragraph, an Eligible Private Lender that proposes to make a Private Loan, the proceeds of which will be used to prepay Eligible FMS Loans or Eligible FMS Advances, as the case may be, having differing payment structures and maturities, may:

(1) Consolidate the differing payment structures of the Eligible FMS Loans or the Eligible FMS Advances, as the case may be, into a single payment structure which complies with the following criteria:

(i) The Private Loan shall have one set of semi-annual payment dates;

(ii) Interest on and principal of the Private Loan shall be payable semi-annually; and

(iii) The amount of principal to be paid each year on account of the Private Loan shall be equal (rounded to the nearest $1,000.00 if desired, except for the final payment) to the aggregate amount of principal that is scheduled to be paid in such year on account of the respective Eligible FMS Loans or Eligible FMS Advances; or

(2) Consolidate the differing payment structures and maturities of the Eligible FMS Loans or the Eligible FMS Advances, as the case may be, into a single payment structure and maturity complying with the following criteria:

(i) The final maturity date of the Private Loan shall be the approximate weighted average of the final maturity dates of the Eligible FMS Loans or the Eligible FMS Advances with respect to which the Borrower has selected to prepay amounts thereof permitted by this part to be prepaid;

(ii) The initial principal payment date of the Private Loan shall occur no later than the earliest scheduled principal payment date of the Eligible FMS Loans or the Eligible FMS Advances with respect to which the Borrower has selected to prepay amounts thereof permitted by this part to be prepaid;

(iii) The Private Loan shall have one set of semi-annual payment dates;

(iv) Interest on the Private Loan shall be payable semi-annually; and

(v) The principal of the Private Loan shall be payable in equal installments (rounded to the nearest $1,000.00 if desired, except for the final payment) and shall be payable either semi-annually or annually.

§ 25.401 Fees.

The interest rate on the Private Loan may include compensation for costs at prevailing market rates with the agreement of the Borrower and the Eligible Private Lender selected by the Borrower.

§ 25.402 Transferability.

Each Private Loan Note, with the Guaranty attached, shall be fully and freely transferable to any Permitted Guaranty Holder.

§ 25.403 Registration.

The Guaranty shall cease to be effective with respect to the Private Loan or any Private Loan Portion or any Derivative to the extent that the Private Loan or the respective Private Loan Portion or the respective Derivative, as the case may be, is used to provide significant support for a Non-Registered Obligation.

§ 25.404 Non-separability.

(a) The Guaranty shall cease to be effective with respect to any Guaranteed Loan Amount or any Guaranteed Loan Portion Amount or any Guaranteed-Amount Equivalent to the extent that:

(1) The Guaranteed Amount or the respective Guaranteed Loan Portion Amount or the respective Guaranteed-Amount Equivalent, as the case may be, is separated at any time from the Unguaranteed Loan Amount or the respective Unguaranteed Loan Portion Amount or the respective Unguaranteed-Amount Equivalent, as the case may be, in any way, directly or through the issuance of any Guaranteed-Amount Equity Derivative or any Guaranteed-Amount Debt Derivative; or

(2) Any holder of the Private Loan Note or any Private Loan Portion Note or any Derivative, as the case may be, having a claim to payments on the Private Loan receives more than 90 percent of any payment due to such holder from payments made under the Guaranty at any time during the term of the Private Loan.

(b) Notwithstanding the preceding paragraph, if any Guaranteed-Amount Debt Derivative is issued, the Guaranty shall not cease to be effective with respect to any Guaranteed Loan Amount or any Guaranteed Loan Portion Amount or any Guaranteed-Amount Equivalent, as the case may be, if both of the circumstances described in paragraphs (b)(1) and (b)(2) of this section.

(1) A Borrower shall have delivered to the Secretary of the treasury evidence, in form and substance satisfactory to the Secretary of the Treasury, that the Interest Rate Difference will be substantial.

(i) To be considered, the evidence must meet the following requirements:

(A) The Borrower must show that the Interest Rate Difference is directly attributable to paragraph (a) of this section being applied to the Private Loan, that is, that the Interest Rate Difference will exist even when all other financing terms of the Private Loan, including any collateralization of the Unguaranteed Loan Amount or the respective Unguaranteed Loan Portion Amount or the respective Unguaranteed-Amount Equivalent, as the case may be, are identical;

(B) When calculating the Interest Rate Difference, the Borrower must assume that the Unguaranteed Loan Amount or the respective Unguaranteed Loan Portion Amount or the respective Unguaranteed-Amount Equivalent, as the case may be, will be collateralized by securities backed by the full faith and credit of the United States, unless the Borrower is legally prohibited from so collateralizing the Unguaranteed Loan Amount or the respective Unguaranteed Loan Portion Amount or the respective Unguaranteed-Amount Equivalent, as the case may be, or the Borrower has demonstrated to the satisfaction of the Secretary of the Treasury that the Borrower is unable to so collateralize the Unguaranteed Loan Amount or the respective Unguaranteed Loan Portion Amount or the respective Unguaranteed-Amount Equivalent;

(C) If the Borrower is legally prohibited from collateralizing the Unguaranteed Loan Amount or the respective Loan Guaranteed Portion Amount or the respective Unguaranteed-Amount Equivalent, as the case may be, with securities backed by the full faith and credit of the United States or has demonstrated to the satisfaction of the Secretary of the Treasury that the Borrower is unable to so collateralize the Unguaranteed Loan Amount or the respective Unguaranteed Loan Portion Amount or the respective Unguaranteed-Amount Equivalent, as the case may be, then the Borrower may calculate the Interest Rate Difference using whatever collateralization assumptions the Borrower elects;

(D) If the Borrower delivers evidence to the Secretary of the Treasury respecting the Interest Rate Difference, which evidence assumes either that the Unguaranteed Loan Amount or the respective Unguaranteed Loan Portion Amount or the respective Unguaranteed-Amount Equivalent, as the case may be, will not be collateralized at all or that the Unguaranteed Loan Amount or the respective Unguaranteed Loan Portion Amount or the respective Unguaranteed-Amount Equivalent, as

the case may be, will be collateralized, but not by securities backed by the full faith and credit of the United States, then the Borrower must also deliver to the Secretary of the Treasury the written agreement of the Borrower, which agreement shall be in form and substance satisfactory to the Secretary of the Treasury, that the Borrower will not collateralize the Unguaranteed Loan Amount or the respective Unguaranteed Loan Portion Amount or the respective Unguaranteed-Amount Equivalent, as the case may be, at any time during the term of the Private Loan in any way different from the assumptions used in calculating the Interest Rate Difference; and

(E) The Borrower must deliver to the Secretary of the Treasury the evidence pertaining to the Interest Rate Difference at the time that the Borrower submits to DSAA its plan for prepayment, if any, if no plan of prepayment is submitted, then no later than 10 days prior to the time that the Borrower submits to DSAA its prepayment application.

(ii) If the Secretary of the Treasury determines that the evidence submitted by the Borrower pertaining to the Interest Rate Difference is satisfactory in form and in substance, and that the Interest Rate Difference is substantial, a modified version of the Guaranty (deleting therefrom the provision that the Guaranty shall cease to be effective if any Guaranteed-Amount Debt Derivative is issued) will be attached to the Private Loan Note or the Private Loan Portion Notes, as the case may be.

(2) The Secretary of the Treasury shall have determined, in the sole discretion of the Secretary of the Treasury, that the respective Borrower's loan prepayment at par pursuant to subsection (a) of the Act through the issuance of any Guaranteed-Amount Debt Derivative is necessary to achieve the international economic policy interests of the United States.

§ 25.405 Form of guaranty.

(a) The Guaranty that will be attached to the Private Loan Note on the Closing Date shall be in the following form (except that the bracketed words shall be deleted if the conditions specified in § 25.404(b) shall have occurred):

For Value Received, the Defense Security Assistance Agency of the Department of Defense (''DSAA''), hereby guarantees to (Name of Lender) (''Lender''), incorporated under the laws of (U.S. State or other U.S. jurisdiction) or if not so incorporated or organized, then the principal place of doing business is (U.S. location, address, and zip code), under the authority of Section 24 of the Arms Export Control Act, as amended (''Act''), the due and punctual payment of ninety percent (90%) of amounts due: (1) on the promissory note (''Note'') in the principal amount of up to $_____ dated _____ issued to the Lender by the Government of (Name of Borrower) (''Borrower'') pursuant to the Loan Agreement between the Lender and the Borrower dated the ___th day of _____ (''Agreement''); and (2) the Lender from the Borrower pursuant to the Agreement.

This Guaranty is a guaranty of payment covering all political and credit risks of nonpayment, including any nonpayment arising out of any claim which the Borrower may now or hereafter have against any person, corporation, or other entity (including without limitation, the United States, the Lender, and any supplier of defense items) in connection with any transaction, for any reason whatsoever. This Guaranty shall inure to the benefit of and shall be enforceable by the Lender and any Permitted Guaranty Holder (as hereinafter defined). This Guaranty shall not be impaired by any law, regulation or decree of the Borrower now or hereafter in effect which might in any manner change any of the terms of the Note or Agreement. The obligation of DSAA hereunder shall be binding irrespective of the irregularity, invalidity or unenforceability under any laws, regulations or decrees of the Borrower of the Note, the Agreement or other instruments related thereto.

DSAA hereby waives diligence, demand, protest, presentment and any requirement that the Lender exhaust any right or power to take any action against the Borrower and any notice of any kind whatsoever other than the demand for payment required to be given to DSAA hereunder in the event of default on a payment due under the Note.

In the event of failure of the Borrower to make payment, when and as due, of any installment of principal or interest under the Note, the DSAA shall make payment immediately to the Lender upon demand to the DSAA after the Borrower's failure to pay has continued for 10 calendar days. The amount payable under this Guaranty shall be ninety percent (90%) of the amount of the overdue installment of principal and interest, plus ninety percent (90%) of any and all late charges and interest thereon as provided in the Agreement. Upon payment by DSAA to

the Lender, the Lender will assign to DSAA, without recourse or warranty, ninety percent (90%) of all of its rights in the Note and the Agreement with respect to such payment.

In the event of a default under the Agreement or the Note by the Borrower and so long as this Guaranty is in effect and the DSAA is not in default hereunder:

(i) The Lender or other Permitted Guaranty Holder shall not accelerate or reschedule payment of the principal or interest on the Note or any other note of the Borrower guaranteed by DSAA except with the written approval of DSAA; and

(ii) The Lender or other Permitted Guaranty Holder shall, if so directed by DSAA, invoke the default provisions of the Agreement.

Subject to the limitations set forth below, the Lender's rights under this Guaranty may be assigned to any ''Permitted Guaranty Holder,'' that is: (1) An individual domiciled in the United States; (2) a corporation incorporated, chartered or otherwise organized in the United States; or (3) a partnership or other juridical entity doing business in the United States. In the event of such assignment DSAA shall be promptly notified. The Lender will not agree to any material amendment of the Agreement or Note or consent to any material deviation from the provisions thereof without the prior written consent of DSAA.

Permitted Guaranty Holders shall be severally bound by, and shall be severally entitled to, the rights and obligations of the Lender under the Note, the Agreement, and this Guaranty. The Lender shall maintain a current, accurate written record of the names, addresses, amount of financial interest in the Note and Agreement, and date of acquisition of such interest of each Permitted Guaranty Holder and shall furnish DSAA a copy of such record on its demand without charge. No assignment by the Lender or by any Permitted Guaranty Holder shall be effective for purposes of this Guaranty unless and until so recorded by the Lender.

The total amount of this Guaranty shall not at any time exceed ninety percent (90%) of the outstanding principal, unpaid accrued interest and arrearages, if any, under the Agreement and the Note, including any portion of the Note, or any derivative of the Note or any portion of the Note.

This Guaranty shall cease to be effective with respect to the guaranteed amount of the total amount of the Note (the ''Guaranteed Loan Amount'') or with respect to the guaranteed amount of any portion of the Note (the ''Guaranteed Loan Portion Amount'') [or with respect to the amount of any derivative or derivatives of the Note or any portion of the Note equal, or in the aggregate equal, in principal amount to the total amount of the Note or such portion of the Note, as the case may be, which amount of such derivative or derivatives is equal to the respective Guaranteed Loan Amount or Guaranteed Loan Portion Amount, as the case may be (the ''Guaranteed-Amount Equivalent'')] to the extent that (1) the Guaranteed Loan Amount or the respective Guaranteed Loan Portion Amount [or the respective Guaranteed-Amount Equivalent], as the case may be, is at any time separated from the unguaranteed amount of the total amount of the Note or the unguaranteed amount of the respective portion of the Note [or the amount of such derivative or derivatives of the Note which is not the amount which is equal to the Guaranteed Loan Amount or Guaranteed Loan Portion Amount, as the case may be], in any way, (a) directly, or (b) through the issuance of participation shares of, or undivided ownership or other equity interests in, the Note, or any portion of the Note, or any derivative of the Note or any portion of the Note, which have an exclusive or preferred claim to the Guaranteed Loan Amount or the respective Guaranteed Loan Portion Amount [or the respective Guaranteed-Amount Equivalent], as the case may be [or (c) through the issuance of notes, bonds or other debt instruments or obligations which are collateralized or otherwise secured by a pledge of, or security interest in, the Note, or any portion of the Note or any derivative of the Note or any portion of the Note, which has an exclusive or preferred claim to the Guaranteed Loan Amount or the respective Guaranteed Loan Portion Amount or the respective Guaranteed-Amount Equivalent, as the case may be]; or (2) any holder of the Note, or any portion of the Note, or any derivative of the Note or any portion of the Note, as the case may be, having claim to payment made on the Note, receives more than ninety percent of any payment due to such holder from payments made under this Guaranty at any time during the term of the Note or the Agreement.

This Guaranty is fully and freely transferable to any Permitted Guaranty Holder, except that it shall cease to be effective with respect to the Agreement or the Note, or any portion of the Note, or any derivative of the Note or any portion of the Note, to the extent that the Agreement or the Note, or the respective portion of the Note, or the respective derivative of the Note or any portion of the Note, as the case may be, is used to provide significant support for any non-registered obligation.

The full faith and credit of the United States is pledged to the performance of this Guaranty. No claim which the United States may now or hereafter have against the Lender or any Permitted Guaranty Holder for any reason whatsoever shall affect in any way the right of the Lender or any Permitted

Guaranty Holder to receive full and prompt payment of any amount otherwise due under this Guaranty. The United States represents and warrants that (a) it has full power, authority and legal right to execute, deliver and perform this Guaranty, (b) this Guaranty has been executed in accordance with and pursuant to the terms and provisions of section 24 of the Act, the provisions of the Foreign Operations, Export Financing, and Related Programs Appropriations Act, 1988, under the hearing ''Foreign Military Sales Debt Reform,'' and title 31, part 25, of the Code of Federal Regulations, (c) this Guaranty has been duly executed and delivered by a duly authorized representative of DSAA, and (d) this Guaranty constitutes the valid and legally binding obligations of the United States, enforceable in accordance with the terms hereof.

Any notice, demand, or other communication hereunder shall be deemed to have been given if in writing and actually delivered to the Comptroller, DSAA, the Pentagon, Washington, DC 20301–2800, or the successor, or such other place as may be designated in writing by the Comptroller, DSAA or the successor thereof.

By acceptance of the Note, the Lender agrees to the terms and conditions of this Guaranty.

Dated: _____

By: _____

Director, DSAA.

(b) The obligations of DSAA under the Guaranty are expressly limited to those obligations contained in the form of Guaranty set forth in paragraph (a) of this section. Any provisions of any agreement relating to the Private Loan purporting to create obligations on the part of DSAA which are inconsistent with the terms of the Guaranty or any other provision of this part be unenforceable against DSAA.

§ 25.406 Savings clause.

Nothing in this rule is intended to authorize any person or entity to engage in any activity not otherwise authorized or permitted for such person or entity under any applicable laws of the United States, any territory or possession of the United States, any State, or the District of Columbia.

PART 26—ENVIRONMENTAL REVIEW OF ACTIONS BY MULTILATERAL DEVELOPMENT BANDS (MDBs)

Sec.

26.1 Purpose.
26.2 Availability of project listings.
26.3 Availability of Environmental Impact Assessment Summaries (EIA Summaries) and Environmental Impact Assessments (EIAs).
26.4 Comments on MDB projects.
26.5 Upgrades and additional environmental information.

AUTHORITY: 22 U.S.C. 262m–7, 31 U.S.C. 321.

SOURCE: 57 FR 24545, June 10, 1992, unless otherwise noted.

§ 26.1 Purpose.

This part prescribes procedures for the environmental review of, and comment by Federal agencies and the public on, proposed projects of multilateral development banks (MDBs).

§ 26.2 Availability of project listings.

(a) The Office of Multilateral Development Banks of the Department of the Treasury (hereinafter ''MDB Office'') will ensure that the Environmental Protection Agency (EPA), the Council on Environmental Quality (CEQ), the Department of State, the Agency for International Development (AID), the National Oceanic and Atmospheric Administration (NOAA), and the Bank Information Center (BIC) (which is a private, nongovernmental organization located in Washington, DC), receive copies from each multilateral development bank (MDB) of project listings describing future MDB projects and assigning environmental categories based on the environmental impact of each project. If an MDB has not provided a project listing to one of these entities, these entities may obtain the project listing by contacting the MDB Office, 1500 Pennsylvania Avenue NW., Washington, DC 20220, (202) 622–0765.

(b)(1) Members of the public may obtain copies of project listings from the BIC, 2025 Eye Street NW., suite 522, Washington, DC 20006 ((202) 466–8191, not a toll-free call).

(2) If a copy is not available from the BIC, members of the public may arrange to review and/or copy a project listing by contacting the MDB Office which will make a copy available at the Department of the Treasury Library, 1500 Pennsylvania Avenue NW., Washington, DC ((202) 622–0990, not a toll-free call). Members of the public

are advised that they must make an appointment with the Treasury Library before they visit and that a charge (currently 15 cents per page) is imposed for the use of the library photocopier.

§ 26.3 Availability of Environmental Impact Assessment Summaries (EIA Summaries) and Environmental Impact Assessments (EIAs).

(a) *EIA summaries.* (1) The MDB Office will provide for the distribution of EIA Summaries to the entities identified in section 26.2(a).

(2) (i) Members of the public may obtain copies of EIA Summaries from the BIC, 2025 Eye Street, NW., suite 522, Washington, DC 20006 ((202) 466–8191, not a toll-free call).

(ii) If a copy of an EIA Summary is not available from the BIC, members of the public may arrange to review and/or copy an EIA Summary by contacting the MDB Office at (202) 622–0765 (not a toll-free call), which will make a copy available at the Department of the Treasury Library, 1500 Pennsylvania Avenue NW., Washingon, DC. Members of the public are advised that they must make an appointment with the Treasury Library (202) 622–0990) before they visit, and that a charge (currently 15 cents per page) is imposed for the use of the library photocopier. To the extent possible, EIA Summaries will be available for review and copying at least 120 days before scheduled consideration of a project by the MDB Executive Directors.

(b) *EIAs*—(1) *The African Development Bank, the European Bank for Reconstruction and Development, and the Asian Development Bank.* Arrangements to review an EIA may be made by contacting the MDB Office ((202) 622–0765 (not a toll-free call)), which will obtain a copy of the EIA through the Office of the United States Executive Director of the appropriate MDB and make it available for review and copying in the Department of the Treasury Library. Members of the public are advised that they must make an appointment with the Treasury Library, ((202) 622–0900 (not a toll-free call), before they visit, and that a charge (currently 15 cents per page) is imposed for the use of the library photocopier.

(2) *The International Bank for Reconstruction and Development, the International Development Association, and the Inter-American Development Bank.* (i) Members of the public may review EIAs at the public reading room of the concerned MDB.

(ii) If a particular MDB does not have a public reading room, members of the public may arrange to review and/or copy an EIA by contacting the MDB Office ((202) 622–0765 (not a toll-free call)), which will obtain a copy through the Office of the United States Executive Director of the concerned MDB and make it available in the Department of the Treasury Library, 1500 Pennsylvania Avenue NW., Washington, DC. Members of the public are advised that they must make an appointment with the Treasury Library ((202) 622–0990 not a toll-free call) before they visit, and that a charge (currently 15 cents per page) is imposed for the use of the library photocopier.

§ 26.4 Comments on MDB projects.

(a) *Public comments*—(1) *Written comments* (i) A member of the public wishing to provide written comments on a MDB project must provide 2 copies of the comments to the Office of Multilateral Development Banks, U.S. Department of the Treasury, 1500 Pennsylvania Avenue NW., room 5400, Washington, DC 20220. Written comments should be submitted not later than two weeks after the member of the public has access to the particular document on which it wishes to offer comments—either the project listing, the EIA Summary, or the EIA for a particular project. Written public comments will be provided by the MDB Office to the U.S. Government agencies participating in meetings of the Working Group for Multilateral Assistance (WGMA), which meetings are described in § 26.4(c). The WGMA is an intergovernmental subcommittee of the Development Coordination Committee whose functions are set forth in the Presidential announcement of May 19, 1978, Vol. 14, No. 20, p. 932 of the Weekly Compilation of Presidential Documents. The WGMA meets to discuss the U.S. position on upcoming MDB projects.

(ii) All written comments will be available for inspection and copying in their entirety in the Department of the Treasury Library, 1500 Pennsylvania Avenue NW., Washington, DC ((202) 622–0990). Members of the public are advised that they must make an appointment with the Treasury Library before they visit, and that a charge (currently 15 cents per page) is imposed for the use of the library photocopier.

(2) *Oral comments.* Oral comments from a member of the public may be made in periodic meetings convened by the BIC. Information concerning these meetings may be obtained by contacting the BIC or the MDB Office. The MDB Office will summarize and present such comments in the WGMA meetings described in § 26.4(c).

(b) *U.S. agency comments.* Comments from U.S. agencies shall be provided through the WGMA.

(c) *Consideration of comments.* The WGMA will consider all comments made by the public and U.S. agencies. The WGMA may review a project up to three times. The first review will consider whether the project has been assigned the appropriate environmental category by the MDB. This review will take place as far in advance as possible of Board consideration of the project. The second review will consider the EIA Summary or the EIA (or information discussed in § 26.5(b)(1)), and comments received from the public on such documentation. The third WGMA review, which will take place shortly before Board consideration of the project, will consider the position of the U.S. Government on the project.

§ 26.5 Upgrades and additional environmental information.

(a) *Environmental category upgrades.* If the WGMA and the Department of the Treasury determine that a project would have a significant impact on the human environment, but that the level of environmental analysis planned by the MDB is insufficient, the Department of the Treasury will instruct the United States Executive Director of the concerned MDB to request that the MDB upgrade the project to an environmental category requiring additional environmental analysis. Members of the public may call the MDB Office to inquire about upgrade requests for specific projects.

(b) *Additional environmental information.* (1) If the WGMA and the Department of the Treasury determine on the basis of the first WGMA review that:

(i) A MDB project would have a significant impact on the human environment, and

(ii) The MDB appears to have made an appropriate decision that such project merits environmental analysis, but less than a full-fledged environmental impact assessment as defined by that MDB's own procedures, the Department of the Treasury will obtain, through the United States Executive Director of the concerned MDB, such environmental information from the MDB (e.g., environmental chapters from project feasibility studies or environmental data sheets) which contains this environmental analysis. The MDB Office will provide this environmental information to the entities described in § 26.2(a).

(2) If such environmental information is insufficient to provide an adequate basis for analyzing the environmental impact of the proposed project and alternatives to the proposed project, the Department of the Treasury will instruct the United States Executive Director of the concerned MDB not to vote in favor of the project.

PART 27—CIVIL PENALTY ASSESSMENT FOR MISUSE OF DEPARTMENT OF THE TREASURY NAMES, SYMBOLS, ETC.

Sec.

27.1 Purpose.
27.2 Definitions.
27.3 Assessment of civil penalties.
27.4 Factors to be considered.
27.5 Initial Notice of Assessment.
27.6 Written response.
27.7 Final Notice of Assessment.
27.8 Judicial review.

AUTHORITY: 31 U.S.C. 321, 333.

SOURCE: 62 FR 42213, Aug. 6, 1997, unless otherwise noted.

§ 27.1 Purpose.

(a) The regulations in this part implement the provisions of 31 U.S.C. 333(c), which authorizes the Secretary

of the Treasury to assess a civil penalty against any person who has misused the words, titles, abbreviations, initials, symbols, emblems, seals, or badges of the Department of the Treasury or any subdivision thereof in violation of 31 U.S.C. 333(a), in accordance with that section and this part.

(b) The regulations in this part do not apply to the extent that the Secretary or his/her designee has specifically authorized the person to manufacture, produce, sell, possess, or use the words, titles, abbreviations, initials, symbols, emblems, seals, or badges by written contract, agreement, or letter.

§ 27.2 Definitions.

(a) The term ''assessing official'' means:

(1) The head of a bureau or other subdivision of the Department of the Treasury who has been delegated the authority to assess civil penalties under 31 U.S.C. 333(c); or

(2) An officer or employee of a bureau or subdivision at the grade of GS-15 or above to whom such authority has been redelegated by the head of such bureau or subdivision.

(b) The term ''broadcast'' or ''telecast'' mean widespread dissemination by electronic transmission or method, whether audio and/or visual.

(c) The term ''civil penalty'' means:

(1) A civil monetary penalty; and

(2) Any other civil or equitable remedy deemed necessary to rectify the potential for a continued misuse or harm from an activity found to have been in violation of 31 U.S.C. 333 or this part.

(d) The term ''date of offense'' means the later of—

(1) The date that the misuse occurred;

(2) The date that the misuse had the effect of conveying the false impression that the activity was associated with or approved, endorsed, sponsored or authorized by the Department or any of its subdivisions or officers or employees; or

(3) If the violation is a continuing one, the date on which the misuse of the words, titles, abbreviations, initials, symbols, emblems, seals, or badges protected by this part last occurred.

(e) The term ''days'' means calendar days, unless otherwise stated.

(f) The term ''person'' means an individual, partnership, association, corporation, company, business, firm, manufacturer, or any other organization or institution.

§ 27.3 Assessment of civil penalties.

(a) *General rule.* An assessing official may impose a civil penalty on any person—

(1) Who uses in connection with, or as a part of, any advertisement, solicitation, business activity, or product, whether alone or with other words, letters, symbols, or emblems;

(i) The words ''Department of the Treasury,'' ''Internal Revenue Service,'' ''Bureau of the Fiscal Service,'' ''Bureau of Engraving and Printing,'' ''Comptroller of the Currency,'' ''Financial Crimes Enforcement Network,'' ''United States Mint,'' ''Alcohol and Tobacco Tax and Trade Bureau,'' or the name of any other service, bureau, office, or subdivision of the Department of the Treasury;

(ii) The titles ''Secretary of the Treasury,'' ''Treasurer of the United States,'' ''Commissioner of Internal Revenue,'' ''Commissioner of the Bureau of the Fiscal Service,'' ''Director of the Bureau of Engraving and Printing,'' ''Comptroller of the Currency,'' ''Director of the Financial Crimes Enforcement Network,'' ''Director of the United States Mint,'' ''Administrator of the Alcohol and Tobacco Tax and Trade Bureau,'' or the title of any other officer or employee of the Department of the Treasury or subdivision thereof;

(iii) The abbreviations or initials of any entity or title referred to in paragraph (a)(1)(i) or (ii) of this section, including but not limited to ''IRS,'' ''BFS,'' ''TTB,'' and ''FINCEN'' or ''FinCEN'';

(iv) The words ''United States Savings Bond,'' including any variation thereof, or the name of any other security, obligation, or financial instrument issued by the Department of the Treasury or any subdivision thereof;

(v) Any symbol, emblem, seal, or badge of an entity referred to in paragraph (a)(1)(i) of this section (including the design of any envelope, stationery,

or identification card used by such an entity); or

(vi) Any colorable imitation of any such words, titles, abbreviations, initials, symbol, emblem, seal, or badge; and

(2) Where such use is in a manner that could reasonably be interpreted or construed as conveying the false impression that such advertisement, solicitation, business activity, or product is in any manner approved, endorsed, sponsored, or authorized by, or associated with the Department of the Treasury or any entity referred to in paragraph (a)(1)(i) of this section, or any officer, or employee thereof.

(b) *Disclaimers*. Any determination of whether a person has violated the provisions of paragraph (a) of this section shall be made without regard to any use of a disclaimer of affiliation with the United States Government or any particular agency or instrumentality thereof.

(c) *Civil penalty*. An assessing official may impose a civil penalty on any person who violates the provisions of paragraph (a) of this section. The amount of a civil monetary penalty shall not exceed $8,212 for each and every use of any material in violation of paragraph (a), except that such penalty shall not exceed $41,056 for each and every use if such use is in a broadcast or telecast.

(d) *Time limitations*. (1) Civil penalties imposed under this part must be assessed before the end of the three year period beginning on the date of offense charged.

(2) An assessing official may commence a civil action to recover or enforce any civil penalty imposed in a Final Notice of Assessment issued pursuant to § 27.7 at any time before the end of the two year period beginning on the date of the Final Notice of Assessment. If judicial review of the Final Notice of Assessment is sought, the two year period begins to run from the date that a final and unappealable court order is issued.

(e) *Criminal proceeding*. No civil penalty may be imposed under this part with respect to any violation of paragraph (a) of this section after a criminal proceeding on the same violation has been commenced by indictment or information under 31 U.S.C. 333(d).

[62 FR 42213, Aug. 6, 1997, as amended at 84 FR 3106, Feb. 11, 2019; 84 FR 15956, Apr. 17, 2019; 85 FR 10064, Feb. 21, 2020; 86 FR 12539, Mar. 4, 2021]

§ 27.4 Factors to be considered.

The assessing official will consider relevant factors when determining whether to assess or impose a civil penalty under this part, and the amount of a civil monetary penalty. Those factors may include, but are not limited to, the following:

(a) The scope of the misuse;

(b) The purpose and/or nature of the misuse;

(c) The extent of the harm caused by the misuse;

(d) The circumstances of the misuse; and

(e) The benefit intended to be derived from the misuse.

§ 27.5 Initial Notice of Assessment.

The assessing official shall serve an Initial Notice of Assessment by United States mail or other means upon any person believed to be in violation of § 27.3 and otherwise subject to a civil penalty. The notice shall provide the name and telephone number of an agency officer or employee who can provide information concerning the notice and the provisions of this part, and shall include the following:

(a) A specific reference to the provisions of § 27.3 violated;

(b) A concise statement of the facts that support the conclusion that such a violation occurred;

(c) The amount of the penalty proposed, and/or any other proposed civil or equitable remedy;

(d) A notice informing the person alleged to be in violation of § 27.3 that he/she:

(1) May, within 30 days of the date of the notice, pay the proposed civil monetary penalty and consent to each proposed civil or equitable remedy, thereby waiving the right to make a written response under § 27.6 and to seek judicial review under § 27.8:

(i) By electronic funds transfer (EFT) in accordance with instructions provided in the notice, or

(ii) By means other than EFT only with the written approval of the assessing official;

(2) May make a written response within 30 days of the date of the notice asserting, as appropriate:

(i) Why a civil monetary penalty and/or other civil or equitable remedy should not be imposed;

(ii) Why a civil monetary penalty should be in a lesser amount than proposed; and

(iii) Why the terms of a proposed civil or equitable remedy should be modified;

(3) May be represented by an attorney or other representative, provided that a designation of representative signed by the person alleged to be in violation is received by the assessing official; and

(4) May request, within 20 days of the date of the notice, a copy of or opportunity to review any documents and/or other evidence compiled and relied on by the agency in determining to issue the notice (the assessing official reserves the right to assert privileges available under law and may decline to disclose certain documents and/or other evidence); and

(e) The Initial Notice of Assessment shall also inform the person that:

(1) If no written response is received within the time allowed in § 27.6(b), a Final Notice of Assessment may be issued without a presentation by the person;

(2) If a written response has been made and it is deemed necessary, the assessing official may request, orally or in writing, additional information from the respondent;

(3) A Final Notice of Assessment may be issued in accordance with § 27.7 requiring that the civil monetary penalty be paid and compliance with the terms of any other civil or equitable remedy;

(4) A Final Notice of Assessment is subject to judicial review in accordance with 5 U.S.C. 701 *et seq.;* and

(5) All submissions sent in response to the Initial

Notice of Assessment must be transmitted to the address specified in the notice and include the name, address, and telephone number of the respondent.

§ 27.6 Written response.

(a)(1) A person served with an Initial Notice of Assessment may make a written response explaining why the civil penalty should not be imposed, explaining why a civil monetary penalty should be in a lesser amount than proposed and/or explaining why the terms of a proposed civil or equitable remedy should be modified. The written response must provide:

(i) A reference to and specifically identify the Initial Notice of Assessment involved;

(ii) The full name of the person charged;

(iii) If not a natural person, the name and title of the head of the organization charged; and

(iv) If a representative of the person charged is filing the written response, a copy of the duly executed designation as representative.

(2) The written response must admit or deny each violation of § 27.3 charged in the Initial Notice of Assessment. Any charge not specifically denied will be presumed to be admitted. Where a charge is denied, the respondent shall specifically set forth the legal or factual basis upon which the charge is denied. If the basis of the written response is that the person charged is not the person responsible for the misuse(s) charged, the written response must set forth sufficient information to allow the agency to determine the truth of such an assertion. The written response should include any and all documents and/or other information that the respondent believes should be a part of the administrative record on the matter.

(b) *Time.* (1) Except as provided in paragraph (b)(2) of this section, any written response made under this paragraph must be received not later than 30 days after the date of the Initial Notice of Assessment.

(2) If a request for documents or other evidence is made pursuant to § 27.5(d)(4), the written response must be received not later than 20 days after the date of the Department's response to the request.

(3)(i) In computing the number of days allowed for filing a written response under this paragraph, the first day counted is the day after the date of

the Initial Notice of Assessment. If the last date on which the response is required to be filed by this paragraph is a Saturday, Sunday or Federal holiday, the response will be due on the next weekday after that date.

(ii) If a response is transmitted by United States mail, it will be deemed timely filed if postmarked on or before the due date.

(4) The assessing official may extend the period for making a written response under paragraphs (b)(1) and (b)(2) for good cause shown. Generally, failure to obtain representation in a timely manner will not be considered good cause.

(c) *Filing.* A written response will be considered filed on the date received at the address specified in the Initial Notice of Assessment. The response may be sent by personal delivery, United States mail or commercial delivery. At the discretion of the assessing official, filing may be accomplished by facsimile or any other method deemed appropriate.

(d) The assessing official will fully consider the facts and arguments submitted by the respondent in the written response and any other documents filed pursuant to this paragraph in determining whether to issue a Final Notice of Assessment under § 27.7, the appropriate amount of the civil monetary penalty imposed and the terms of any other appropriate civil or equitable remedy.

§ 27.7 Final Notice of Assessment.

(a) In making a final determination whether to impose a penalty, the assessing official shall take into consideration all available information in the administrative record on the matter, including all information provided in or with a written response timely filed by the respondent and any additional information provided pursuant to § 27.5(e)(2). The assessing official will determine whether:

(1) The facts warrant a conclusion that no violation has occurred; or

(2) The facts warrant a conclusion that one or more violations have occurred; and

(3) The facts and violations found justify the conclusion that a civil penalty should be imposed.

(b) If the assessing official determines that no violation has occurred, the official shall promptly send a letter indicating that determination to the person served with an Initial Notice of Assessment and to any designated representative of such person.

(c)(1) If it has been determined that a violation has occurred, the assessing official shall issue a Final Notice of Assessment to the person served with an Initial Notice of Assessment and to any designated representative of such person.

(2) The assessing official may, in his/her discretion:

(i) Impose a civil monetary penalty and/or any civil or equitable remedy deemed necessary to rectify the potential for a continued misuse or harm from the violation(s);

(ii) Not impose a civil monetary penalty and/or civil or equitable remedy; or

(iii) Impose a civil monetary penalty and/or civil or equitable remedy and condition payment of the civil monetary penalty on the violator's future compliance with 31 U.S.C. 333, this part and any civil or equitable remedy contained in the Final Notice of Assessment. If a civil monetary penalty is imposed, the assessing official shall determine the appropriate amount of the penalty in accordance with 31 U.S.C. 333(c)(2).

(3) The Final Notice of Assessment shall:

(i) Include:

(A) A specific reference to the provisions of § 27.3 found to have been violated;

(B) A concise statement of the facts warranting a conclusion that a violations has occurred;

(C) An analysis of how the facts and violation(s) justify the conclusion that a civil monetary penalty and/or civil or equitable remedy should be imposed; and

(D) The amount of each civil monetary penalty imposed, a statement as to how the amount of each penalty was determined, and the terms of any civil or equitable remedy deemed necessary to rectify the potential for a continued misuse or harm from the violation(s); and

(ii) Inform the person that:

(A) Payment of a civil monetary penalty imposed by the Final Notice of Assessment must be made within 30 days of the date of the notice, and that any civil or equitable remedy imposed must be complied with as provided in the Final Notice of Assessment;

(B) Payment of a civil monetary penalty imposed by the Final Notice of Assessment shall be by EFT in accordance with instructions provided in the notice, unless the assessing official has given written approval to have payment made by other means;

(C) payment of a civil monetary penalty imposed by the Final Notice of Assessment constitutes consent by the person to comply with the terms of any civil or equitable remedy contained in the notice;

(D) If payment of a civil monetary penalty imposed by the Final Notice of Assessment has been waived on the condition that the person comply with the terms of any civil or equitable remedy contained in the notice or comply in the future with 31 U.S.C. 333 and this part, failure by the person to so comply will make the civil monetary penalty payable on demand;

(E) If a civil monetary penalty is not paid within 30 days of the date of the Final Notice of Assessment (or on demand under paragraph (C)(3)(ii)(D) of this sectiion), or if a civil or equitable remedy is not complied with in accordance with the terms of the notice, a civil action to collect the penalty or enforce compliance may be commenced at any time within two years of the date of the Final Notice of Assessment; and

(F) Any civil monetary penalty and civil or equitable remedy imposed by the Final Notice of Assessment may be subject to judicial review in accordance with 5 U.S.C. 701 *et seq*.

[62 FR 42213, Aug. 6, 1997; 62 FR 44036, Aug. 18, 1997]

§ 27.8 Judicial review.

A final Notice of Assessment issued under this party may be subject to judicial review pursuant to 5 U.S.C. 701 *et seq*.

PART 28—NONDISCRIMINATION ON THE BASIS OF SEX IN EDUCATION PROGRAMS OR ACTIVITIES RECEIVING FEDERAL FINANCIAL ASSISTANCE

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AUTHORITY: 20 U.S.C. 1681, 1682, 1683, 1685, 1686, 1687, 1688.

SOURCE: 65 FR 52865, 52881, Aug. 30, 2000, unless otherwise noted.

Subpart A—Introduction

§ 28.100 Purpose and effective date.

The purpose of these Title IX regulations is to effectuate Title IX of the Education Amendments of 1972, as amended (except sections 904 and 906 of those Amendments) (20 U.S.C. 1681, 1682, 1683, 1685, 1686, 1687, 1688), which is designed to eliminate (with certain exceptions) discrimination on the basis of sex in any education program or activity receiving Federal financial assistance, whether or not such program or activity is offered or sponsored by an educational institution as defined in these Title IX regulations. The effective date of these Title IX regulations shall be September 29, 2000.

§ 28.105 Definitions.

As used in these Title IX regulations, the term:

Administratively separate unit means a school, department, or college of an educational institution (other than a local educational agency) admission to which is independent of admission to any other component of such institution.

Admission means selection for part-time, full-time, special, associate, transfer, exchange, or any other enrollment, membership, or matriculation in or at an education program or activity operated by a recipient.

Applicant means one who submits an application, request, or plan required to be approved by an official of the Federal agency that awards Federal financial assistance, or by a recipient, as a condition to becoming a recipient.

Department means Department of the Treasury.

Designated agency official means Assistant Secretary for Management and Chief Financial Officer.

Educational institution means a local educational agency (LEA) as defined by 20 U.S.C. 8801(18), a preschool, a private elementary or secondary school, or an applicant or recipient that is an institution of graduate higher education, an institution of undergraduate higher education, an institution of professional education, or an institution of vocational education, as defined in this section.

Federal financial assistance means any of the following, when authorized or extended under a law administered by the Federal agency that awards such assistance:

(1) A grant or loan of Federal financial assistance, including funds made available for:

(i) The acquisition, construction, renovation, restoration, or repair of a building or facility or any portion thereof; and

(ii) Scholarships, loans, grants, wages, or other funds extended to any entity for payment to or on behalf of students admitted to that entity, or extended directly to such students for payment to that entity.

(2) A grant of Federal real or personal property or any interest therein, including surplus property, and the proceeds of the sale or transfer of such property, if the Federal share of the fair market value of the property is not, upon such sale or transfer, properly accounted for to the Federal Government.

(3) Provision of the services of Federal personnel.

(4) Sale or lease of Federal property or any interest therein at nominal consideration, or at consideration reduced for the purpose of assisting the recipient or in recognition of public interest to be served thereby, or permission to use Federal property or any interest therein without consideration.

(5) Any other contract, agreement, or arrangement that has as one of its purposes the provision of assistance to any education program or activity, except a contract of insurance or guaranty.

Institution of graduate higher education means an institution that:

(1) Offers academic study beyond the bachelor of arts or bachelor of science degree, whether or not leading to a certificate of any higher degree in the liberal arts and sciences;

(2) Awards any degree in a professional field beyond the first professional degree (regardless of whether the first professional degree in such field is awarded by an institution of undergraduate higher education or professional education); or

(3) Awards no degree and offers no further academic study, but operates ordinarily for the purpose of facilitating research by persons who have received the highest graduate degree in any field of study.

Institution of professional education means an institution (except any institution of undergraduate higher education) that offers a program of academic study that leads to a first professional degree in a field for which there is a national specialized accrediting agency recognized by the Secretary of Education.

Institution of undergraduate higher education means:

(1) An institution offering at least two but less than four years of college-level study beyond the high school level, leading to a diploma or an associate degree, or wholly or principally creditable toward a baccalaureate degree; or

(2) An institution offering academic study leading to a baccalaureate degree; or

(3) An agency or body that certifies credentials or offers degrees, but that may or may not offer academic study.

Institution of vocational education means a school or institution (except an institution of professional or graduate or undergraduate higher education) that has as its primary purpose preparation of students to pursue a technical, skilled, or semiskilled occupation or trade, or to pursue study in a technical field, whether or not the school or institution offers certificates, diplomas, or degrees and whether or not it offers full-time study.

Recipient means any State or political subdivision thereof, or any instrumentality of a State or political subdivision thereof, any public or private agency, institution, or organization, or other entity, or any person, to whom Federal financial assistance is extended directly or through another recipient and that operates an education program or activity that receives such assistance, including any subunit, successor, assignee, or transferee thereof.

Reviewing authority means that component of the Department delegated authority to review the decisions of hearing officers in cases arising under these Title IX regulations.

Secretary means Secretary of the Treasury.

Student means a person who has gained admission.

Title IX means Title IX of the Education Amendments of 1972, Public Law 92–318, 86 Stat. 235, 373 (codified as amended at 20 U.S.C. 1681–1688) (except sections 904 and 906 thereof), as amended by section 3 of Public Law 93–568, 88 Stat. 1855, by section 412 of the Education Amendments of 1976, Public Law 94–482, 90 Stat. 2234, and by Section 3 of Public Law 100–259, 102 Stat. 28, 28–29 (20 U.S.C. 1681, 1682, 1683, 1685, 1686, 1687, 1688).

Title IX regulations means the provisions set forth at §§ 28.100 through 28.635.

Transition plan means a plan subject to the approval of the Secretary of Education pursuant to section 901(a)(2) of the Education Amendments of 1972, 20 U.S.C. 1681(a)(2), under which an educational institution operates in making the transition from being an educational institution that admits only students of one sex to being one that

admits students of both sexes without discrimination.

[65 FR 52865, 52881, 52882, Aug. 30, 2000]

§ 28.110 Remedial and affirmative action and self-evaluation.

(a) *Remedial action*. If the designated agency official finds that a recipient has discriminated against persons on the basis of sex in an education program or activity, such recipient shall take such remedial action as the designated agency official deems necessary to overcome the effects of such discrimination.

(b) *Affirmative action*. In the absence of a finding of discrimination on the basis of sex in an education program or activity, a recipient may take affirmative action consistent with law to overcome the effects of conditions that resulted in limited participation therein by persons of a particular sex. Nothing in these Title IX regulations shall be interpreted to alter any affirmative action obligations that a recipient may have under Executive Order 11246, 3 CFR, 1964–1965 Comp., p. 339; as amended by Executive Order 11375, 3 CFR, 1966–1970 Comp., p. 684; as amended by Executive Order 11478, 3 CFR, 1966–1970 Comp., p. 803; as amended by Executive Order 12086, 3 CFR, 1978 Comp., p. 230; as amended by Executive Order 12107, 3 CFR, 1978 Comp., p. 264.

(c) *Self-evaluation*. Each recipient education institution shall, within one year of September 29, 2000:

(1) Evaluate, in terms of the requirements of these Title IX regulations, its current policies and practices and the effects thereof concerning admission of students, treatment of students, and employment of both academic and nonacademic personnel working in connection with the recipient's education program or activity;

(2) Modify any of these policies and practices that do not or may not meet the requirements of these Title IX regulations; and

(3) Take appropriate remedial steps to eliminate the effects of any discrimination that resulted or may have resulted from adherence to these policies and practices.

(d) *Availability of self-evaluation and related materials*. Recipients shall maintain on file for at least three years following completion of the evaluation required under paragraph (c) of this section, and shall provide to the designated agency official upon request, a description of any modifications made pursuant to paragraph (c)(2) of this section and of any remedial steps taken pursuant to paragraph (c)(3) of this section.

§ 28.115 Assurance required.

(a) *General*. Either at the application stage or the award stage, Federal agencies must ensure that applications for Federal financial assistance or awards of Federal financial assistance contain, be accompanied by, or be covered by a specifically identified assurance from the applicant or recipient, satisfactory to the designated agency official, that each education program or activity operated by the applicant or recipient and to which these Title IX regulations apply will be operated in compliance with these Title IX regulations. An assurance of compliance with these Title IX regulations shall not be satisfactory to the designated agency official if the applicant or recipient to whom such assurance applies fails to commit itself to take whatever remedial action is necessary in accordance with § 28.110(a) to eliminate existing discrimination on the basis of sex or to eliminate the effects of past discrimination whether occurring prior to or subsequent to the submission to the designated agency official of such assurance.

(b) *Duration of obligation*. (1) In the case of Federal financial assistance extended to provide real property or structures thereon, such assurance shall obligate the recipient or, in the case of a subsequent transfer, the transferee, for the period during which the real property or structures are used to provide an education program or activity.

(2) In the case of Federal financial assistance extended to provide personal property, such assurance shall obligate the recipient for the period during which it retains ownership or possession of the property.

(3) In all other cases such assurance shall obligate the recipient for the period during which Federal financial assistance is extended.

(c) *Form.* (1) The assurances required by paragraph (a) of this section, which may be included as part of a document that addresses other assurances or obligations, shall include that the applicant or recipient will comply with all applicable Federal statutes relating to nondiscrimination. These include but are not limited to: Title IX of the Education Amendments of 1972, as amended (20 U.S.C. 1681–1683, 1685–1688).

(2) The designated agency official will specify the extent to which such assurances will be required of the applicant's or recipient's subgrantees, contractors, subcontractors, transferees, or successors in interest.

§ 28.120 Transfers of property.

If a recipient sells or otherwise transfers property financed in whole or in part with Federal financial assistance to a transferee that operates any education program or activity, and the Federal share of the fair market value of the property is not upon such sale or transfer properly accounted for to the Federal Government, both the transferor and the transferee shall be deemed to be recipients, subject to the provisions of §§ 28.205 through 28.235(a).

§ 28.125 Effect of other requirements.

(a) *Effect of other Federal provisions.* The obligations imposed by these Title IX regulations are independent of, and do not alter, obligations not to discriminate on the basis of sex imposed by Executive Order 11246, 3 CFR, 1964–1965 Comp., p. 339; as amended by Executive Order 11375, 3 CFR, 1966–1970 Comp., p. 684; as amended by Executive Order 11478, 3 CFR, 1966–1970 Comp., p. 803; as amended by Executive Order 12087, 3 CFR, 1978 Comp., p. 230; as amended by Executive Order 12107, 3 CFR, 1978 Comp., p. 264; sections 704 and 855 of the Public Health Service Act (42 U.S.C. 295m, 298b-2); Title VII of the Civil Rights Act of 1964 (42 U.S.C. 2000e *et seq.*); the Equal Pay Act of 1963 (29 U.S.C. 206); and any other Act of Congress or Federal regulation.

(b) *Effect of State or local law or other requirements.* The obligation to comply with these Title IX regulations is not obviated or alleviated by any State or local law or other requirement that would render any applicant or student ineligible, or limit the eligibility of any applicant or student, on the basis of sex, to practice any occupation or profession.

(c) *Effect of rules or regulations of private organizations.* The obligation to comply with these Title IX regulations is not obviated or alleviated by any rule or regulation of any organization, club, athletic or other league, or association that would render any applicant or student ineligible to participate or limit the eligibility or participation of any applicant or student, on the basis of sex, in any education program or activity operated by a recipient and that receives Federal financial assistance.

§ 28.130 Effect of employment opportunities.

The obligation to comply with these Title IX regulations is not obviated or alleviated because employment opportunities in any occupation or profession are or may be more limited for members of one sex than for members of the other sex.

§ 28.135 Designation of responsible employee and adoption of grievance procedures.

(a) *Designation of responsible employee.* Each recipient shall designate at least one employee to coordinate its efforts to comply with and carry out its responsibilities under these Title IX regulations, including any investigation of any complaint communicated to such recipient alleging its noncompliance with these Title IX regulations or alleging any actions that would be prohibited by these Title IX regulations. The recipient shall notify all its students and employees of the name, office address, and telephone number of the employee or employees appointed pursuant to this paragraph.

(b) *Complaint procedure of recipient.* A recipient shall adopt and publish grievance procedures providing for prompt and equitable resolution of student and employee complaints alleging any action that would be prohibited by these Title IX regulations.

§ 28.140 Dissemination of policy.

(a) *Notification of policy.* (1) Each recipient shall implement specific and

continuing steps to notify applicants for admission and employment, students and parents of elementary and secondary school students, employees, sources of referral of applicants for admission and employment, and all unions or professional organizations holding collective bargaining or professional agreements with the recipient, that it does not discriminate on the basis of sex in the educational programs or activities that it operates, and that it is required by Title IX and these Title IX regulations not to discriminate in such a manner. Such notification shall contain such information, and be made in such manner, as the designated agency official finds necessary to apprise such persons of the protections against discrimination assured them by Title IX and these Title IX regulations, but shall state at least that the requirement not to discriminate in education programs or activities extends to employment therein, and to admission thereto unless §§ 28.300 through 28.310 do not apply to the recipient, and that inquiries concerning the application of Title IX and these Title IX regulations to such recipient may be referred to the employee designated pursuant to § 28.135, or to the designated agency official.

(2) Each recipient shall make the initial notification required by paragraph (a)(1) of this section within 90 days of September 29, 2000 or of the date these Title IX regulations first apply to such recipient, whichever comes later, which notification shall include publication in:

(i) Newspapers and magazines operated by such recipient or by student, alumnae, or alumni groups for or in connection with such recipient; and

(ii) Memoranda or other written communications distributed to every student and employee of such recipient.

(b) *Publications.* (1) Each recipient shall prominently include a statement of the policy described in paragraph (a) of this section in each announcement, bulletin, catalog, or application form that it makes available to any person of a type, described in paragraph (a) of this section, or which is otherwise used in connection with the recruitment of students or employees.

(2) A recipient shall not use or distribute a publication of the type described in paragraph (b)(1) of this section that suggests, by text or illustration, that such recipient treats applicants, students, or employees differently on the basis of sex except as such treatment is permitted by these Title IX regulations.

(c) *Distribution.* Each recipient shall distribute without discrimination on the basis of sex each publication described in paragraph (b)(1) of this section, and shall apprise each of its admission and employment recruitment representatives of the policy of nondiscrimination described in paragraph (a) of this section, and shall require such representatives to adhere to such policy.

Subpart B—Coverage

§ 28.200 Application.

Except as provided in §§ 28.205 through 28.235(a), these Title IX regulations apply to every recipient and to each education program or activity operated by such recipient that receives Federal financial assistance.

§ 28.205 Educational institutions and other entities controlled by religious organizations.

(a) *Exemption.* These Title IX regulations do not apply to any operation of an educational institution or other entity that is controlled by a religious organization to the extent that application of these Title IX regulations would not be consistent with the religious tenets of such organization.

(b) *Exemption claims.* An educational institution or other entity that wishes to claim the exemption set forth in paragraph (a) of this section shall do so by submitting in writing to the designated agency official a statement by the highest-ranking official of the institution, identifying the provisions of these Title IX regulations that conflict with a specific tenet of the religious organization.

§ 28.210 Military and merchant marine educational institutions.

These Title IX regulations do not apply to an educational institution whose primary purpose is the training

of individuals for a military service of the United States or for the merchant marine.

§ 28.215 Membership practices of certain organizations.

(a) *Social fraternities and sororities.* These Title IX regulations do not apply to the membership practices of social fraternities and sororities that are exempt from taxation under section 501(a) of the Internal Revenue Code of 1954, 26 U.S.C. 501(a), the active membership of which consists primarily of students in attendance at institutions of higher education.

(b) *YMCA, YWCA, Girl Scouts, Boy Scouts, and Camp Fire Girls.* These Title IX regulations do not apply to the membership practices of the Young Men's Christian Association (YMCA), the Young Women's Christian Association (YWCA), the Girl Scouts, the Boy Scouts, and Camp Fire Girls.

(c) *Voluntary youth service organizations.* These Title IX regulations do not apply to the membership practices of a voluntary youth service organization that is exempt from taxation under section 501(a) of the Internal Revenue Code of 1954, 26 U.S.C. 501(a), and the membership of which has been traditionally limited to members of one sex and principally to persons of less than nineteen years of age.

§ 28.220 Admissions.

(a) Admissions to educational institutions prior to June 24, 1973, are not covered by these Title IX regulations.

(b) *Administratively separate units.* For the purposes only of this section, §§ 28.225 and 28.230, and §§ 28.300 through 28.310, each administratively separate unit shall be deemed to be an educational institution.

(c) *Application of §§ 28.300 through .310.* Except as provided in paragraphs (d) and (e) of this section, §§ 28.300 through 28.310 apply to each recipient. A recipient to which §§ 28.300 through 28.310 apply shall not discriminate on the basis of sex in admission or recruitment in violation of §§ 28.300 through 28.310.

(d) *Educational institutions.* Except as provided in paragraph (e) of this section as to recipients that are educational institutions, §§ 28.300 through 28.310 apply only to institutions of vocational education, professional education, graduate higher education, and public institutions of undergraduate higher education.

(e) *Public institutions of undergraduate higher education.* §§ 28.300 through 28.310 do not apply to any public institution of undergraduate higher education that traditionally and continually from its establishment has had a policy of admitting students of only one sex.

§ 28.225 Educational institutions eligible to submit transition plans.

(a) *Application.* This section applies to each educational institution to which §§ 28.300 through 28.310 apply that:

(1) Admitted students of only one sex as regular students as of June 23, 1972; or

(2) Admitted students of only one sex as regular students as of June 23, 1965, but thereafter admitted, as regular students, students of the sex not admitted prior to June 23, 1965.

(b) *Provision for transition plans.* An educational institution to which this section applies shall not discriminate on the basis of sex in admission or recruitment in violation of §§ 28.300 through 28.310.

§ 28.230 Transition plans.

(a) *Submission of plans.* An institution to which § 28.225 applies and that is composed of more than one administratively separate unit may submit either a single transition plan applicable to all such units, or a separate transition plan applicable to each such unit.

(b) *Content of plans.* In order to be approved by the Secretary of Education, a transition plan shall:

(1) State the name, address, and Federal Interagency Committee on Education Code of the educational institution submitting such plan, the administratively separate units to which the plan is applicable, and the name, address, and telephone number of the person to whom questions concerning the plan may be addressed. The person who submits the plan shall be the chief administrator or president of the institution, or another individual legally authorized to bind the institution to all actions set forth in the plan.

(2) State whether the educational institution or administratively separate unit admits students of both sexes as regular students and, if so, when it began to do so.

(3) Identify and describe with respect to the educational institution or administratively separate unit any obstacles to admitting students without discrimination on the basis of sex.

(4) Describe in detail the steps necessary to eliminate as soon as practicable each obstacle so identified and indicate the schedule for taking these steps and the individual directly responsible for their implementation.

(5) Include estimates of the number of students, by sex, expected to apply for, be admitted to, and enter each class during the period covered by the plan.

(c) *Nondiscrimination*. No policy or practice of a recipient to which § 28.225 applies shall result in treatment of applicants to or students of such recipient in violation of §§ 28.300 through 28.310 unless such treatment is necessitated by an obstacle identified in paragraph (b)(3) of this section and a schedule for eliminating that obstacle has been provided as required by paragraph (b)(4) of this section.

(d) *Effects of past exclusion*. To overcome the effects of past exclusion of students on the basis of sex, each educational institution to which § 28.225 applies shall include in its transition plan, and shall implement, specific steps designed to encourage individuals of the previously excluded sex to apply for admission to such institution. Such steps shall include instituting recruitment programs that emphasize the institution's commitment to enrolling students of the sex previously excluded.

§ 28.235 Statutory amendments.

(a) This section, which applies to all provisions of these Title IX regulations, addresses statutory amendments to Title IX.

(b) These Title IX regulations shall not apply to or preclude:

(1) Any program or activity of the American Legion undertaken in connection with the organization or operation of any Boys State conference, Boys Nation conference, Girls State conference, or Girls Nation conference;

(2) Any program or activity of a secondary school or educational institution specifically for:

(i) The promotion of any Boys State conference, Boys Nation conference, Girls State conference, or Girls Nation conference; or

(ii) The selection of students to attend any such conference;

(3) Father-son or mother-daughter activities at an educational institution or in an education program or activity, but if such activities are provided for students of one sex, opportunities for reasonably comparable activities shall be provided to students of the other sex;

(4) Any scholarship or other financial assistance awarded by an institution of higher education to an individual because such individual has received such award in a single-sex pageant based upon a combination of factors related to the individual's personal appearance, poise, and talent. The pageant, however, must comply with other nondiscrimination provisions of Federal law.

(c) *Program or activity* or *program* means:

(1) All of the operations of any entity described in paragraphs (c)(1)(i) through (iv) of this section, any part of which is extended Federal financial assistance:

(i)(A) A department, agency, special purpose district, or other instrumentality of a State or of a local government; or

(B) The entity of such State or local government that distributes such assistance and each such department or agency (and each other State or local government entity) to which the assistance is extended, in the case of assistance to a State or local government;

(ii)(A) A college, university, or other postsecondary institution, or a public system of higher education; or

(B) A local educational agency (as defined in section 8801 of title 20), system of vocational education, or other school system;

(iii)(A) An entire corporation, partnership, or other private organization, or an entire sole proprietorship—

(*1*) If assistance is extended to such corporation, partnership, private organization, or sole proprietorship as a whole; or

(*2*) Which is principally engaged in the business of providing education, health care, housing, social services, or parks and recreation; or

(B) The entire plant or other comparable, geographically separate facility to which Federal financial assistance is extended, in the case of any other corporation, partnership, private organization, or sole proprietorship; or

(iv) Any other entity that is established by two or more of the entities described in paragraphs (c)(1)(i), (ii), or (iii) of this section.

(2)(i) *Program or activity* does not include any operation of an entity that is controlled by a religious organization if the application of 20 U.S.C. 1681 to such operation would not be consistent with the religious tenets of such organization.

(ii) For example, all of the operations of a college, university, or other postsecondary institution, including but not limited to traditional educational operations, faculty and student housing, campus shuttle bus service, campus restaurants, the bookstore, and other commercial activities are part of a ''program or activity'' subject to these Title IX regulations if the college, university, or other institution receives Federal financial assistance.

(d)(1) Nothing in these Title IX regulations shall be construed to require or prohibit any person, or public or private entity, to provide or pay for any benefit or service, including the use of facilities, related to an abortion. Medical procedures, benefits, services, and the use of facilities, necessary to save the life of a pregnant woman or to address complications related to an abortion are not subject to this section.

(2) Nothing in this section shall be construed to permit a penalty to be imposed on any person or individual because such person or individual is seeking or has received any benefit or service related to a legal abortion. Accordingly, subject to paragraph (d)(1) of this section, no person shall be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any academic, extracurricular, research, occupational training, employment, or other educational program or activity operated by a recipient that receives Federal financial assistance because such individual has sought or received, or is seeking, a legal abortion, or any benefit or service related to a legal abortion.

Subpart C—Discrimination on the Basis of Sex in Admission and Recruitment Prohibited

§ 28.300 Admission.

(a) *General.* No person shall, on the basis of sex, be denied admission, or be subjected to discrimination in admission, by any recipient to which §§ 28.300 through 28.310 apply, except as provided in §§ 28.225 and 28.230.

(b) *Specific prohibitions.* (1) In determining whether a person satisfies any policy or criterion for admission, or in making any offer of admission, a recipient to which §§ 28.300 through 28.310 apply shall not:

(i) Give preference to one person over another on the basis of sex, by ranking applicants separately on such basis, or otherwise;

(ii) Apply numerical limitations upon the number or proportion of persons of either sex who may be admitted; or

(iii) Otherwise treat one individual differently from another on the basis of sex.

(2) A recipient shall not administer or operate any test or other criterion for admission that has a disproportionately adverse effect on persons on the basis of sex unless the use of such test or criterion is shown to predict validly success in the education program or activity in question and alternative tests or criteria that do not have such a disproportionately adverse effect are shown to be unavailable.

(c) *Prohibitions relating to marital or parental status.* In determining whether a person satisfies any policy or criterion for admission, or in making any offer of admission, a recipient to which §§ 28.300 through 28.310 apply:

(1) Shall not apply any rule concerning the actual or potential parental, family, or marital status of a student or applicant that treats persons differently on the basis of sex;

(2) Shall not discriminate against or exclude any person on the basis of pregnancy, childbirth, termination of pregnancy, or recovery therefrom, or establish or follow any rule or practice that so discriminates or excludes;

(3) Subject to § 28.235(d), shall treat disabilities related to pregnancy, childbirth, termination of pregnancy, or recovery therefrom in the same manner and under the same policies as any other temporary disability or physical condition; and

(4) Shall not make pre-admission inquiry as to the marital status of an applicant for admission, including whether such applicant is ''Miss'' or ''Mrs.'' A recipient may make pre-admission inquiry as to the sex of an applicant for admission, but only if such inquiry is made equally of such applicants of both sexes and if the results of such inquiry are not used in connection with discrimination prohibited by these Title IX regulations.

§ 28.305 Preference in admission.

A recipient to which §§ 28.300 through 28.310 apply shall not give preference to applicants for admission, on the basis of attendance at any educational institution or other school or entity that admits as students only or predominantly members of one sex, if the giving of such preference has the effect of discriminating on the basis of sex in violation of §§ 28.300 through 28.310.

§ 28.310 Recruitment.

(a) *Nondiscriminatory recruitment.* A recipient to which §§ 28.300 through 28.310 apply shall not discriminate on the basis of sex in the recruitment and admission of students. A recipient may be required to undertake additional recruitment efforts for one sex as remedial action pursuant to § 28.110(a), and may choose to undertake such efforts as affirmative action pursuant to § 28.110(b).

(b) *Recruitment at certain institutions.* A recipient to which §§ 28.300 through 28.310 apply shall not recruit primarily or exclusively at educational institutions, schools, or entities that admit as students only or predominantly members of one sex, if such actions have the effect of discriminating on the basis of sex in violation of §§ 28.300 through 28.310.

Subpart D—Discrimination on the Basis of Sex in Education Programs or Activities Prohibited

§ 28.400 Education programs or activities.

(a) *General.* Except as provided elsewhere in these Title IX regulations, no person shall, on the basis of sex, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any academic, extracurricular, research, occupational training, or other education program or activity operated by a recipient that receives Federal financial assistance. Sections 28.400 through 28.455 do not apply to actions of a recipient in connection with admission of its students to an education program or activity of a recipient to which §§ 28.300 through 28.310 do not apply, or an entity, not a recipient, to which §§ 28.300 through 28.310 would not apply if the entity were a recipient.

(b) *Specific prohibitions.* Except as provided in §§ 28.400 through 28.455, in providing any aid, benefit, or service to a student, a recipient shall not, on the basis of sex:

(1) Treat one person differently from another in determining whether such person satisfies any requirement or condition for the provision of such aid, benefit, or service;

(2) Provide different aid, benefits, or services or provide aid, benefits, or services in a different manner;

(3) Deny any person any such aid, benefit, or service;

(4) Subject any person to separate or different rules of behavior, sanctions, or other treatment;

(5) Apply any rule concerning the domicile or residence of a student or applicant, including eligibility for instate fees and tuition;

(6) Aid or perpetuate discrimination against any person by providing significant assistance to any agency, organization, or person that discriminates on the basis of sex in providing any aid, benefit, or service to students or employees;

(7) Otherwise limit any person in the enjoyment of any right, privilege, advantage, or opportunity.

(c) *Assistance administered by a recipient educational institution to study at a foreign institution.* A recipient educational institution may administer or assist in the administration of scholarships, fellowships, or other awards established by foreign or domestic wills, trusts, or similar legal instruments, or by acts of foreign governments and restricted to members of one sex, that are designed to provide opportunities to study abroad, and that are awarded to students who are already matriculating at or who are graduates of the recipient institution; *Provided,* that a recipient educational institution that administers or assists in the administration of such scholarships, fellowships, or other awards that are restricted to members of one sex provides, or otherwise makes available, reasonable opportunities for similar studies for members of the other sex. Such opportunities may be derived from either domestic or foreign sources.

(d) *Aids, benefits or services not provided by recipient.* (1) This paragraph (d) applies to any recipient that requires participation by any applicant, student, or employee in any education program or activity not operated wholly by such recipient, or that facilitates, permits, or considers such participation as part of or equivalent to an education program or activity operated by such recipient, including participation in educational consortia and cooperative employment and student-teaching assignments.

(2) Such recipient:

(i) Shall develop and implement a procedure designed to assure itself that the operator or sponsor of such other education program or activity takes no action affecting any applicant, student, or employee of such recipient that these Title IX regulations would prohibit such recipient from taking; and

(ii) Shall not facilitate, require, permit, or consider such participation if such action occurs.

§ 28.405 Housing.

(a) *Generally.* A recipient shall not, on the basis of sex, apply different rules or regulations, impose different fees or requirements, or offer different services or benefits related to housing, except as provided in this section (including housing provided only to married students).

(b) *Housing provided by recipient.* (1) A recipient may provide separate housing on the basis of sex.

(2) Housing provided by a recipient to students of one sex, when compared to that provided to students of the other sex, shall be as a whole:

(i) Proportionate in quantity to the number of students of that sex applying for such housing; and

(ii) Comparable in quality and cost to the student.

(c) *Other housing.* (1) A recipient shall not, on the basis of sex, administer different policies or practices concerning occupancy by its students of housing other than that provided by such recipient.

(2)(i) A recipient which, through solicitation, listing, approval of housing, or otherwise, assists any agency, organization, or person in making housing available to any of its students, shall take such reasonable action as may be necessary to assure itself that such housing as is provided to students of one sex, when compared to that provided to students of the other sex, is as a whole:

(A) Proportionate in quantity; and

(B) Comparable in quality and cost to the student.

(ii) A recipient may render such assistance to any agency, organization, or person that provides all or part of such housing to students of only one sex.

§ 28.410 Comparable facilities.

A recipient may provide separate toilet, locker room, and shower facilities on the basis of sex, but such facilities provided for students of one sex shall be comparable to such facilities provided for students of the other sex.

§ 28.415 Access to course offerings.

(a) A recipient shall not provide any course or otherwise carry out any of its education program or activity separately on the basis of sex, or require or refuse participation therein by any of its students on such basis, including

health, physical education, industrial, business, vocational, technical, home economics, music, and adult education courses.

(b)(1) With respect to classes and activities in physical education at the elementary school level, the recipient shall comply fully with this section as expeditiously as possible but in no event later than one year from September 29, 2000. With respect to physical education classes and activities at the secondary and post-secondary levels, the recipient shall comply fully with this section as expeditiously as possible but in no event later than three years from September 29, 2000.

(2) This section does not prohibit grouping of students in physical education classes and activities by ability as assessed by objective standards of individual performance developed and applied without regard to sex.

(3) This section does not prohibit separation of students by sex within physical education classes or activities during participation in wrestling, boxing, rugby, ice hockey, football, basketball, and other sports the purpose or major activity of which involves bodily contact.

(4) Where use of a single standard of measuring skill or progress in a physical education class has an adverse effect on members of one sex, the recipient shall use appropriate standards that do not have such effect.

(5) Portions of classes in elementary and secondary schools, or portions of education programs or activities, that deal exclusively with human sexuality may be conducted in separate sessions for boys and girls.

(6) Recipients may make requirements based on vocal range or quality that may result in a chorus or choruses of one or predominantly one sex.

§ 28.420 Access to schools operated by LEAs.

A recipient that is a local educational agency shall not, on the basis of sex, exclude any person from admission to:

(a) Any institution of vocational education operated by such recipient; or

(b) Any other school or educational unit operated by such recipient, unless such recipient otherwise makes available to such person, pursuant to the same policies and criteria of admission, courses, services, and facilities comparable to each course, service, and facility offered in or through such schools.

§ 28.425 Counseling and use of appraisal and counseling materials.

(a) *Counseling.* A recipient shall not discriminate against any person on the basis of sex in the counseling or guidance of students or applicants for admission.

(b) *Use of appraisal and counseling materials.* A recipient that uses testing or other materials for appraising or counseling students shall not use different materials for students on the basis of their sex or use materials that permit or require different treatment of students on such basis unless such different materials cover the same occupations and interest areas and the use of such different materials is shown to be essential to eliminate sex bias. Recipients shall develop and use internal procedures for ensuring that such materials do not discriminate on the basis of sex. Where the use of a counseling test or other instrument results in a substantially disproportionate number of members of one sex in any particular course of study or classification, the recipient shall take such action as is necessary to assure itself that such disproportion is not the result of discrimination in the instrument or its application.

(c) *Disproportion in classes.* Where a recipient finds that a particular class contains a substantially disproportionate number of individuals of one sex, the recipient shall take such action as is necessary to assure itself that such disproportion is not the result of discrimination on the basis of sex in counseling or appraisal materials or by counselors.

§ 28.430 Financial assistance.

(a) *General.* Except as provided in paragraphs (b) and (c) of this section, in providing financial assistance to any of its students, a recipient shall not:

(1) On the basis of sex, provide different amounts or types of such assistance, limit eligibility for such assistance that is of any particular type or

source, apply different criteria, or otherwise discriminate;

(2) Through solicitation, listing, approval, provision of facilities, or other services, assist any foundation, trust, agency, organization, or person that provides assistance to any of such recipient's students in a manner that discriminates on the basis of sex; or

(3) Apply any rule or assist in application of any rule concerning eligibility for such assistance that treats persons of one sex differently from persons of the other sex with regard to marital or parental status.

(b) *Financial aid established by certain legal instruments.* (1) A recipient may administer or assist in the administration of scholarships, fellowships, or other forms of financial assistance established pursuant to domestic or foreign wills, trusts, bequests, or similar legal instruments or by acts of a foreign government that require that awards be made to members of a particular sex specified therein; *Provided,* that the overall effect of the award of such sex-restricted scholarships, fellowships, and other forms of financial assistance does not discriminate on the basis of sex.

(2) To ensure nondiscriminatory awards of assistance as required in paragraph (b)(1) of this section, recipients shall develop and use procedures under which:

(i) Students are selected for award of financial assistance on the basis of nondiscriminatory criteria and not on the basis of availability of funds restricted to members of a particular sex;

(ii) An appropriate sex-restricted scholarship, fellowship, or other form of financial assistance is allocated to each student selected under paragraph (b)(2)(i) of this section; and

(iii) No student is denied the award for which he or she was selected under paragraph (b)(2)(i) of this section because of the absence of a scholarship, fellowship, or other form of financial assistance designated for a member of that student's sex.

(c) *Athletic scholarships.* (1) To the extent that a recipient awards athletic scholarships or grants-in-aid, it must provide reasonable opportunities for such awards for members of each sex in proportion to the number of students of each sex participating in interscholastic or intercollegiate athletics.

(2) A recipient may provide separate athletic scholarships or grants-in-aid for members of each sex as part of separate athletic teams for members of each sex to the extent consistent with this paragraph (c) and § 28.450.

§ 28.435 Employment assistance to students.

(a) *Assistance by recipient in making available outside employment.* A recipient that assists any agency, organization, or person in making employment available to any of its students:

(1) Shall assure itself that such employment is made available without discrimination on the basis of sex; and

(2) Shall not render such services to any agency, organization, or person that discriminates on the basis of sex in its employment practices.

(b) *Employment of students by recipients.* A recipient that employs any of its students shall not do so in a manner that violates §§ 28.500 through 28.550.

§ 28.440 Health and insurance benefits and services.

Subject to § 28.235(d), in providing a medical, hospital, accident, or life insurance benefit, service, policy, or plan to any of its students, a recipient shall not discriminate on the basis of sex, or provide such benefit, service, policy, or plan in a manner that would violate §§ 28.500 through 28.550 if it were provided to employees of the recipient. This section shall not prohibit a recipient from providing any benefit or service that may be used by a different proportion of students of one sex than of the other, including family planning services. However, any recipient that provides full coverage health service shall provide gynecological care.

§ 28.445 Marital or parental status.

(a) *Status generally.* A recipient shall not apply any rule concerning a student's actual or potential parental, family, or marital status that treats students differently on the basis of sex.

(b) *Pregnancy and related conditions.* (1) A recipient shall not discriminate against any student, or exclude any student from its education program or

activity, including any class or extracurricular activity, on the basis of such student's pregnancy, childbirth, false pregnancy, termination of pregnancy, or recovery therefrom, unless the student requests voluntarily to participate in a separate portion of the program or activity of the recipient.

(2) A recipient may require such a student to obtain the certification of a physician that the student is physically and emotionally able to continue participation as long as such a certification is required of all students for other physical or emotional conditions requiring the attention of a physician.

(3) A recipient that operates a portion of its education program or activity separately for pregnant students, admittance to which is completely voluntary on the part of the student as provided in paragraph (b)(1) of this section, shall ensure that the separate portion is comparable to that offered to non-pregnant students.

(4) Subject to § 28.235(d), a recipient shall treat pregnancy, childbirth, false pregnancy, termination of pregnancy and recovery therefrom in the same manner and under the same policies as any other temporary disability with respect to any medical or hospital benefit, service, plan, or policy that such recipient administers, operates, offers, or participates in with respect to students admitted to the recipient's educational program or activity.

(5) In the case of a recipient that does not maintain a leave policy for its students, or in the case of a student who does not otherwise qualify for leave under such a policy, a recipient shall treat pregnancy, childbirth, false pregnancy, termination of pregnancy, and recovery therefrom as a justification for a leave of absence for as long a period of time as is deemed medically necessary by the student's physician, at the conclusion of which the student shall be reinstated to the status that she held when the leave began.

§ 28.450 Athletics.

(a) *General.* No person shall, on the basis of sex, be excluded from participation in, be denied the benefits of, be treated differently from another person, or otherwise be discriminated against in any interscholastic, intercollegiate, club, or intramural athletics offered by a recipient, and no recipient shall provide any such athletics separately on such basis.

(b) *Separate teams.* Notwithstanding the requirements of paragraph (a) of this section, a recipient may operate or sponsor separate teams for members of each sex where selection for such teams is based upon competitive skill or the activity involved is a contact sport. However, where a recipient operates or sponsors a team in a particular sport for members of one sex but operates or sponsors no such team for members of the other sex, and athletic opportunities for members of that sex have previously been limited, members of the excluded sex must be allowed to try out for the team offered unless the sport involved is a contact sport. For the purposes of these Title IX regulations, contact sports include boxing, wrestling, rugby, ice hockey, football, basketball, and other sports the purpose or major activity of which involves bodily contact.

(c) *Equal opportunity.* (1) A recipient that operates or sponsors interscholastic, intercollegiate, club, or intramural athletics shall provide equal athletic opportunity for members of both sexes. In determining whether equal opportunities are available, the designated agency official will consider, among other factors:

(i) Whether the selection of sports and levels of competition effectively accommodate the interests and abilities of members of both sexes;

(ii) The provision of equipment and supplies;

(iii) Scheduling of games and practice time;

(iv) Travel and per diem allowance;

(v) Opportunity to receive coaching and academic tutoring;

(vi) Assignment and compensation of coaches and tutors;

(vii) Provision of locker rooms, practice, and competitive facilities;

(viii) Provision of medical and training facilities and services;

(ix) Provision of housing and dining facilities and services;

(x) Publicity.

(2) For purposes of paragraph (c)(1) of this section, unequal aggregate expenditures for members of each sex or unequal expenditures for male and female teams if a recipient operates or sponsors separate teams will not constitute noncompliance with this section, but the designated agency official may consider the failure to provide necessary funds for teams for one sex in assessing equality of opportunity for members of each sex.

(d) *Adjustment period.* A recipient that operates or sponsors interscholastic, intercollegiate, club, or intramural athletics at the elementary school level shall comply fully with this section as expeditiously as possible but in no event later than one year from September 29, 2000. A recipient that operates or sponsors interscholastic, intercollegiate, club, or intramural athletics at the secondary or postsecondary school level shall comply fully with this section as expeditiously as possible but in no event later than three years from September 29, 2000.

§ 28.455 Textbooks and curricular material.

Nothing in these Title IX regulations shall be interpreted as requiring or prohibiting or abridging in any way the use of particular textbooks or curricular materials.

Subpart E—Discrimination on the Basis of Sex in Employment in Education Programs or Activities Prohibited

§ 28.500 Employment.

(a) *General.* (1) No person shall, on the basis of sex, be excluded from participation in, be denied the benefits of, or be subjected to discrimination in employment, or recruitment, consideration, or selection therefor, whether full-time or part-time, under any education program or activity operated by a recipient that receives Federal financial assistance.

(2) A recipient shall make all employment decisions in any education program or activity operated by such recipient in a nondiscriminatory manner and shall not limit, segregate, or classify applicants or employees in any way that could adversely affect any applicant's or employee's employment opportunities or status because of sex.

(3) A recipient shall not enter into any contractual or other relationship which directly or indirectly has the effect of subjecting employees or students to discrimination prohibited by §§ 28.500 through 28.550, including relationships with employment and referral agencies, with labor unions, and with organizations providing or administering fringe benefits to employees of the recipient.

(4) A recipient shall not grant preferences to applicants for employment on the basis of attendance at any educational institution or entity that admits as students only or predominantly members of one sex, if the giving of such preferences has the effect of discriminating on the basis of sex in violation of these Title IX regulations.

(b) *Application.* The provisions of §§ 28.500 through 28.550 apply to:

(1) Recruitment, advertising, and the process of application for employment;

(2) Hiring, upgrading, promotion, consideration for and award of tenure, demotion, transfer, layoff, termination, application of nepotism policies, right of return from layoff, and rehiring;

(3) Rates of pay or any other form of compensation, and changes in compensation;

(4) Job assignments, classifications, and structure, including position descriptions, lines of progression, and seniority lists;

(5) The terms of any collective bargaining agreement;

(6) Granting and return from leaves of absence, leave for pregnancy, childbirth, false pregnancy, termination of pregnancy, leave for persons of either sex to care for children or dependents, or any other leave;

(7) Fringe benefits available by virtue of employment, whether or not administered by the recipient;

(8) Selection and financial support for training, including apprenticeship, professional meetings, conferences, and other related activities, selection for tuition assistance, selection for sabbaticals and leaves of absence to pursue training;

(9) Employer-sponsored activities, including social or recreational programs; and

(10) Any other term, condition, or privilege of employment.

§ 28.505 Employment criteria.

A recipient shall not administer or operate any test or other criterion for any employment opportunity that has a disproportionately adverse effect on persons on the basis of sex unless:

(a) Use of such test or other criterion is shown to predict validly successful performance in the position in question; and

(b) Alternative tests or criteria for such purpose, which do not have such disproportionately adverse effect, are shown to be unavailable.

§ 28.510 Recruitment.

(a) *Nondiscriminatory recruitment and hiring.* A recipient shall not discriminate on the basis of sex in the recruitment and hiring of employees. Where a recipient has been found to be presently discriminating on the basis of sex in the recruitment or hiring of employees, or has been found to have so discriminated in the past, the recipient shall recruit members of the sex so discriminated against so as to overcome the effects of such past or present discrimination.

(b) *Recruitment patterns.* A recipient shall not recruit primarily or exclusively at entities that furnish as applicants only or predominantly members of one sex if such actions have the effect of discriminating on the basis of sex in violation of §§ 28.500 through 28.550.

§ 28.515 Compensation.

A recipient shall not make or enforce any policy or practice that, on the basis of sex:

(a) Makes distinctions in rates of pay or other compensation;

(b) Results in the payment of wages to employees of one sex at a rate less than that paid to employees of the opposite sex for equal work on jobs the performance of which requires equal skill, effort, and responsibility, and that are performed under similar working conditions.

§ 28.520 Job classification and structure.

A recipient shall not:

(a) Classify a job as being for males or for females;

(b) Maintain or establish separate lines of progression, seniority lists, career ladders, or tenure systems based on sex; or

(c) Maintain or establish separate lines of progression, seniority systems, career ladders, or tenure systems for similar jobs, position descriptions, or job requirements that classify persons on the basis of sex, unless sex is a bona fide occupational qualification for the positions in question as set forth in § 28.550.

§ 28.525 Fringe benefits.

(a) *''Fringe benefits'' defined.* For purposes of these Title IX regulations, *fringe benefits* means: Any medical, hospital, accident, life insurance, or retirement benefit, service, policy or plan, any profit-sharing or bonus plan, leave, and any other benefit or service of employment not subject to the provision of § 28.515.

(b) *Prohibitions.* A recipient shall not:

(1) Discriminate on the basis of sex with regard to making fringe benefits available to employees or make fringe benefits available to spouses, families, or dependents of employees differently upon the basis of the employee's sex;

(2) Administer, operate, offer, or participate in a fringe benefit plan that does not provide for equal periodic benefits for members of each sex and for equal contributions to the plan by such recipient for members of each sex; or

(3) Administer, operate, offer, or participate in a pension or retirement plan that establishes different optional or compulsory retirement ages based on sex or that otherwise discriminates in benefits on the basis of sex.

§ 28.530 Marital or parental status.

(a) *General.* A recipient shall not apply any policy or take any employment action:

(1) Concerning the potential marital, parental, or family status of an employee or applicant for employment that treats persons differently on the basis of sex; or

(2) Which is based upon whether an employee or applicant for employment is the head of household or principal wage earner in such employee's or applicant's family unit.

(b) *Pregnancy*. A recipient shall not discriminate against or exclude from employment any employee or applicant for employment on the basis of pregnancy, childbirth, false pregnancy, termination of pregnancy, or recovery therefrom.

(c) *Pregnancy as a temporary disability*. Subject to § 28.235(d), a recipient shall treat pregnancy, childbirth, false pregnancy, termination of pregnancy, recovery therefrom, and any temporary disability resulting therefrom as any other temporary disability for all job-related purposes, including commencement, duration, and extensions of leave, payment of disability income, accrual of seniority and any other benefit or service, and reinstatement, and under any fringe benefit offered to employees by virtue of employment.

(d) *Pregnancy leave*. In the case of a recipient that does not maintain a leave policy for its employees, or in the case of an employee with insufficient leave or accrued employment time to qualify for leave under such a policy, a recipient shall treat pregnancy, childbirth, false pregnancy, termination of pregnancy, and recovery therefrom as a justification for a leave of absence without pay for a reasonable period of time, at the conclusion of which the employee shall be reinstated to the status that she held when the leave began or to a comparable position, without decrease in rate of compensation or loss of promotional opportunities, or any other right or privilege of employment.

§ 28.535 Effect of state or local law or other requirements.

(a) *Prohibitory requirements*. The obligation to comply with §§ 28.500 through 28.550 is not obviated or alleviated by the existence of any State or local law or other requirement that imposes prohibitions or limits upon employment of members of one sex that are not imposed upon members of the other sex.

(b) *Benefits*. A recipient that provides any compensation, service, or benefit to members of one sex pursuant to a State or local law or other requirement shall provide the same compensation, service, or benefit to members of the other sex.

§ 28.540 Advertising.

A recipient shall not in any advertising related to employment indicate preference, limitation, specification, or discrimination based on sex unless sex is a bona fide occupational qualification for the particular job in question.

§ 28.545 Pre-employment inquiries.

(a) *Marital status*. A recipient shall not make pre-employment inquiry as to the marital status of an applicant for employment, including whether such applicant is ''Miss'' or ''Mrs.''

(b) *Sex*. A recipient may make pre-employment inquiry as to the sex of an applicant for employment, but only if such inquiry is made equally of such applicants of both sexes and if the results of such inquiry are not used in connection with discrimination prohibited by these Title IX regulations.

§ 28.550 Sex as a bona fide occupational qualification.

A recipient may take action otherwise prohibited by §§ 28.500 through 28.550 provided it is shown that sex is a bona fide occupational qualification for that action, such that consideration of sex with regard to such action is essential to successful operation of the employment function concerned. A recipient shall not take action pursuant to this section that is based upon alleged comparative employment characteristics or stereotyped characterizations of one or the other sex, or upon preference based on sex of the recipient, employees, students, or other persons, but nothing contained in this section shall prevent a recipient from considering an employee's sex in relation to employment in a locker room or toilet facility used only by members of one sex.

Subpart F—Procedures

§ 28.600 Notice of covered programs.

Within 60 days of September 29, 2000, each Federal agency that awards Federal financial assistance shall publish in the FEDERAL REGISTER a notice of

the programs covered by these Title IX regulations. Each such Federal agency shall periodically republish the notice of covered programs to reflect changes in covered programs. Copies of this notice also shall be made available upon request to the Federal agency's office that enforces Title IX.

§ 28.605 Compliance information.

(a) *Cooperation and assistance.* The designated agency official shall to the fullest extent practicable seek the cooperation of recipients in obtaining compliance with these Title IX regulations and shall provide assistance and guidance to recipients to help them comply voluntarily with these Title IX regulations.

(b) *Compliance reports.* Each recipient shall keep such records and submit to the designated agency official (or designee) timely, complete, and accurate compliance reports at such times, and in such form and containing such information, as the designated agency official (or designee) may determine to be necessary to enable the official to ascertain whether the recipient has complied or is complying with these Title IX regulations. In the case of any program under which a primary recipient extends Federal financial assistance to any other recipient, such other recipient shall also submit such compliance reports to the primary recipient as may be necessary to enable the primary recipient to carry out its obligations under these Title IX regulations.

(c) *Access to sources of information.* Each recipient shall permit access by the designated agency official (or designee) during normal business hours to such of its books, records, accounts, and other sources of information, and its facilities as may be pertinent to ascertain compliance with these Title IX regulations. Where any information required of a recipient is in the exclusive possession of any other agency, institution or person and this agency, institution or person shall fail or refuse to furnish this information the recipient shall so certify in its report and shall set forth what efforts it has made to obtain the information. Asserted considerations of privacy or confidentiality may not operate to bar the Department from evaluating or seeking to enforce compliance with these Title IX regulations. Information of a confidential nature obtained in connection with compliance evaluation or enforcement shall not be disclosed except where necessary in formal enforcement proceedings or where otherwise required by law.

(d) *Information to beneficiaries and participants.* Each recipient shall make available to participants, beneficiaries, and other interested persons such information regarding the provisions of these Title IX regulations and their applicability to the program for which the recipient receives Federal financial assistance, and make such information available to them in such manner, as the designated agency official finds necessary to apprise such persons of the protections against discrimination assured them by Title IX and these Title IX regulations.

[65 FR 52882, Aug. 30, 2000]

§ 28.610 Conduct of investigations.

(a) *Periodic compliance reviews.* The designated agency official (or designee) shall from time to time review the practices of recipients to determine whether they are complying with these Title IX regulations.

(b) *Complaints.* Any person who believes himself or herself or any specific class of individuals to be subjected to discrimination prohibited by these Title IX regulations may by himself or herself or by a representative file with the designated agency official (or designee) a written complaint. A complaint must be filed not later than 180 days from the date of the alleged discrimination, unless the time for filing is extended by the designated agency official (or designee).

(c) *Investigations.* The designated agency official (or designee) will make a prompt investigation whenever a compliance review, report, complaint, or any other information indicates a possible failure to comply with these Title IX regulations. The investigation should include, where appropriate, a review of the pertinent practices and policies of the recipient, the circumstances under which the possible noncompliance with these Title IX regulations occurred, and other factors relevant to a determination as to

whether the recipient has failed to comply with these Title IX regulations.

(d) *Resolution of matters.* (1) If an investigation pursuant to paragraph (c) of this section indicates a failure to comply with these Title IX regulations, the designated agency official (or designee) will so inform the recipient and the matter will be resolved by informal means whenever possible. If it has been determined that the matter cannot be resolved by informal means, action will be taken as provided for in § 28.615.

(2) If an investigation does not warrant action pursuant to paragraph (d)(1) of this section the designated agency official (or designee) will so inform the recipient and the complainant, if any, in writing.

(e) *Intimidatory or retaliatory acts prohibited.* No recipient or other person shall intimidate, threaten, coerce, or discriminate against any individual for the purpose of interfering with any right or privilege secured by Title IX or these Title IX regulations, or because he or she has made a complaint, testified, assisted, or participated in any manner in an investigation, proceeding or hearing under these Title IX regulations. The identity of complainants shall be kept confidential except to the extent necessary to carry out the purposes of these Title IX regulations, including the conduct of any investigation, hearing, or judicial proceeding arising under these Title IX regulations.

[65 FR 52882, Aug. 30, 2000]

§ 28.615 Procedure for effecting compliance.

(a) *General.* If there appears to be a failure or threatened failure to comply with these Title IX regulations, and if the noncompliance or threatened noncompliance cannot be corrected by informal means, compliance with these Title IX regulations may be effected by the suspension or termination of or refusal to grant or to continue Federal financial assistance or by any other means authorized by law. Such other means may include, but are not limited to:

(1) A reference to the Department of Justice with a recommendation that appropriate proceedings be brought to enforce any rights of the United States under any law of the United States, or any assurance or other contractual undertaking; and

(2) Any applicable proceeding under State or local law.

(b) *Noncompliance with § 28.115.* If an applicant fails or refuses to furnish an assurance or otherwise fails or refuses to comply with a requirement imposed by or pursuant to § 28.115, Federal financial assistance may be refused in accordance with the procedures of paragraph (c) of this section. The Department shall not be required to provide assistance in such a case during the pendency of the administrative proceedings under paragraph (c) of this section except that the Department shall continue assistance during the pendency of such proceedings where such assistance is due and payable pursuant to an application therefor approved prior to September 29, 2000.

(c) *Termination of or refusal to grant or to continue Federal financial assistance.* (1) No order suspending, terminating or refusing to grant or continue Federal financial assistance shall become effective until:

(i) The designated agency official has advised the applicant or recipient of its failure to comply and has determined that compliance cannot be secured by voluntary means;

(ii) There has been an express finding on the record, after opportunity for hearing, of a failure by the applicant or recipient to comply with a requirement imposed by or pursuant to these Title IX regulations; and

(iii) The expiration of 30 days after the Secretary has filed with the committee of the House, and the committee of the Senate having legislative jurisdiction over the program involved, a full written report of the circumstances and the grounds for such action.

(2) Any action to suspend or terminate or to refuse to grant or to continue Federal financial assistance shall be limited to the particular political entity, or part thereof, or other applicant or recipient as to whom such a finding has been made and shall be limited in its effect to the particular program, or part thereof, in which such noncompliance has been so found.

(d) *Other means authorized by law.* (1) No action to effect compliance by any other means authorized by law shall be taken until:

(i) The designated agency official has determined that compliance cannot be secured by voluntary means;

(ii) The recipient has been notified of its failure to comply and of the action to be taken to effect compliance; and

(iii) The expiration of at least 10 days from the mailing of such notice to the recipient.

(2) During this period of at least 10 days additional efforts shall be made to persuade the recipient to comply with these Title IX regulations and to take such corrective action as may be appropriate.

[65 FR 52883, Aug. 30, 2000]

§ 28.620 Hearings.

(a) *Opportunity for hearing.* Whenever an opportunity for a hearing is required by § 28.615(c), reasonable notice shall be given by registered or certified mail, return receipt requested, to the affected applicant or recipient. This notice shall advise the applicant or recipient of the action proposed to be taken, the specific provision under which the proposed action against it is to be taken, and the matters of fact or law asserted as the basis for this action, and either:

(1) Fix a date not less than 20 days after the date of such notice within which the applicant or recipient may request of the designated agency official that the matter be scheduled for hearing; or

(2) Advise the applicant or recipient that the matter in question has been set down for hearing at a stated place and time. The time and place so fixed shall be reasonable and shall be subject to change for cause. The complainant, if any, shall be advised of the time and place of the hearing. An applicant or recipient may waive a hearing and submit written information and argument for the record. The failure of an applicant or recipient to request a hearing for which a date has been set shall be deemed to be a waiver of the right to a hearing under 20 U.S.C. 1682 and § 28.615(c) and consent to the making of a decision on the basis of such information as may be filed as the record.

(b) *Time and place of hearing.* Hearings shall be held at the offices of the Department in Washington, DC, at a time fixed by the designated agency official unless the official determines that the convenience of the applicant or recipient or of the Department requires that another place be selected. Hearings shall be held before a hearing officer designated in accordance with 5 U.S.C. 556(b).

(c) *Right to counsel.* In all proceedings under this section, the applicant or recipient and the Department shall have the right to be represented by counsel.

(d) *Procedures, evidence, and record.* (1) The hearing, decision, and any administrative review thereof shall be conducted in conformity with 5 U.S.C. 554–557 (sections 5–8 of the Administrative Procedure Act), and in accordance with such rules of procedure as are proper (and not inconsistent with this section) relating to the conduct of the hearing, giving of notices subsequent to those provided for in paragraph (a) of this section, taking of testimony, exhibits, arguments and briefs, requests for findings, and other related matters. Both the Department and the applicant or recipient shall be entitled to introduce all relevant evidence on the issues as stated in the notice for hearing or as determined by the hearing officer at the outset of or during the hearing. Any person (other than a Government employee considered to be on official business) who, having been invited or requested to appear and testify as a witness on the Government's behalf, attends at a time and place scheduled for a hearing provided for by these Title IX regulations, may be reimbursed for his or her travel and actual expenses of attendance in an amount not to exceed the amount payable under the standardized travel regulations to a Government employee traveling on official business.

(2) Technical rules of evidence shall not apply to hearings conducted pursuant to these Title IX regulations, but rules or principles designed to assure production of the most credible evidence available and to subject testimony to test by cross-examination

shall be applied where reasonably necessary by the hearing officer. The hearing officer may exclude irrelevant, immaterial, or unduly repetitious evidence. All documents and other evidence offered or taken for the record shall be open to examination by the parties and opportunity shall be given to refute facts and arguments advanced on either side of the issues. A transcript shall be made of the oral evidence except to the extent the substance thereof is stipulated for the record. All decisions shall be based upon the hearing record and written findings shall be made.

(e) *Consolidated or Joint Hearings.* In cases in which the same or related facts are asserted to constitute noncompliance with these Title IX regulations with respect to two or more programs to which these Title IX regulations apply, or noncompliance with these Title IX regulations and the regulations of one or more other Federal departments or agencies issued under Title IX, the designated agency official may, by agreement with such other departments or agencies where applicable, provide for the conduct of consolidated or joint hearings, and for the application to such hearings of rules of procedures not inconsistent with these Title IX regulations. Final decisions in such cases, insofar as these Title IX regulations are concerned, shall be made in accordance with § 28.625.

[65 FR 52883, Aug. 30, 2000]

§ 28.625 Decisions and notices.

(a) *Decisions by hearing officers.* After a hearing is held by a hearing officer such hearing officer shall either make an initial decision, if so authorized, or certify the entire record including recommended findings and proposed decision to the reviewing authority for a final decision, and a copy of such initial decision or certification shall be mailed to the applicant or recipient and to the complainant, if any. Where the initial decision referred to in this paragraph or in paragraph (c) of this section is made by the hearing officer, the applicant or recipient or the counsel for the Department may, within the period provided for in the rules of procedure issued by the designated agency official, file with the reviewing authority exceptions to the initial decision, with the reasons therefor. Upon the filing of such exceptions the reviewing authority shall review the initial decision and issue its own decision thereof including the reasons therefor. In the absence of exceptions the initial decision shall constitute the final decision, subject to the provisions of paragraph (e) of this section.

(b) *Decisions on record or review by the reviewing authority.* Whenever a record is certified to the reviewing authority for decision or it reviews the decision of a hearing officer pursuant to paragraph (a) or (c) of this section, the applicant or recipient shall be given reasonable opportunity to file with it briefs or other written statements of its contentions, and a copy of the final decision of the reviewing authority shall be given in writing to the applicant or recipient and to the complainant, if any.

(c) *Decisions on record where a hearing is waived.* Whenever a hearing is waived pursuant to § 28.620, the reviewing authority shall make its final decision on the record or refer the matter to a hearing officer for an initial decision to be made on the record. A copy of such decision shall be given in writing to the applicant or recipient, and to the complainant, if any.

(d) *Rulings required.* Each decision of a hearing officer or reviewing authority shall set forth a ruling on each finding, conclusion, or exception presented, and shall identify the requirement or requirements imposed by or pursuant to these Title IX regulations with which it is found that the applicant or recipient has failed to comply.

(e) *Review in certain cases by the Secretary of the Treasury.* If the Secretary has not personally made the final decision referred to in paragraph (a), (b), or (c) of this section, a recipient or applicant or the counsel for the Department may request the Secretary to review a decision of the reviewing authority in accordance with rules of procedure issued by the designated agency official. Such review is not a matter of right and shall be granted only where the Secretary determines there are special and important reasons therefor. The Secretary may grant or deny such

request, in whole or in part. The Secretary also may review such a decision upon his own motion in accordance with rules of procedure issued by the designated agency official. In the absence of a review under this paragraph (e), a final decision referred to in paragraph (a), (b), or (c) of this section shall become the final decision of the Department when the Secretary transmits it as such to congressional committees with the report required under 20 U.S.C. 1682. Failure of an applicant or recipient to file an exception with the reviewing authority or to request review under this paragraph (e) shall not be deemed a failure to exhaust administrative remedies for the purpose of obtaining judicial review.

(f) *Content of orders.* The final decision may provide for suspension or termination of, or refusal to grant or continue Federal financial assistance, in whole or in part, to which these Title IX regulations apply, and may contain such terms, conditions, and other provisions as are consistent with and will effectuate the purposes of Title IX and these Title IX regulations, including provisions designed to assure that no Federal financial assistance to which these Title IX regulations apply will thereafter be extended under such law or laws to the applicant or recipient determined by such decision to be in default in its performance of an assurance given by it pursuant to these Title IX regulations, or to have otherwise failed to comply with these Title IX regulations unless and until it corrects its noncompliance and satisfies the designated agency official that it will fully comply with these Title IX regulations.

(g) *Post-termination proceedings.* (1) An applicant or recipient adversely affected by an order issued under paragraph (f) of this section shall be restored to full eligibility to receive Federal financial assistance if it satisfies the terms and conditions of that order for such eligibility or if it brings itself into compliance with these Title IX regulations and provides reasonable assurance that it will fully comply with these Title IX regulations. An elementary or secondary school or school system that is unable to file an assurance of compliance shall be restored to full eligibility to receive Federal financial assistance if it files a court order or a plan for desegregation that meets the applicable requirements and provides reasonable assurance that it will comply with the court order or plan.

(2) Any applicant or recipient adversely affected by an order entered pursuant to paragraph (f) of this section may at any time request the designated agency official to restore fully its eligibility to receive Federal financial assistance. Any such request shall be supported by information showing that the applicant or recipient has met the requirements of paragraph (g)(1) of this section. If the designated agency official determines that those requirements have been satisfied, the official shall restore such eligibility.

(3) If the designated agency official denies any such request, the applicant or recipient may submit a request for a hearing in writing, specifying why it believes such official to have been in error. It shall thereupon be given an expeditious hearing, with a decision on the record, in accordance with rules of procedure issued by the designated agency official. The applicant or recipient will be restored to such eligibility if it proves at such hearing that it satisfied the requirements of paragraph (g)(1) of this section. While proceedings under this paragraph (g) are pending, the sanctions imposed by the order issued under paragraph (f) of this section shall remain in effect.

[65 FR 52884, Aug. 30, 2000]

§ 28.630 Judicial review.

Action taken pursuant to 20 U.S.C. 1682 is subject to judicial review as provided in 20 U.S.C. 1683.

[65 FR 52885, Aug. 30, 2000]

§ 28.635 Forms and instructions; coordination.

(a) *Forms and instructions.* The designated agency official shall issue and promptly make available to interested persons forms and detailed instructions and procedures for effectuating these Title IX regulations.

(b) *Supervision and coordination.* The designated agency official may from time to time assign to officials of the

Department, or to officials of other departments or agencies of the Government with the consent of such departments or agencies, responsibilities in connection with the effectuation of the purposes of Title IX and these Title IX regulations (other than responsibility for review as provided in §28.625(e)), including the achievements of effective coordination and maximum uniformity within the Department and within the Executive Branch of the Government in the application of Title IX and these Title IX regulations to similar programs and in similar situations. Any action taken, determination made, or requirement imposed by an official of another department or agency acting pursuant to an assignment of responsibility under this section shall have the same effect as though such action had been taken by the designated official of this Department.

[65 FR 52885, Aug. 30, 2000]

PART 29—FEDERAL BENEFIT PAYMENTS UNDER CERTAIN DISTRICT OF COLUMBIA RETIREMENT PROGRAMS

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AUTHORITY: Subtitle A and Chapter 3 of Subtitle H, of Pub. L. 105–33, 111 Stat. 712–731 and 786–787; as amended.

SOURCE: 65 FR 77501, Dec. 12, 2000, unless otherwise noted.

Subpart A—General Provisions

§ 29.101 Purpose and scope.

(a) This part contains the Department's regulations implementing Subtitle A, Subchapter B of Chapter 4 of Subtitle C, and Chapter 3 of Subtitle H, of Title XI of the Balanced Budget Act of 1997, Public Law 105–33, 111 Stat. 251, 712–731, 756–759, enacted August 5, 1997, as amended.

(b) This subpart contains general information to assist in the use of this part including—

(1) Information about related regulations (§ 29.102),

(2) Definitions of terms used in more than one subpart of this part (§ 29.103), and

(3) The Department's general rules and procedures, applicable to the retirement plans for District of Columbia teachers, police and fire fighters, and judges that concern the administration of Federal Benefit Payments (§§ 29.104–29.106).

(c) This part applies to Federal Benefit Payments.

(d) This part does not apply to the program of annuities, other retirement benefits, or medical benefits for members and officers, retired members and officers, and survivors thereof, of the United States Park Police force, the United States Secret Service, or the United States Secret Service Uniformed Division.

(e) This part does not apply to the District of Columbia replacement plan, which covers payments based on service accrued after June 30, 1997, pursuant to section 11042 of the Act.

[65 FR 77501, Dec. 12, 2000, as amended at 70 FR 60004, Oct. 14, 2005]

§ 29.102 Related regulations.

(a) This part contains the following subparts:

(1) General Provisions (Subpart A);

(2) Coordination with the District Government (Subpart B);

(3) Split Benefits (Subpart C);[1]

(4) Claims and Appeals Procedures (Subpart D); and

(5) Debt Collection and Waivers of Collection (Subpart E).

(b) Part 581 of Title 5, Code of Federal Regulations, contains information about garnishment of certain Federal payments to enforce awards of alimony or child support.

(c) Part 831 of Title 5, Code of Federal Regulations, contains information about benefits under the Civil Service Retirement System.

(d) Part 870 of Title 5, Code of Federal Regulations, contains information about benefits under the Federal Employees Group Life Insurance Program.

(e) Part 890 of Title 5, Code of Federal Regulations, contains information about benefits under the Federal Employees Health Benefits Program.

(f) Parts 835 and 845 and subparts M, N, and R of part 831 of title 5, Code of Federal Regulations, contain information about debt collection and waiver of collection under the Civil Service Retirement System and the Federal Employees Retirement System.

[65 FR 77501, Dec. 12, 2000, as amended at 65 FR 80753, Dec. 22, 2000; 66 FR 36705, July 13, 2001]

[1] The effective date for section 29.102(a)(3) and Subpart C, originally scheduled for March 31, 2001, has been postponed indefinitely.

§ 29.103 Definitions.

(a) In this part—

Act means Subtitle A, Subchapter B of Chapter 4 of Subtitle C, and Chapter 3 of Subtitle H, of Title XI of the Balanced Budget Act of 1997, Public Law 105–33, 111 Stat. 251, 712–731, 756–759, as amended.

Benefits Administrator means:

(1) For the Teachers Plan and the Police and Firefighters Plan under section 11041(a) of the Act:

(i) During the interim benefits administration period, the District of Columbia government; or

(ii) After the end of the interim benefits administration period:

(A) The Trustee selected by the Department under sections 11035(a) or 11085(a) of the Act;

(B) The Department, if a determination is made under sections 11035(d) or 11085(d) of the Act that, in the interest of economy and efficiency, the function of the Trustee shall be performed by the Department rather than the Trustee; or

(C) Any other agent of the Department designated to make initial benefit determinations and/or to recover or recoup or waive recovery or recoupment of overpayments of Federal Benefit Payments, or to recover or recoup debts owed to the Federal Government by annuitants; or

(2) For the Judges Plan under section 11252(b) of the Act:

(i) During the interim benefits administration period, the District of Columbia government; or

(ii) After the end of the interim benefits administration period for the Judges Plan:

(A) The Trustee selected by the Department under section 11251(a) of the Act;

(B) The Department, if a determination is made under section 11251(a) of the Act that, in the interest of economy and efficiency, the function of the Trustee shall be performed by the Department rather than the Trustee; or

(C) Any other agent of the Department designated to make initial benefit determinations and/or to recover or recoup or waive recovery or recoupment of overpayments of Federal Benefit Payments, or to recover or recoup debts owed to the Federal Government by annuitants.

District government means the government of the District of Columbia.

Department means the United States Department of the Treasury.

Federal Benefit Payment means a payment for which the Department is responsible under the Act, to which an individual is entitled under the Judges Plan, the Police and Firefighters Plan, or the Teachers Plan, in such amount and under such terms and conditions as may apply under such plans, including payments made under these plans before, on, or after the October 1, 1997, effective date of the Act. Service after June 30, 1997, shall not be credited for purposes of determining the amount of any Federal Benefit Payment under the Teachers Plan and the Police and Firefighters Plan.

Freeze date means June 30, 1997.

Judges Plan means the retirement program (under subchapter III of chapter 15 of title 11 of the D.C. Code) for judges of the District of Columbia Court of Appeals or Superior Court or with judicial service with the former Juvenile Court of the District of Columbia, District of Columbia Tax Court, police court, municipal court, Municipal Court of Appeals, or District of Columbia Court of General Sessions.

OPM means the United States Office of Personnel Management.

Police and Firefighters Plan means any of the retirement programs (under chapter 6 of title 4 of the D.C. Code) for members of the Metropolitan Police Force and Fire Department in effect on June 29, 1997.

Reconsideration means the process of reexamining an individual's entitlement to benefits or liability for a debt to determine whether—

(1) The law and regulations were properly applied; and/or

(2) The mathematical computation of the benefit or liability is correct.

Retirement Funds means the District of Columbia Teachers, Police Officers, and Firefighters Federal Pension Fund established under section 11081 of the Act, the District of Columbia Judicial Retirement and Survivors Annuity Fund established under section 11252 of the Act, and their predecessor funds.

Secretary means the Secretary of the United States Department of the Treasury or his or her designee.

Teachers Plan means any of the retirement programs for teachers (under chapter 12 of title 31 of the D.C. Code) in effect on June 29, 1997.

(b) In this subpart—

Legal process means—

(1) Any document that qualifies as legal process as defined in § 581.103 of Title 5, Code of Federal Regulations; or

(2) Any court order that Federal or District of Columbia law permits to cause all or any portion of a payment under the Judges Plan, the Police and Firefighters Plan, or the Teachers Plan to be made to a former spouse under chapter 30 of title 1 of the D.C. Code (1997).

Representative payee means a fiduciary to whom a payment under the Judges Plan, the Police and Firefighters Plan, or the Teachers Plan is made for the benefit of a plan participant or a survivor.

[65 FR 77501, Dec. 12, 2000, as amended at 66 FR 36705, July 13, 2001; 70 FR 60004, Oct. 14, 2005]

§ 29.104 Schedule for Federal Benefit Payments.

Federal Benefit Payments are payable on the first business day of the month following the month in which the benefit accrues. (See § 29.105(b).)

§ 29.105 Computation of time.

(a) *For filing documents*. In computing the number of days allowed for filing a document, the first day counted is the day after the action or event from which the period begins to run. If the date that ordinarily would be the last day for filing falls on a Saturday, a Sunday, a Federal holiday, or a District holiday, the period runs until the end of the next day that is not a Saturday, a Sunday, or a Federal or a District holiday.

(b) *For benefit accrual*. (1) Annuity accrues on a daily basis; one-thirtieth of the monthly rate constitutes the daily rate.

(2) Annuity does not accrue on the 31st day of any month except that annuity accrues on the 31st day of the initial month if the employee's annuity commences on the 31st day of a 31-day month.

(3) For accrual purposes the last day of a 28-day month counts as 3 days and the last day of a 29-day month counts as 2 days.

(c) *For counting unused sick leave*. (1) For annuity computation purposes—

(i) The service of a participant under the Police and Firefighters Plan who retires on an immediate annuity is increased by the number of days of unused sick leave to the participant's credit under a formal leave system; and

(ii) The service of a participant under the Teachers Plan who retires on an immediate annuity or dies leaving a survivor entitled to an annuity is increased by the number of days of unused sick leave to the participant's credit under a formal leave system.

(2) In general, 8 hours of unused sick leave increases total service by 1 day. In cases where more or less than 8 hours of sick leave would be charged for a day's absence, total service is increased by the number of days in the period between the date of separation and the date that the unused sick leave would have expired had the employee used it (except that holidays falling within the period are treated as work days, and no additional leave credit is earned for that period).

(3) If an employee's tour of duty changes from part time to full time or full time to part time within 180 days before retirement, the credit for unused sick leave is computed as though no change had occurred.

(d) *For counting leave without pay (LWOP) that is creditable service*. (1) Under the Police and Firefighters Plan, credit is allowed for no more than 6 months of LWOP in each calendar year.

(2)(i) Under the Teachers Plan, credit is allowed for no more than 6 months of LWOP in each fiscal year.

(ii)(A) For years prior to fiscal year 1976, each fiscal year started on July 1 and ended on the following June 30.

(B) Fiscal year 1976 started on July 1, 1975, and ended on September 30, 1976.

(C) For years starting in fiscal year 1977, each fiscal year starts on October 1 and ends on the following September 30.

§ 29.106 Representative payees.

For Federal Benefit Payments, representative payees will be authorized to the same extent and under the same circumstances as each plan permits for non-Federal Benefit Payments under the plan. (See e.g., section 4–629(b) of the D.C. Code (1997) (applicable to the Police and Firefighters Plan).)

Subpart B—Coordination With the District Government

§ 29.201 Purpose and scope.

This subpart contains information concerning the relationship between the Department and the District government in the administration of the Act and the functions of each in the administration of that Act.

[70 FR 60005, Oct. 14, 2005]

§ 29.202 Definitions. [Reserved]

§ 29.203 Service of Process.

To affect Federal Benefit Payments—

(a) Service must be made upon the Department at the address provided in appendix A to this subpart for—

(1) Legal process under section 659 of title 42, United States Code, and part 581 of Title 5, Code of Federal Regulations, or

(2) Any request for or notice of appointment of a custodian, guardian, or other fiduciary to receive Federal Benefit Payments as representative payees under § 29.106;

(b) All other process regarding Federal Benefit Payments (including requests for judicial review under § 29.406) must be served upon the United States in accordance with applicable law.

(c) All other process regarding Federal Benefit Payments must be served upon the United States in accordance with applicable law.

APPENDIX A TO SUBPART B OF PART 29—ADDRESSES FOR SERVICE UNDER § 29.203

1. The mailing address for delivery of documents described in § 29.203(a) by the United States Postal Service is: Office of DC Pensions, Department of the Treasury, Metropolitan Square Building, Room 6250, 1500 Pennsylvania Avenue, NW., Washington, DC 20220.

2. The address for delivery of documents described in § 29.203(a) by process servers, express carriers, or other forms of handcarried delivery is: Office of DC Pensions, Department of the Treasury, Metropolitan Square Building, Room 6250, 655 15th Street (F Street side), NW., Washington, DC.

[65 FR 77501, Dec. 12, 2000, as amended at 65 FR 80753, Dec. 22, 2000]

Subpart C—Split Benefits

SOURCE: 77 FR 64225, Oct. 19, 2012, unless otherwise noted.

§ 29.301 Purpose and scope.

(a) The purpose of this subpart is to addresses the legal and policy issues that affect the calculation of the Federal and District of Columbia portions of benefits under subtitle A of Title XI of the Balanced Budget Act of 1997, Public Law 105–33, 111 Stat. 251, 712–731, and 786–787 enacted August 5, 1997, as amended.

(1) This subpart states general principles for the calculation of Federal Benefit Payments in cases in which the Department and the District government are both responsible for paying a portion of an employee's total retirement benefits under the Police and Firefighters Plan or the Teachers Plan.

(2) This subpart provides illustrative examples of sample computations to show the application of the general principles to specific problems.

(b)(1) This subpart applies only to benefits under the Police and Firefighters Plan or the Teachers Plan for individuals who have performed service creditable under these programs on or before June 30, 1997.

(2) This subpart addresses only those issues that affect the split of fiscal responsibility for retirement benefits (that is, the calculation of Federal Benefit Payments).

(3) Issues relating to determination and review of eligibility and payments, and financial management, are beyond the scope of this subpart.

(c) This subpart does not apply to benefit calculations under the Judges Plan.

§ 29.302 Definitions.

In this subpart (including appendix A of this subpart)—

Deferred retirement means retirement under section 4–623 of the D.C. Code

(1997) (under the Police and Firefighters Plan) or section 31–1231(a) of the D.C. Code (1997) (under the Teachers Plan).

Deferred retirement age means the age at which a deferred annuity begins to accrue, that is, age 55 under the Police and Firefighters Plan and age 62 under the Teachers Plan.

Department service or *departmental service* means any period of employment in a position covered by the Police and Firefighters Plan or Teachers Plan. Department service or departmental service may include certain periods of military service that interrupt a period of employment under the Police and Firefighters Plan or the Teachers Plan.

Disability retirement means retirement under section 4–615 or section 4–616 of the D.C. Code (1997) (under the Police and Firefighters Plan) or section 31–1225 of the D.C. Code (1997) (under the Teachers Plan), regardless of whether the disability was incurred in the line of duty.

Enter on duty means commencement of employment in a position covered by the Police and Firefighters Plan or the Teachers Plan.

Excess leave without pay or *excess LWOP* means a period of time in a nonpay status that in any year is greater than the amount creditable as service under § 29.105(d).

Hire date means the date the employee entered on duty.

Military service means–

(1) For the Police and Firefighters Plan, military service as defined in section 4–607 of the D.C. Code (1997) that is creditable as other service under section 4–602 or section 4–610 of the D.C. Code (1997); and

(2) For the Teachers Plan, military service as described in section 31–1230(a)(4) of the D.C. Code (1997).

Optional retirement means regular longevity retirement under section 4–618 of the D.C. Code (1997) (under the Police and Firefighters Plan) or section 31–1224(a) of the D.C. Code (1997) (under the Teachers Plan).

Other service means any period of creditable service other than departmental service or unused sick leave. Other service includes service that becomes creditable upon payment of a deposit, such as service in another school system (under section 31–1208 of the D.C. Code (1997)) (under the Teachers Plan) or prior governmental service (under the Teachers Plan and the Police and Firefighters Plan); and service that is creditable without payment of a deposit, such as military service occurring prior to employment (under the Teachers Plan and the Police and Firefighters Plan).

Pre-80 hire means an individual whose annuity is computed using the formula under the Police and Firefighters Plan applicable to individuals hired before February 15, 1980.

Pre-96 hire means an individual whose annuity is computed using the formula under the Teachers Plan applicable to individuals hired before November 1, 1996.

Sick leave means unused sick leave, which is creditable in a retirement computation, as calculated under § 29.105(c).

GENERAL PRINCIPLES FOR DETERMINING SERVICE CREDIT TO CALCULATE FEDERAL BENEFIT PAYMENTS

§ 29.311 Credit only for service performed on or before June 30, 1997.

Only service performed on or before June 30, 1997, is credited toward Federal Benefit Payments.

§ 29.312 All requirements for credit must be satisfied by June 30, 1997.

Service is counted toward Federal Benefit Payments only if all requirements for the service to be creditable are satisfied as of June 30, 1997.

§ 29.313 Federal Benefit Payments are computed based on retirement eligibility as of the separation date and service creditable as of June 30, 1997.

Except as otherwise provided in this subpart, the amount of Federal Benefit Payments is computed based on retirement eligibility as of the separation date and service creditable as of June 30, 1997.

SERVICE PERFORMED AFTER JUNE 30, 1997

§ 29.321 General principle.

Any service performed after June 30, 1997, may never be credited toward Federal Benefit Payments.

§ 29.322 Disability benefits.

If an employee separates for disability retirement after June 30, 1997, and, on the date of separation, the employee—

(a) Satisfies the age and service requirements for optional retirement, the Federal Benefit Payment commences immediately, that is, the Federal Benefit Payment is calculated as though the employee retired under optional retirement rules using only service through June 30, 1997 (See examples 7A and 7B of appendix A of this subpart); or

(b) Does not satisfy the age and service requirements for optional retirement, the Federal Benefit Payment begins when the disability retiree reaches deferred retirement age. (See § 29.343.)

ALL REQUIREMENTS FOR CREDIT MUST BE SATISFIED BY JUNE 30, 1997

§ 29.331 General principle.

To determine whether service is creditable for the computation of Federal Benefit Payments under this subpart, the controlling factor is whether all requirements for the service to be creditable under the Police and Firefighters Plan or the Teachers Plan were satisfied as of June 30, 1997.

§ 29.332 Unused sick leave.

(a) For employees separated for retirement as of June 30, 1997, Federal Benefit Payments include credit for any unused sick leave that is creditable under the applicable plan.

(b) For employees separated for retirement after June 30, 1997, no unused sick leave is creditable toward Federal Benefit Payments.

§ 29.333 Military service.

(a) For employees who entered on duty on or before June 30, 1997, and whose military service was performed prior to that date, credit for military service is included in Federal Benefit Payments under the terms and conditions applicable to each plan.

(b) For employees who enter on duty after June 30, 1997, military service is not creditable toward Federal Benefit Payments, even if performed as of June 30, 1997.

(c) For employees who entered on duty on or before June 30, 1997, but who perform military service after that date, the credit for military service is not included in Federal Benefit Payments.

§ 29.334 Deposit service.

(a) *Teachers Plan.* (1) Periods of civilian service that were not subject to retirement deductions at the time they were performed are creditable for Federal Benefit Payments under the Teachers Plan if the deposit for the service was paid in full to the Teachers Plan as of June 30, 1997.

(2) No credit is allowed for Federal Benefit Payments under the Teachers Plan for any period of civilian service that was not subject to retirement deductions at the time it was performed if the deposit for the service was not paid in full as of June 30, 1997.

(3) If the deposit for the service was paid in installments, but was not paid in full as of June 30, 1997, Treasury shall transfer to the District an amount equal to the portion of the deposit completed prior to June 30, 1997.

(b) *Police and Firefighters Plan.* No credit is allowed for Federal Benefit Payments under the Police and Firefighters Plan for any period of civilian service that was not subject to retirement deductions at the time that the service was performed. (See definition of ''governmental service'' at D.C. Code section 4–607(15) (1997).)

§ 29.335 Refunded service.

(a) Periods of civilian service that were subject to retirement deductions but for which the deductions were refunded to the employee are creditable for Federal Benefit Payments if the redeposit for the service was paid in full to the District government as of June 30, 1997.

(b) No credit is allowed for Federal Benefit Payments for any period of civilian service that was subject to retirement deductions but for which the

deductions were refunded to the employee if the redeposit for the service was not paid in full to the District government as of June 30, 1997.

(c) If the redeposit for the service was paid in installments, but was not paid in full as of June 30, 1997, Treasury shall transfer to the District an amount equal to the portion of the redeposit completed prior to June 30, 1997.

CALCULATION OF THE AMOUNT OF FEDERAL BENEFIT PAYMENTS

§ 29.341 General principle.

(a) Where service is creditable both before and after June 30, 1997, Federal Benefit Payments are computed under the rules of the applicable plan as though—

(1) The employee were eligible to retire effective July 1, 1997, under the same conditions as the actual retirement (that is, using the annuity computation formula that applies under the plan in effect on June 29, 1997, and the retirement age, including any applicable age reduction, based on the age at actual retirement);

(2) The service that became creditable after June 30, 1997, did not exist; and

(3) The average salary is the average salary at separation.

(b) Exceptions to the general principle apply where:

(1) Congress amends the terms of the District Retirement Program in effect on June 29, 1997. For example, see section 11012(e) & (f) of the Balanced Budget Act of 1997, as amended by Public Laws 106–554, 107–290, and 108–133 (codified at D.C. Code section 1–803.02(e) and (f));

(2) The retirement is based on disability after June 30, 1997 (see 29.343); or

(3) The benefit is based on the death of an employee after June 30, 1997 and the survivor benefit is not based on years of service (see 29.344).

NOTE TO § 29.341: See examples 7B, 9, and 13 of appendix A of this subpart.

§ 29.342 Computed annuity exceeds the statutory maximum.

(a) In cases in which the total computed annuity exceeds the statutory maximum:

(1) Federal Benefit Payments may equal total benefits even if the employee had service after June 30, 1997.

(2) If the employee had sufficient service as of June 30, 1997, to qualify for the maximum annuity under the plan, the Federal Benefit Payment is the maximum annuity under the plan. This will be the entire benefit except for any amount in excess of the normal maximum due to unused sick leave, which is the responsibility of the District. (See example 3, of appendix A of this subpart.)

(b) If the employee did not perform sufficient service as of June 30, 1997, to reach the statutory maximum benefit, but has sufficient service at actual retirement to exceed the statutory maximum, the Federal Benefit Payment is the amount earned through June 30, 1997. The District benefit payment is the amount by which the total benefit payable exceeds the Federal Benefit Payment.

§ 29.343 Disability benefits.

(a) The general rule that Federal Benefit Payments are calculated under the applicable retirement plan as though the employee were eligible for optional retirement and separated on June 30, 1997, does not apply to disability benefits prior to optional retirement age.

(b) In cases involving disability benefits prior to optional retirement age, no Federal Benefit Payment is payable until the retiree reaches the age of eligibility to receive a deferred annuity (age 55 under the Police and Firefighters Plan and age 62 under the Teachers Plan). When the age for deferred annuity is reached, the Federal Benefit Payment is paid using creditable service accrued as of June 30, 1997, and average salary (computed under the rules for the applicable plan) as of the date of separation. (See examples 6 and 7 of appendix A of this subpart.)

(c) In no case will the amount of the Federal Benefit Payment exceed the amount of the total disability annuity.

§ 29.344 Survivor benefits.

(a) The general rule that Federal Benefit Payments are calculated under the applicable retirement plan as though the employee were eligible for optional retirement and separated on June 30, 1997, applies to death benefits that are determined by length of service. In these cases, the survivor's Federal Benefit Payment is calculated by multiplying the survivor's total benefit by the ratio of the deceased retiree or employee's Federal Benefit Payment to the deceased retiree or employee's total annuity. (See examples 13A and B of appendix A of this subpart.)

(b) The general rule that Federal Benefit Payments are calculated under the applicable retirement plan as though the employee were eligible for optional retirement and separated on June 30, 1997, does not apply to death benefits that are not determined by length of service. In these cases, the survivor's Federal Benefit Payment is calculated by multiplying the survivor's total benefit by the deceased retiree or employee's number of full months of service through June 30, 1997, and then dividing by the retiree or employee's number of months of total service at retirement. (See examples 13C–F of appendix A of this subpart.)

(c) In cases involving a disability or early voluntary retiree who dies before reaching the age at which a Federal Benefit Payment is payable, the survivor's Federal Benefit Payment is calculated as though the employee had not retired from service, but had separated from service with eligibility to receive a deferred annuity. (See examples 13G and 13H of appendix A of this subpart.)

§ 29.345 Annuity adjustments.

(a) In cases in which the total annuity and the Federal Benefit Payment are equally impacted by a cost-of-living adjustment, the new Federal Benefit Payment is determined by applying the federal percentage of the total annuity to the new total annuity. (See examples 14A–G of appendix A of this subpart.)

(b) In cases in which the total annuity and the Federal Benefit Payment are not equally impacted by a change, such as a new plan provision or service-based adjustment, the Federal Benefit Payment is recalculated where applicable, and the federal percentage of the total annuity used to determine subsequent Federal Benefit Payments is recalculated. (See example 14H of appendix A of this subpart.)

§ 29.346 Reduction for survivor benefits.

If a retiree elects a reduction for a survivor annuity, the ratio of the unreduced Federal Benefit Payment to the unreduced total annuity is multiplied by the reduced total annuity to determine the reduced Federal Benefit Payment. (See example 10 of appendix A of this subpart.)

CALCULATION OF THE SPLIT OF REFUNDS OF EMPLOYEE CONTRIBUTIONS AND DEPOSITS

§ 29.351 General principle.

Treasury will fund refunds of employee contributions and purchase of service deposits paid by or on behalf of a covered employee to the District of Columbia Police Officers' and Firefighters' Retirement Fund or District of Columbia Teachers' Retirement Fund on or before June 30, 1997.

§ 29.352 Refunded contributions.

For any given pay period, employee contributions are considered to have been made before the freeze date if the pay date was on or before June 30, 1997. As a result, for calendar year 1997, Treasury will fund refunds of employee contributions made by teachers through pay period 12 and fund refunds of employee contributions made by police officers and firefighters through pay period 13. If pay period records are unavailable for calendar year 1997, and the participant separated on or before June 30, 1997, Treasury will fund 100 percent of the refund of retirement contributions. If pay period records are unavailable for calendar year 1997, and the participant was hired before January 1, 1997, and separated after December 31, 1997, Treasury will fund 50 percent of the refund of retirement contributions made to teachers in calendar year 1997, and 48 percent of the retirement contributions made to police officers or firefighters in calendar year

1997. Otherwise, if the participant separated after June 30, 1997, the percent of contributions made in calendar year 1997 funded by Treasury is assumed to be the ratio where the numerator is the number of days before July 1 the participant was employed in calendar year 1997 and the denominator is the number of days the participant was employed in calendar year 1997.

§ 29.353 Refunded deposits.

Treasury will fund refunds of purchase of service deposits made by employees by lump sum payment or by installment payments on or before June 30, 1997.

APPENDIX A TO SUBPART C OF PART 29—EXAMPLES

This appendix contains sample calculations of Federal Benefit Payments in a variety of situations.

OPTIONAL RETIREMENT EXAMPLES

EXAMPLE 1: NO UNUSED SICK LEAVE

A. In this example, an individual covered by the Police and Firefighters Plan hired before 1980 retires in October 1997. At retirement, he is age 51 with 20 years and 3 days of departmental service plus 3 years, 4 months, and 21 days of military service that preceded the departmental service. The Federal Benefit Payment begins at retirement. It is based on the 19 years, 8 months, and 22 days of departmental service and 3 years, 4 months, and 21 days of military service performed as of June 30, 1997. Thus, the Federal Benefit Payment is based on 23 years and 1 month of service, all at the 2.5 percent accrual rate. The total annuity is based on 23 years and 4 months of service, all at the 2.5 percent accrual rate.

EXAMPLE 1A—POLICE OPTIONAL

[Pre-80 hire]

Total Annuity Computation

Birth date: 09/10/46
Hire date: 10/09/77
Separation date: 10/11/97
Department service: 20/00/03
Other service: 03/04/21
Sick leave:
.025 service: 23.333333
.03 service:
Average salary: $45,680.80
Total: $26,647.12

EXAMPLE 1A—POLICE OPTIONAL—Continued

[Pre-80 hire]

Total/month: $2,221.00

Federal Benefit Payment Computation

Birth date: 9/10/46
Hire date: 10/09/77
Freeze date: 06/30/97
Department service: 19/08/22
Other service: 03/04/21
Sick leave:
.025 service: 23.083333
.03 service:
Average salary: $45,680.80
Total: $26,361.61
Total/month: $2,197.00
Total federal/month ÷ total/month: 0.989194

B. In this example, the individual covered by the Police and Firefighters Plan was hired earlier than in example 1A and thus performed more service as of both June 30, 1997, and retirement in October 1997. At retirement, he is age 51 with 21 years, 11 months and 29 days of departmental service plus 3 years, 4 months, and 21 days of military service that preceded the departmental service. The Federal Benefit Payment begins at retirement. It is based on the 21 years, 8 months, and 18 days of departmental service and 3 years, 4 months, and 21 days of military service performed as of June 30, 1997. Thus, the Federal Benefit Payment is based on 25 years and 1 month of service, 1 year and 8 months at the 3.0 percent accrual rate and 23 years and 5 months at the 2.5 percent accrual rate (including 1 month consisting of 18 days of departmental service and 21 days of other service). The total annuity is based on 25 years and 4 months of service, 1 year and 11 months at the 3.0 percent accrual rate and 23 years and 5 months at the 2.5 percent accrual rate (including 1 month consisting of 29 days of departmental service and 21 days of other service).

EXAMPLE 1B—POLICE OPTIONAL

[Pre-80 hire]

Total Annuity Computation

Birth date: 09/10/46
Hire date: 10/13/75
Separation date: 10/11/97
Department service: 21/11/29
Other service: 03/04/21
Sick leave:
.025 service: 23.416667
.03 service: 1.916667
Average salary: $45,680.80

EXAMPLE 1B—POLICE OPTIONAL—Continued

[Pre-80 hire]

Total: $29,368.96
Total/month $2,447.00

Federal Benefit Payment Computation

Birth date: 09/10/46
Hire date: 10/13/75
Freeze date: 06/30/97
Department service: 21/08/18
Other service: 03/04/21
Sick leave:
.025 service: 23.416667
.03 service: 1.666667
Average salary: $45,680.80
Total: $29,026.36
Total/month: $2,419.00
Total federal/month ÷ total/month: 0.988557

EXAMPLE 2: UNUSED SICK LEAVE CREDIT

In this example, an individual covered by the Police and Firefighters Plan and hired before 1980 retires in March 1998. At retirement, she is age 48 with 24 years, 8 months, and 6 days of departmental service plus 6 months and 4 days of other service (deposit paid before June 30, 1997) and 11 months and 11 days of unused sick leave. For a police officer (or a non-firefighting division firefighter) such an amount of sick leave would be 1968 hours (246 days, based on a 260-day year, times 8 hours per day). For a firefighting division firefighter, such an amount would be 2,069 hours (341 days divided by 360 days per year times 2,184 hours per year). The Federal Benefit Payment begins at retirement. It is based on the 23 years, 11 months, and 23 days of departmental service performed as of June 30, 1997, and 6 months and 4 days of other service. Thus, the Federal Benefit Payment is based on 20 years departmental and 6 months of other service at the 2.5 percent accrual rate and 3 years and 11 months of service at the 3.0 percent accrual rate. The total annuity is based on 20 years and 6 months of service at the 2.5 percent accrual rate and 5 years and 7 months of service at the 3 percent accrual rate.

EXAMPLE 2—POLICE OPTIONAL

[Pre-80 hire]

Total Annuity Computation

Birth date: 05/01/49
Hire date: 07/08/73
Separation date: 03/13/98
Department service: 24/08/06
Other service: 00/06/04
Sick leave: 00/11/11

EXAMPLE 2—POLICE OPTIONAL—Continued

[Pre-80 hire]

.025 service: 20.5
.03 service: 5.583333
Average salary: $61,264.24
Total: $41,659.68
Total/month: $3,472.00

Federal Benefit Payment Computation

Birth date: 05/01/49
Hire date: 07/08/73
Freeze date: 06/30/97
Department service: 23/11/23
Other service: 00/06/04
Sick leave:
.025 service: 20.5
.03 service: 3.916667
Average salary: $61,264.24
Total: $38,596.47
Total/month: $3,216.00
Total federal/month ÷ total/month: 0.926267

EXAMPLE 3: CALCULATED BENEFIT EXCEEDS STATUTORY MAXIMUM

A. In this example, an individual covered by the Police and Firefighters Plan hired before 1980 retires in March 1998. At retirement, he is age 55 with 32 years and 17 days of departmental service. The Federal Benefit Payment begins at retirement. It is based on the 31 years, 3 months, and 17 days of departmental service performed as of June 30, 1997. Thus, the Federal Benefit Payment is based on 20 years of service at the 2.5 percent accrual rate and 11 years and 3 months of service at the 3.0 percent accrual rate. However, the annuity is limited to 80 percent of the average salary at time of retirement. (This limitation does not apply to the unused sick leave credit.) The annuity computed as of June 30, 1997, equals the full benefit payable; therefore, the Federal Benefit Payment is the total benefit.

EXAMPLE 3A—POLICE OPTIONAL

[Pre-80 hire]

Total Annuity Computation

Birth date: 06/12/42
Hire date: 03/14/66
Separation date: 03/30/98
Department service: 32/00/17
Other service:
Sick leave:
.025 service: 20
.03 service: 12
Average salary: $75,328.30
Total: $64,782.34

EXAMPLE 3A—POLICE OPTIONAL—Continued

[Pre-80 hire]

Total/month: $5,399.00
Maximum: $60,262.64
Maximum/month: $5,022.00

Federal Benefit Payment Computation

Birth date: 06/12/42
Hire date: 03/14/66
Freeze date: 03/30/97
Department service: 31/03/17
Other service:
Sick leave:
.025 service: 20
.03 service: 11.25
Average salary: $75,328.30
Total: $63,087.45
Total/month: $5,257.00
Maximum: $60,262.64
Maximum/month: $5,022.00
Total federal/month ÷ total/month: 1.0

B. In this example, the individual in example 3A also has 6 months of unused sick leave at retirement. The sick leave credit is not subject to the 80% limitation and does not become creditable service until the date of separation. For a police officer (or a non-firefighting division firefighter) such an amount of sick leave would be 1040 hours (130 days, based on a 260-day year, times 8 hours per day). For a firefighting division firefighter, such an amount would be 1092 hours (180 days divided by 360 days per year times 2184 hours per year). Six months of unused sick leave increases the annual total benefit by 1.5 percent of the average salary, or in the example by $94 per month. The District is responsible for the portion of the annuity attributable to the unused sick leave because it became creditable at retirement, that is, after June 30, 1997.

EXAMPLE 3B—POLICE OPTIONAL

[Pre-80 hire]

Total Annuity Computation

Birth date: 06/12/42
Hire date: 03/14/66
Separation date: 03/30/98
Department service: 32/00/17
Other service:
Sick leave: 00/06/00
.025 service: 20
.03 service: 12
Average salary: $75,328.30
Total wo/sl credit: $64,782.34
Total/month: $5,399.00

EXAMPLE 3B—POLICE OPTIONAL—Continued

[Pre-80 hire]

Max wo/sl credit: $60,262.64
Max w/sl credit: $61,392.57
Monthly benefit: $5,116.00

Federal Benefit Payment Computation

Birth date: 06/12/42
Hire date: 03/14/66
Freeze date: 06/30/97
Department service: 31/03/17
Other service:
Sick leave: none
.025 service: 20
.03 service: 11.25
Average salary: $75,328.30
Total: $63,087.45
Total/month: $5,257.00
Maximum: $60,262.64
Monthly benefit: $5,022.00
Total federal/month ÷ total/month: 0.981626

EXAMPLE 4: EXCESS LEAVE WITHOUT PAY

In this example, an individual covered by the Teachers Plan hired before 1996 retires in February 1998. At retirement, she is age 64 with 27 years of departmental service and 6 years, 7 months, and 28 days of other service (creditable before June 30, 1997). However, only 6 months of leave in a fiscal year without pay may be credited toward retirement under the Teachers Plan. She had 3 months and 18 days of excess leave without pay as of June 30, 1997. Since the excess leave without pay occurred before June 30, 1997, the time attributable to the excess leave without pay is subtracted from the service used in both the Federal Benefit Payment and the total benefit computations. The Federal Benefit Payment begins at retirement. It is based on the 32 years and 8 months of service (32 years, 11 months, and 28 days minus 3 months and 18 days and the partial month dropped); 5 years of service at the 1.5 percent accrual rate, 5 years of service at the 1.75 percent accrual rate, and 22 years and 8 months of service at the 2 percent accrual rate. The total annuity is based on 33 years and 4 months of service (33 years, 7 months and 28 days minus 3 months and 18 days and the partial month dropped) 5 years of service at the 1.5 percent accrual rate, 5 years of service at the 1.75 percent accrual rate and 23 years and 4 months of service at the 2 percent accrual rate.

NOTE: For the Teachers Plan, section 1230(a) of title 31 of the D.C. Code (1997) allows for 6 months leave without pay in any fiscal year. For the Police and Firefighters Plan, section 610(d) of title 4 of the D.C. Code

(1997) allows for 6 months leave without pay in any calendar year.

EXAMPLE 4—TEACHERS OPTIONAL

[Pre-96 hire]

Total Annuity Computation
Birth date: 11/04/33
Hire date: 03/01/71
Separation date: 02/28/98
Department service: 27/00/00
Other service: 06/07/28
Excess LWOP: 00/03/18
.015 service: 5
.0175 service: 5
.02 service: 23.333333
Average salary: $53,121.00
Total: $33,421.98
Total/month: $2,785.00

Federal Benefit Payment Computation
Birth date: 11/04/33
Hire date: 03/01/71
Freeze date: 06/30/97
Department service: 26/04/00
Other service: 06/07/28
Excess LWOP: 00/03/18
.015 service: 5
.0175 service: 5
.02 service: 22.666667
Average salary: $53,121.00
Total: $32,713.66
Total/month: $2,726.00
Total federal/month ÷ total/month: 0.978815

EXAMPLE 5: SERVICE CREDIT DEPOSITS

A. An individual covered by the Teachers Plan hired before 1996 retires in October 1997. At retirement, he is age 61 with 30 years and 3 days of departmental service plus 3 years, 4 months, and 21 days of other service that preceded the departmental service for which the deposit was fully paid on or before June 30, 1997. The Federal Benefit Payment begins at retirement. It is based on the 29 years, 8 months, and 22 days of departmental service and 3 years, 4 months, and 21 days of service performed as of June 30, 1997. Thus, the Federal Benefit Payment is based on 33 years and 1 month of service; 5 years of service at the 1.5 percent accrual rate, 5 years of service at the 1.75 percent accrual rate, and 23 years and 1 month of service at the 2 percent accrual rate. The total annuity is based on 33 years and 4 months of service; 5 years of service at the 1.5 percent accrual rate, 5 years of service at the 1.75 percent accrual rate and 23 years and 4 months of service at the 2 percent accrual rate.

EXAMPLE 5A—TEACHERS OPTIONAL

[Pre-96 hire]

Total Annuity Computation
Birth date: 09/10/36
Hire date: 10/09/67
Separation date: 10/11/97
Department Service: 30/00/03
Other service: 03/04/21
Deposit paid before freeze date:
Other service credit allowed:
Sick leave:
.015 service: 5
.0175 service: 5
.02 service: 23.333333
Average salary: $45,680.80
Total: $28,740.85
Total/month: $2,395.00

Federal Benefit Payment Computation
Birth date: 09/10/36
Hire date: 10/09/67
Freeze date: 06/30/97
Department service: 29/08/22
Other service: 03/04/21
Deposit paid before freeze date:
Other service credit allowed:
Sick Leave:
.015 service: 5
.0175 service: 5
.02 service: 23.08333; 13 days dropped
Average salary: $45,680.80
Total: $28,512.45
Total/month: $2,376.00
Total federal/month ÷ total/month: 0.992067

B. In this example, the employee in example 5A did not pay any of the deposit to obtain credit for the 3 years, 4 months, and 21 days of other service as of June 30, 1997. Thus, none of the other service is used in the computation of the Federal Benefit Payment. An individual covered by the Teachers Plan hired before 1996 retires in October 1997. At retirement, he is age 61 with 30 years and 3 days of departmental service plus 3 years, 4 months, and 21 days of other service that preceded the departmental service for which the deposit was paid in full in October 1997 (at retirement). The Federal Benefit Payment begins at retirement. It is based on only the 29 years, 8 months, and 22 days of departmental service performed as of June 30, 1997; 5 years of service at the 1.5 percent accrual rate, 5 years of service at the 1.75 percent accrual rate, and 19 years and 8 months of service at the 2 percent accrual rate. The total annuity is based on 33 years

and 4 months of service; 5 years of service at the 1.5 percent accrual rate, 5 years of service at the 1.75 percent accrual rate and 23 years and 4 months of service at the 2 percent accrual rate.

EXAMPLE 5B—TEACHERS OPTIONAL

[Pre-96 hire]

Total Annuity Computation

Birth date: 09/10/36
Hire date: 10/09/67
Separation date: 10/11/97
$0.00
Department service: 30/00/03
Other service: 03/04/21
Total deposit paid after 6/30/97:
Sick leave:
.015 service: 5
.0175 service: 5
.02 service: 23.333333
Average salary: $45,680.80
Total: $28,740.85
Total/month: $2,395.00

Federal Benefit Payment Computation

Birth date: 09/10/36
Hire date: 10/09/67
Freeze date: 06/30/97
Department service: 29/08/22
Other service: none
Total deposit paid after 6/30/97:
Sick leave:
.015 service: 5
.0175 service: 5
.02 service: 19.666667; 22 days dropped
Average salary: $45,680.80
Total: $25,390.90
Total/month: $2,116.00
Total federal/month ÷ total/month: 0.883507

C. In this example, the employee in examples 5A and B began installment payments on the deposit to obtain credit for the 3 years, 4 months, and 21 days of other service as of June 30, 1997, but did not complete the deposit until October 1997 (at retirement). The other service is not used in the computation of the Federal Benefit Payment because the payment was not completed as of June 30, 1997. Thus, the result is the same as in example 5B.

EXAMPLE 5C—TEACHERS OPTIONAL

[Pre-96 hire]

Total Annuity Computation

Birth date: 09/10/36

EXAMPLE 5C—TEACHERS OPTIONAL—Continued

[Pre-96 hire]

Hire date: 10/09/67
Separation date: 10/11/97
Department service: 30/00/03
Other service: 03/04/21
Partial deposit paid as of 6/30/97:
Deposit completed after 6/30/97:
Sick leave:
.015 service: 5
.0175 service: 5
.02 service: 23.333333
Average salary: $45,680.80
Total: $28,740.85
Total/month: $2,395.00

Federal Benefit Payment Computation

Birth date: 09/10/36
Hire date: 10/09/67
Freeze date: 06/30/97
Department service: 29/08/22
Other service: none
Partial deposit paid as of 6/30/97:
Deposit completed after 6/30/97:
Sick leave:
.015 service: 5
.0175 service: 5
.02 service: 19.666667; 22 days dropped
Average salary: $45,680.80
Total: $25,390.90
Total/month: $2,116.00
Total federal/month ÷ total/month: 0.883507

DISABILITY RETIREMENT EXAMPLES

EXAMPLE 6: DISABILITY OCCURS BEFORE ELIGIBILITY FOR OPTIONAL RETIREMENT

A. In this example, an individual covered by the Police and Firefighters Plan hired before 1980 retires based on a disability in the line of duty in October 1997. At retirement, he is age 45 with 18 years, 5 months, and 11 days of departmental service. Since he had performed less than 20 years of service and had not reached the age of eligibility for an optional retirement, the Federal Benefit Payment does not begin at retirement. When the disability annuitant reaches age 55, he satisfies the age and service requirements for deferred retirement. At that time (August 20, 2007), the Federal Benefit Payment begins. It is based on the 18 years, 1 month, and 17 days of departmental service performed as of June 30, 1997, all at the 2.5 percent accrual rate.

EXAMPLE 6A—POLICE DISABILITY IN LINE OF DUTY, AGE 45

[Pre-80 hire]

Total Annuity Computation

Birth date: 08/20/52
Hire date: 05/14/79
Separation date: 10/24/97
Department service: 18/05/11
Other service:
Sick leave:
.025 service: 18.416667
.03 service:
Average salary: $47,788.64
Final salary: $50,938.00
Total: $22,002.70
Total/month: $1,834.00
2/3 of average pay: $31,859.11
Monthly: $2,655.00

Federal Benefit Payment Computation

Birth date: 08/20/52
Hire date: 05/14/79
Freeze date: 06/30/97
Department service: 18/01/17
Other service:
Sick leave:
.025 service: 18.083333
.03 service:
Average salary: $47,788.64
Final salary: $50,938.00
Total: $21,604.43
Total/month: $1,800.00; deferred
Total federal/month ÷ total/month: 0.0 (at time of retirement)

B. In this example, an individual covered by the Teachers Plan hired before 1996 retires based on a disability in December 1997. At retirement, she is age 49 with 27 years and 4 months of departmental service which includes 3 years, 3 months and 14 days of excess leave without pay (prior to June 30, 1997). Since she does not qualify for optional retirement at separation, the Federal Benefit Payment does not begin at separation. When the disability annuitant reaches age 62, she will satisfy the age and service requirements for deferred retirement. At that time (March 9, 2010), the Federal Benefit Payment begins. The time attributable to the excess leave without pay is subtracted from the service used to compute the Federal Benefit Payment. Since the excess leave without pay occurred before June 30, 1997, the deferred Federal Benefit Payment is based on the 23 years and 6 months of service; 5 years of service at the 1.5 percent accrual rate, 5 years of service at the 1.75 percent accrual rate, and 13 and 6 months of service at the 2 percent accrual rate.

EXAMPLE 6B—TEACHERS DISABILITY AGE 49

[Pre-96 hire]

Total Annuity Computation

Birth date: 03/09/48
Hire date: 09/01/70
Separation date: 12/31/97
Department service: 27/04/00
Other service:
Excess LWOP: 03/03/14
.015 service: 5
.0175 service: 5
.02 service: 14
Average salary: $53,121.00
Total: $23,506.04
Total/month: $1,959.00

Federal Benefit Payment Computation

Birth date: 03/09/48
Hire date: 09/01/70
Freeze date: 06/30/97
Department service: 26/10/00
Other service:
Excess LWOP: 03/03/14
.015 service: 5
.0175 service: 5
.02 service: 13.5
Average salary: $53,121.00
Total: $22,974.83
Total/month: $1,915.00; deferred
Total federal/month ÷ total/month: 0.0 (at time of retirement)

EXAMPLE 7: DISABILITY OCCURS AFTER ELIGIBILITY FOR OPTIONAL RETIREMENT

A. In this example, an individual covered by the Police and Firefighters Plan hired before 1980 retires based on a disability in the line of duty in October 1997. At retirement, she is age 55 with 24 years, 5 months, and 11 days of departmental service. Since she was also eligible for optional retirement at the time of separation, the Federal Benefit Payment commences at retirement. It is based on the 24 years, 1 month, and 17 days of departmental service performed as of June 30, 1997. Thus, the Federal Benefit Payment is based on 20 years of service at the 2.5 percent accrual rate and 4 years and 1 month of service at the 3 percent accrual rate. The total annuity is based on the disability formula and is equal to two-thirds of average pay because that amount is higher than the 63.25 percent payable based on total service.

EXAMPLE 7A—POLICE DISABILITY IN LINE OF DUTY AGE 55

[Pre-80 hire]

Total Annuity Computation

Birth date: 10/01/42
Hire date: 05/14/73
Separation date: 10/24/97
Department service: 24/05/11
Other service:
Sick leave:
.025 service: 20
.03 service: 4.416667
Average salary: $47,788.64
Final salary: $50,938.00
Total: $30,226.31
Total/month: $2,519.00
2/3 of average pay: $31,859.11
Monthly: $2,655.00

Federal Benefit Payment Computation

Birth date: 10/01/42
Hire date: 05/14/73
Freeze date: 06/30/97
Department service: 24/01/17
Other service:
Sick leave:
.025 service: 20
.03 service: 4.083333
Average salary: $47,788.64
Final salary: $50,938.00
Total: $29,748.43
Total/month: $2,479.00
Total federal/month ÷ total/month: 0.984121

B. In this example, an individual covered by the Teachers Plan hired before 1996 retires based on a disability in December 1997. At retirement, he is age 60 with 27 years and 4 months of departmental service which includes 3 years, 3 months and 14 days of excess leave without pay (prior to June 30, 1997). Since he qualifies for optional retirement at separation, the Federal Benefit Payment begins at retirement. Since the excess leave without pay occurred before June 30, 1997, and the total annuity is based on actual service (that is, exceeds the guaranteed disability minimum), the time attributable to the excess leave without pay is subtracted from the service used to compute the Federal Benefit Payment and total benefit. The Federal Benefit Payment is based on 23 years and 6 months of service; 5 years of service at the 1.5 percent accrual rate, 5 years of service at the 1.75 percent accrual rate, and 13 years and 6 months of service at the 2 percent accrual rate. The total annuity payable is based on 24 years of service; 5 years of service at the 1.5 percent accrual rate, 5 years of service at the 1.75 percent accrual rate, and 14 years of service at the 2 percent accrual rate.

EXAMPLE 7B—TEACHERS DISABILITY AGE 60

[Pre-96 hire]

Total Annuity Computation

Birth date: 03/09/37
Hire date: 09/01/70
Separation date: 12/31/97
Department service: 27/04/00
Other service:
Excess LWOP: 03/03/14
.015 service: 5
.0175 service: 5
.02 service: 14
Average salary: $53,121.00
Total: $23,506.04
Total/month: $1,959.00

Federal Benefit Payment Computation

Birth date: 03/09/37
Hire date: 09/01/70
Freeze date: 06/30/97
Department service: 26/10/00
Other service:
Excess LWOP: 03/03/14
.015 service: 5
.0175 service: 5
.02 service: 13.5
Average salary: $53,121.00
Total: $22,974.83
Total/month: $1,915.00
Total federal/month ÷ total/month: 0.977540

DEFERRED RETIREMENT EXAMPLES

EXAMPLE 8: ALL SERVICE BEFORE JUNE 30, 1997

In this example, an individual covered by the Police and Firefighters Plan hired before 1980 separated in March 1986 with title to a deferred annuity. In November 1997, he reaches age 55 and becomes eligible for the deferred annuity based on his 15 years, 9 months, and 8 days of departmental service, all at the 2.5 percent accrual rate. The total annuity is based on the same 15 years, 9 months, and 8 days of service all at the 2.5 percent accrual rate. Since all the service is creditable as of June 30, 1997, the Federal Benefit Payment equals the total annuity.

EXAMPLE 8—POLICE DEFERRED

[Pre-80 hire]

Total Annuity Computation

Birth date: 11/20/42
Hire date: 06/01/70
Separation date: 03/08/86
Department service: 15/09/08
Other service:
Sick leave:
.025 service: 15.75
.03 service: 0
Average salary: $30,427.14
Final salary: $45,415.00
Total: $11,980.69; deferred
Total/month: $998.00; deferred

Federal Benefit Payment Computation

Birth date: 11/20/42
Hire date: 06/01/70
Freeze date: 03/08/86
Department service: 15/09/08
Other service:
Sick leave:
.025 service: 15.75
.03 service: 0
Average salary: $30,427.14
Final salary: $45,415.00
Total: $11,980.69; deferred
Total/month: $998.00; deferred
Total federal/month ÷ total/month: 1.0; deferred

EXAMPLE 9: SERVICE STRADDLES JUNE 30, 1997

In this example, an individual covered by the Police and Firefighters Plan hired before 1980 separated in December 1997 with title to a deferred annuity. In November 2007, he will reach age 55 and becomes eligible to receive a deferred annuity. At that time, the Federal Benefit Payment begins. It is based on the 18 years and 1 month of departmental service performed as of June 30, 1997, all at the 2.5 percent accrual rate. The total annuity begins at the same time, based on his 18 years, 6 months, and 8 days of departmental service, all at the 2.5 percent accrual rate.

EXAMPLE 9—POLICE DEFERRED

[Pre-80 hire]

Total Annuity Computation

Birth date: 11/20/52
Hire date: 06/01/79
Separation date: 12/08/97
Department service: 18/06/08
Other service:

EXAMPLE 9—POLICE DEFERRED—Continued

[Pre-80 hire]

Sick leave:
.025 service: 18.5
.03 service: 0
Average salary: $30,427.14
Final salary: $45,415.00
Total: $14,072.55; deferred
Total/month: $1,173.00; deferred

Federal Benefit Payment Computation

Birth date: 11/20/52
Hire date: 06/01/79
Freeze date: 06/30/97
Department service: 18/01/00
Other service:
Sick leave:
.025 service: 18.083333
.03 service: 0
Average salary: $30,427.14
Final salary: $45,415.00
Total: $13,755.60; deferred
Total/month: $1,146.00; deferred
Total federal/month ÷ total/month: 0.976982; deferred

REDUCTION TO PROVIDE A SURVIVOR ANNUITY EXAMPLES

EXAMPLE 10: SURVIVOR REDUCTION CALCULATIONS

Both of the following examples involve a former teacher who elected a reduced annuity to provide a survivor benefit:

A. In this example, the employee elects to provide full survivor benefits of 55% of the employee's unreduced annuity. The total annuity is reduced by 2½ percent of the first $3600 and 10 percent of the balance. The reduced Federal Benefit Payment is determined by multiplying the reduced total annuity (rounded) by the ratio of the unreduced Federal Benefit Payment to the unreduced total annuity. Military service occurred prior to June 30, 1997 and purchase of other service was completed prior to June 30, 1997.

EXAMPLE 10A—TEACHERS OPTIONAL W/ SURVIVOR REDUCTION

[Pre-96 hire]

Total Annuity Computation

Birth date: 11/01/42
Hire date: 11/01/68
Separation date: 12/31/97
Department service: 29/02/00
Other service: 03/09/18

EXAMPLE 10A—TEACHERS OPTIONAL W/ SURVIVOR REDUCTION—Continued

[Pre-96 hire]

Military: 00/09/11
.015 service: 5
.0175 service: 5
.02 service: 23.666667
Average salary: $66,785.00
Total unreduced: $42,464.13
Total unreduced/month: $3,539.00
Reduction: $3,976.41
Total: $38,487.72
Total/month: $3,207.00

Federal Benefit Payment Computation

Birth date: 11/01/42
Hire date: 11/01/68
Freeze date: 06/30/97
Department service: 28/08/00
Other service: 03/09/18
Military: 00/09/11
.015 service: 5
.0175 service: 5
.02 service: 23.166667
Average salary: $66,785.00
Total federal unreduced: $41,796.28
Total federal unreduced/month: $3,483.00
Total federal unreduced/month ÷ total unreduced/month: 0.984176
Total federal/month: $3,156.00

B. In this example, the employee elects to provide a partial survivor annuity of 26% of the employee's unreduced annuity. The total annuity is reduced by 2½ percent of the first $3,600 of $20,073.95 and 10 percent of the balance. The reduced Federal Benefit Payment is determined by multiplying the reduced total annuity (rounded) by the ratio of the unreduced Federal Benefit Payment to the unreduced total annuity.

EXAMPLE 10B—TEACHERS OPTIONAL W/ SURVIVOR REDUCTION

[Pre-96 hire]

Total Annuity Computation

Birth date: 11/01/42
Hire date: 11/01/68
Separation date: 12/31/97
Department service: 29/02/00
Other service: 03/09/18
Military: 00/09/11
.015 service: 5
.0175 service: 5
.02 service: 23.666667
Average salary: $66,785.00

EXAMPLE 10B—TEACHERS OPTIONAL W/ SURVIVOR REDUCTION—Continued

[Pre-96 hire]

Total unreduced: $42,464.13
Total unreduced/month: $3,539.00
Reduction: $1,737.40
Total reduced: $40,726.73
Total reduced/month: $3,394.00

Federal Benefit Payment Computation

Birth date: 11/01/42
Hire Date: 11/01/68
Freeze date: 06/30/97
Department service: 28/08/00
Other service: 03/09/18
Military: 00/09/11
.015 service: 5
.0175 service: 5
.02 service: 23.166667
Average salary: $66,785.00
Total federal unreduced: $41,796.28
Total federal unreduced/month: $3,483.00
Total federal unreduced/month ÷ total unreduced/month: 0.984176
Total federal reduced/month: $3,340.00

EARLY OPTIONAL OR INVOLUNTARY RETIREMENT EXAMPLES

EXAMPLE 11: EARLY OPTIONAL WITH AGE REDUCTION

In this example, an individual covered by the Teachers Plan hired before 1996 retires voluntarily in February 1998, under a special program that allows early retirement with at least 20 years of service at age 50 older, or at least 25 years of service at any age. At retirement, she is 6 full months short of age 55. She has 25 years and 5 months of departmental service; 6 years, 2 months, and 19 days of other service (creditable before June 30, 1997); and 2 months and 9 days of unused sick leave. Since she is not eligible for optional retirement and she is eligible to retire voluntarily only because of the District-approved special program, the Federal Benefit Payment is calculated similar to a disability retirement. It does not begin until she becomes eligible for a deferred annuity at age 62. When it commences the Federal Benefit Payment will be based on the service creditable as of June 30, 1997: 30 years and 11 months of service; 5 years of service at the 1.5 percent accrual rate, 5 years of service at the 1.75 percent accrual rate, and 20 years and 11 months of service at the 2 percent accrual rate. The total annuity is based on 5 years of service at the 1.5 percent accrual rate, 5 years of service at the 1.75 percent accrual rate and 21 years and 9 months of service at the 2 percent accrual rate (including

the unused sick leave). Because the Federal Benefit Payment is based on the deferred annuity, rather than the early voluntary retirement, it is not reduced by the age reduction factor used to compute the total benefit.

EXAMPLE 11—TEACHERS EARLY OUT W/AGE REDUCTION

[Pre-96 hire]

Total Annuity Computation

Birth date: 09/20/43
Hire date: 10/01/72
Separation date: 02/28/98
Department service: 25/05/00
Other service: 06/02/19
Sick leave: 00/02/09
.015 service: 5
.0175 service: 5
.02 service: 21.75
Average salary: $69,281.14
Total unreduced: $41,395.48
Age reduction factor: 0.990000
Total reduced: $40,981.53
Total/month: $3,415.00

Federal Benefit Payment Computation

Birth date: 09/20/43
Hire date: 10/01/72
Freeze date: 06/30/97
Department service: 24/09/00
Other service: 06/02/19
.015 service: 5
.0175 service: 5
.02 service: 20.916667
Average salary: $69,281.14
Total unreduced: $40,240.80; deferred
Reduction factor: 1.000000 no reduction
Total reduced: $40,240.80; deferred
Total/month: $3,353.00 deferred
Total federal unreduced/month ÷ Total unreduced/month: 0.0 (at time of retirement)

EXAMPLE 12: INVOLUNTARY WITH AGE REDUCTION

In this example, an individual covered by the Teachers Plan hired before 1996 retires involuntarily in February 1998. At retirement, she is 6 full months short of age 55. She has 25 years and 5 months of departmental service; 6 years, 2 months, and 19 days of other service (creditable before June 30, 1997); and 2 months and 9 days of unused sick leave. The Federal Benefit Payment begins at retirement. It is based on the 30 years and 11 months of service; 5 years of service at the 1.5 percent accrual rate, 5 years of service at the 1.75 percent accrual rate, and 20 years and 11 months of service at the 2 percent accrual rate. The total annuity is based on 5 years of service at the 1.5 percent accrual rate, 5 years of service at the 1.75 percent accrual rate and 21 years and 9 months of service at the 2 percent accrual rate (including the unused sick leave). Both the Federal Benefit Payment and the total benefit are reduced by the age reduction factor.

EXAMPLE 12—TEACHERS INVOLUNTARY W/AGE REDUCTION

[Pre-96 hire]

Total Annuity Computation

Birth date: 09/20/43
Hire date: 10/01/72
Separation date: 02/28/98
Department service: 25/05/00
Other service: 06/02/19
Sick leave: 00/02/09
.015 service: 5
.0175 service: 5
.02 service: 21.75
Average salary: $69,281.14
Total unreduced: $41,395.48
Age reduction factor: 0.990000
Total reduced: $40,981.53
Total/month: $3,415.00

Federal Benefit Payment Computation

Birth date: 09/20/43
Hire date: 10/01/72
Freeze date: 06/30/97
Department service: 24/09/00
Other service: 06/02/19
.015 service: 5
.0175 service: 5
.02 service: 20.916667
Average salary: $69,281.14
Total unreduced: $40,240.80
Age reduction factor: 0.990000
Total reduced: $39,838.39
Total/month: $3,320.00
Total federal/month ÷ total/month: 0.972182

DEATH BENEFITS EXAMPLE

EXAMPLE 13: DEATH BENEFITS CALCULATION

Examples A and B involve service-based death benefits calculations. Examples C–F involve non-service-based death benefits calculations. Examples G and H involve disability death benefit calculations.

A. In this example, an individual covered by the Teachers Plan retires in December 1997 and elects to provide a full survivor annuity. He dies in June 1998. The survivor's

Federal Benefit Payment is 98.4 percent ($3,483 ÷ $3,539) of the total survivor benefit.

EXAMPLE 13A—TEACHERS DEATH BENEFITS

[Pre-96 hire]

Total Annuity Computation

Birth date: 11/01/42
Hire date: 11/01/68
Separation date: 12/31/97
Death date: 06/24/98
Department service: 29/02/00
Other service: 03/09/18
Military: 00/09/11
Average salary: $66,785.00
Total unreduced/month (retiree): $3,539.00
Total/month (survivor): $1,946.00

Federal Benefit Payment Computation

Birth date: 11/01/42
Hire date: 11/01/68
Freeze date: 06/30/97
Death date: 06/24/98
Department service: 28/08/00
Other service: 03/09/18
Military: 00/09/11
Average salary: $66,785.00
Total federal unreduced/month (retiree): $3,483.00
Total federal unreduced/month (retiree) ÷ total unreduced/month (retiree): 0.984176
Total federal/month (survivor): $1,915.00

B. In this example, a teacher dies in service on June 30, 1998 after 31 years of departmental service. Since the survivor annuity is based on actual service, the Federal Benefit Payment is 96.5 percent ($1,818 ÷ $1,883) of the total survivor benefit.

EXAMPLE 13B—TEACHERS DEATH BENEFITS

[Pre-96 hire]

Total Annuity Computation

Birth date: 07/01/39
Hire date: 07/01/67
Separation date: 06/30/98
Death date: 06/30/98
Department service: 31/00/00
Average salary: $38,787.88
Total (retiree): $22,593.94
Total/month (retiree): $1,883.00
Total/month (survivor): $1,036.00

Federal Benefit Payment Computation

Birth date: 07/01/39

EXAMPLE 13B—TEACHERS DEATH BENEFITS—Continued

[Pre-96 hire]

Hire date: 07/01/67
Freeze date: 06/30/97
Death date: 06/30/98
Department service: 30/00/00
Average salary: $38,787.88
Total federal (retiree): $21,818.18
Total federal/month (retiree): $1,818.00
Total federal/month (retiree) ÷ total/month (retiree): 0.965481
Total federal/month (survivor): $1,000.00

C. In this example, as in Example A, an individual covered by the Teachers Plan retires in December 1997 but elects to provide a survivor annuity of $12,000. He dies in June 1998. Because the amount of the survivor annuity is not service-based, the Federal Benefit Payment is a prorated portion of the total benefit. Since the teacher had 398 months of service as of the freeze date and 404 months of service, at retirement, the Federal Benefit Payment equals 398/404ths of the total benefit.

EXAMPLE 13C—TEACHERS DEATH BENEFITS

[Pre-96 hire]

Total Annuity Computation

Birth date: 11/01/42
Hire date: 11/01/68
Separation date: 12/31/97
Death date: 06/24/98
Department service: 29/02/00
Other service: 03/09/18
Military: 00/09/11
Months of service: 404
Total: $12,000.00
Total/month: $1,000.00

Federal Benefit Payment Computation

Birth date: 11/01/42
Hire date: 11/01/68
Freeze date: 06/30/97
Death date: 06/24/98
Department service: 28/08/00
Other service: 03/09/18
Military: 00/09/11
Months of service: 398
Federal service ÷ total service: 0.985149
Total: $11,820.00
Total/month: $985.00

D. In this example, a teacher dies in service on April 1, 1998 after 14 years and 6 months of departmental service. Because the

survivor annuity is based on the guaranteed minimum, the Federal Benefit Payment is a prorated portion of the total benefit. Since the teacher had 165 months of service as of the freeze date and 180 months of service, including unused sick leave, at death, the Federal Benefit Payment equals 165/180ths of the total benefit.

EXAMPLE 13D—TEACHERS DEATH BENEFITS

[Pre-96 hire]

Total Annuity Computation

Birth date: 04/01/61

Hire date: 10/01/83
Separation date: 04/01/98
Death date: 04/01/98
Department service: 14/06/01
Unused Sick Leave: 00/06/00
Average salary: $36,000.00
Months of service: 180
Total: $7,920.00
Total/month: $660.00

Federal Benefit Payment Computation

Birth date: 04/01/61
Hire date: 04/01/83
Freeze date: 06/30/97
Death date: 04/01/98
Department Service: 13/09/00
Average salary: $36,000.00
Months of service: 165
Federal service ÷ total service: 0.916667
Total: $7,260.00
Total/month: $605.00

E. In this example, as in the prior example, a teacher dies in service on April 1, 1998 after 15 years of departmental service. However, in this example, the teacher was age 40 on the hire date. The amount of service used in the survivor annuity calculation equals the amount of service that the teacher would have had if the teacher continued covered employment until age 60. Because the survivor annuity is based on projected service, a form of the guaranteed minimum, the Federal Benefit Payment is a prorated portion of the total benefit. Since the teacher had 171 months of service as of the freeze date and 180 months of service at death, the Federal Benefit Payment equals 171/180ths of the total benefit.

EXAMPLE 13E—TEACHERS DEATH BENEFITS

[Pre-96 hire]

Total Annuity Computation

Birth date: 04/01/43
Hire date: 04/01/83
Separation date: 04/01/98
Death date: 04/01/98
Department service: 15/00/01
Departmental Service projected to age 60: 20/00/01
.015 service: 5
.0175 service: 5
.02 service: 10
Average salary: $36,000.00
Months of service: 180
Total: $7,177.50
Total/month: $598.00

Federal Benefit Payment Computation

Birth date: 04/01/43
Hire date: 04/01/83
Freeze date: 06/30/97
Death date: 04/01/98
Department service: 14/03/00
Average salary: $36,000.00
Months of service: 171
Federal service ÷ total service: 0.950000
Total: $6,818.63
Total/month: $568.00

F. In this example, a police officer dies in the line of duty on July 31, 2001 after 18 years of departmental service. The survivor annuity is equal to 100 percent of the officer's pay at the time of death, as provided by District legislation effective October 1, 2000. However, the Federal Benefit Payment is calculated based on plan provisions in effect on June 29, 1997, which provided for a survivor annuity equal to 40 percent of the officer's pay at the time of death. Because the Federal Benefit Payment is not service-based and the officer had 167 months of service as of the freeze date and 216 months of service, including unused sick leave, at death, the Federal Benefit Payment equals 167/216ths of the total benefit calculated according to plan provisions in effect on July 1, 1997. The difference between the total benefit paid and the Federal Benefit Payment calculated according to plan provisions in effect on June 29, 1997 is the responsibility of the District government.

EXAMPLE 13F—POLICE DEATH BENEFITS

[Pre-96 hire]

Total Annuity Computation

Birth date: 07/13/62
Hire date: 08/01/83
Death date: 07/31/2001
Department service: 18/00/00
Average salary: $54,000.00
Final salary: $56,000.00
Months of service: 216
Total: $56,004.00
Total/month: $4,667.00
Total based on July 1, 1997 provisions: $21,600.00
Total/month based on July 1, 1997 provisions: $1,800.00

Federal Benefit Payment Computation

Birth date: 07/13/62
Hire date: 08/01/83
Freeze date: 06/30/97
Death date: 07/31/2001
Department service: 13/11/00
Months of service: 167
Federal service ÷ total service: 0.773148
Total: $16,704.00
Total/month: $1,392.00

G. In this example, a firefighter dies on July 1, 1999 at age 47 after retiring based on a disability in the line of duty in November 1997. At separation, the firefighter was not eligible for optional retirement but was eligible to receive a deferred retirement annuity at age 55. Therefore, the survivor's Federal Benefit Payment is calculated based on the plan rules for deferred retirees. Under the Police and Firefighters Plan, if a separated police officer or firefighter eligible for deferred retirement dies before reaching age 55, the survivor is eligible to receive an annuity. The survivor annuity is based on the firefighter's adjusted average pay. Therefore, the survivor's Federal Benefit Payment is a prorated portion of the survivor annuity. Since the firefighter had 217 months of service as of the freeze date and 222 months of service at retirement, the survivor's Federal Benefit Payment equals 217/222nds of the total survivor benefit.

EXAMPLE 13G—FIREFIGHTERS DISABILITY/EARLY VOLUNTARY DEATH BENEFITS

Total Annuity Computation

Birth date: 08/20/52
Hire date: 05/14/79

EXAMPLE 13G—FIREFIGHTERS DISABILITY/EARLY VOLUNTARY DEATH BENEFITS—Continued

Separation date: 11/28/97
Death date: 07/01/99
Department service: 18/06/15
Adjusted average salary: $45,987.00
Months of service: 222
Total: $18,396.00
Total/month: $1,533.00

Federal Benefit Payment Computation

Birth date: 08/20/52
Hire date: 05/14/79
Freeze date: 06/30/97
Death date: 07/01/99
Department service: 18/01/17
Adjusted average salary: $45,987.00
Months of service: 217
Federal service ÷ total service: .977477
Total: $17,976.00
Total/month: $1,498.00

H. In this example, a teacher dies on August 3, 1999 at age 58 after retiring based on a disability in April 1998. At separation, the teacher was not eligible for optional retirement but was eligible to receive a deferred retirement annuity at age 62. Therefore, the survivor's Federal Benefit Payment is calculated based on the plan rules for deferred retirees. Under the Teachers Plan, if a separated teacher eligible for deferred retirement dies before reaching age 62, the survivor is not eligible to receive an annuity. Therefore, the survivor's Federal Benefit Payment is zero and the survivor annuity is the full responsibility of the District.

EXAMPLE 13H—TEACHERS DISABILITY/EARLY VOLUNTARY DEATH BENEFITS

Total Annuity Computation

Birth date: 08/01/41
Hire date: 07/01/76
Separation date: 04/30/98
Death date: 08/03/99
Total: $21,888.00
Total/month: $1,824.00

Federal Benefit Payment Computation

Birth date: 08/01/41
Hire date: 07/01/76
Separation date: 04/30/98
Death date: 08/03/99
Total: $0.00
Total/month: $0.00
Total federal/month ÷ total/month: 0.0

COST OF LIVING ADJUSTMENT (COLA) EXAMPLES

EXAMPLE 14: APPLICATION OF COST OF LIVING ADJUSTMENTS

In cases in which the District plan applies the same cost of living adjustment that is provided for the Federal Benefit Payment, the federal percentage is applied to the new total benefit after the adjustment to determine the new Federal Benefit Payment after the adjustment.

A. In this example, a teacher retiree receives a cost of living adjustment that is the same for the federal and District portions of the total benefit. The federal percentage for the retiree is applied to the new total benefit after the adjustment to determine the new Federal Benefit Payment after the adjustment.

EXAMPLE 14A—TEACHERS COLA—RETIREE W/ SURVIVOR REDUCTION

[Pre-96 hire]

Benefit Computation (at retirement)

Total unreduced: $42,464.13
Total unreduced/month: $3,539.00
Total/month: $3,207.00
Federal unreduced: $41,796.28
Federal unreduced/month: $3,483.00
Federal percentage = federal unreduced/month ÷ total unreduced/month: 0.984176

COLA Computation

District and Federal COLA rate 5%:
Total COLA: $160.00
New total/month: $3,367.00
New federal benefit/month = new total benefit/month × federal percentage = $3,314.00

B. In this example, a survivor of a deceased teacher retiree receives a cost of living adjustment that is the same for the federal and District portions of the total benefit. Since the survivor benefit is service related, the federal percentage for the retiree is applied to the new total benefit of the survivor after the adjustment to determine the new Federal Benefit Payment after the adjustment.

EXAMPLE 14B—TEACHERS COLA—SURVIVOR OF RETIREE

[Pre-96 hire]

Benefit Computation (at death of retiree whose annuity was based on service—percentage survivor election)

Total/month: $2,043.00
Federal percentage (retiree): 0.984176
Federal/month: $2,011.00

COLA Computation

District and Federal COLA rate 4.5%:
Total COLA: $92.00
New total/month: $2,135.00
New federal benefit/month = new total benefit/month × federal percentage = $2,101.00

C. In this example, a survivor of a deceased teacher retiree receives a cost of living adjustment that is the same for the federal and District portions of the total benefit. Since the survivor annuity is non-service related, the federal percentage for the survivor is applied to the new total benefit of the survivor after the adjustment to determine the new Federal Benefit Payment after the adjustment.

EXAMPLE 14C—TEACHERS COLA—SURVIVOR OF RETIREE

[Pre-96 hire]

Benefit Computation (at death of retiree—flat amount survivor election)

Total months of service: 404
Federal months of service: 398
Total/month: $1,000.00
Federal percentage = federal service ÷ total service: 0.985149
Federal/month: $985.00

COLA Computation

District and Federal COLA rate 4.5%:
Total COLA: $45.00
New total/month: $1,045.00
New federal benefit/month = new total benefit/month × federal percentage = $1,029.00

Note: This method also applies to a percentage survivor election by a retiree whose annuity was based on a guaranteed minimum.

D. In this example, a survivor of a deceased teacher receives a cost of living adjustment that is the same for the federal and District

portions of the total benefit. Since the survivor annuity is service related, the federal percentage based on the deceased teacher's service is applied to the new total benefit of the survivor after the adjustment to determine the new Federal Benefit Payment after the adjustment.

EXAMPLE 14D—TEACHERS COLA—SURVIVOR OF EMPLOYEE

[Pre-96 hire]

Benefit Computation (at death—based on service)

Total/month: $1,036.00
Federal/month: $1,000.00
Federal percentage = federal/month ÷ total/month: 0.965251

COLA Computation

District and Federal COLA rate: 5%
Total COLA: $52.00
New total benefit/month: $1,088.00
New federal benefit/month = new total benefit/month × federal percentage = $1,050.00

E. In this example, a survivor of a deceased teacher receives a cost of living adjustment that is the same for the federal and District portions of the total benefit. Since the survivor annuity is non-service related, the federal percentage for the survivor is applied to the new total benefit of the survivor after the adjustment to determine the new Federal Benefit Payment after the adjustment.

EXAMPLE 14E—TEACHERS COLA—SURVIVOR OF EMPLOYEE

[Pre-96 hire]

Benefit Computation (at death—guaranteed minimum)

Total months of service: 180
Federal months of service: 171
Total/month: $598.00
Federal percentage = federal service ÷ total service: 0.950000
Federal/month: $568.00

COLA Computation

District and Federal COLA rate 5%:
Total COLA: $30.00
New total/month: $628.00
New federal benefit/month: = new total benefit/month × federal percentage = $597.00

F. In this example, a survivor of a deceased retired police officer receives a cost of living adjustment that is the same for the federal and District portions of the total benefit. Since the survivor annuity is non-service related, the federal percentage for the survivor is applied to the new total benefit of the survivor after the adjustment to determine the new Federal Benefit Payment after the adjustment.

EXAMPLE 14F—POLICE COLA—SURVIVOR OF RETIREE

Benefit Computation (at death of retiree)

Total months of service: 240
Federal months of service: 236
Total/month: $1,614.00
Federal percentage = federal service ÷ total service: 0.983333
Federal/month: $1,587.00

COLA Computation

District and Federal COLA rate 5%:
Total COLA: $81.00
New total/month: $1,695.00
New federal benefit/month = new total benefit/month × federal percentage = $1,667.00

G. In this example, a survivor of a deceased firefighter receives a cost of living adjustment that is the same for the federal and District portions of the total benefit. Since the survivor annuity is non-service related, the federal percentage for the survivor is applied to the new total benefit of the survivor after the adjustment to determine the new Federal Benefit Payment after the adjustment.

EXAMPLE 14G—FIREFIGHTER COLA—SURVIVOR OF EMPLOYEE

Benefit Computation (at death of employee in the line of duty)

Total/month: $4,667.00
Federal/month: $1,867.00
Federal percentage = federal/month ÷ Total/month: 0.400043

COLA Computation

District and Federal COLA rate 4.5%:
Total COLA: $210.00
New total benefit/month: $4,877.00

EXAMPLE 14G—FIREFIGHTER COLA—SURVIVOR OF EMPLOYEE—Continued

New federal benefit/month = New total benefit/month × federal percentage = $1,951.00

H. In this example, a new District plan provision applies a different cost of living adjustment than is provided for the Federal Benefit Payment. In Variation 1, the federal cost of living adjustment is applied to the Federal Benefit Payment and the District cost of living adjustment is applied to the total benefit. In Variation 2, the federal cost of living adjustment is applied to the Federal Benefit Payment and the District cost of living adjustment is applied to the District benefit payment. A new federal percentage equal to the ratio of the Federal Benefit Payment to the total benefit is established after the adjustments.

EXAMPLE 14H—TEACHERS COLA

[Pre-96 hire]

Benefit Computation (at retirement)

Total Annuity Computation

Birth date: 11/04/48
Hire date: 03/01/86
Separation date: 02/28/2013
Department service: 27/00/00
Other service paid in 1995: 06/07/28
Excess LWOP in 1990: 00/03/18
.015 service: 5
.0175 service: 5
.02 service: 23.333333
Average salary: $53,121.00
Total: $33,421.96
Total/month: $2,785.00

Benefit Computation (at retirement)

Federal Benefit Payment Computation

Birth date: 11/04/48
Hire date: 03/01/86
Freeze date: 06/30/1997
Department service: 11/04/00
Other service paid in 1995: 06/07/28
Excess LWOP in 1990: 00/03/18
.015 service: 5
.0175 service: 5
.02 service: 7.666667
Average salary: $53,121.00
Total: $16,777.38
Total/month: $1,398.00
Federal percentage: 0.501975

EXAMPLE 14H—TEACHERS COLA—Continued

[Pre-96 hire]

COLA Computation Variations Variation 1

District COLA rate 5% applied to total benefit:
Total COLA: $139.00
New total benefit/month: $2,924.00
Federal COLA rate 4%
Federal COLA: $56.00
New federal benefit/month: $1,454.00
New federal percentage: 0.497264

Variation 2

District COLA rate 5% applied to District benefit:
Old District benefit/month: $1,387.00
District COLA: $69.00
New District benefit/month: $1,456.00
Federal COLA rate 4%:
Federal COLA: $56.00
New federal benefit/month: $1,454.00
New total benefit/month: $2,910.00
New federal percentage: 0.499656

RETROACTIVE PAYMENT OF ACCRUED ANNUITY EXAMPLE

EXAMPLE 15: ACCRUAL OF FEDERAL BENEFIT PAYMENT

The Federal Benefit Payment begins to accrue on the annuity commencing date, regardless of whether the employee is added to the annuity roll in time for the regular payment cycle. If the employee is due a retroactive payment of accrued annuity, the portion of the retroactive payment that would have been a Federal Benefit Payment (if it were made in the regular payment cycle) is still a Federal Benefit Payment. In this example, a teacher retired effective September 11, 1998. She was added to the retirement rolls on the pay date November 1, 1998 (October 1 to October 31 accrual cycle). Her Federal Benefit Payment is $3000 per month and her total benefit payment is $3120 per month. Her initial check is $5200 because it includes a prorated payment for 20 days (September 11 to September 30). The Federal Benefit Payment is $5000 of the initial check ($3000 for the October cycle and $2000 for the September cycle).

EXAMPLE 15—TEACHERS ACCRUED BENEFIT

[Pre-96 hire]

Total Annuity Computation

Birth date: 11/01/42
Hire date: 09/01/66

EXAMPLE 15—TEACHERS ACCRUED BENEFIT—Continued

[Pre-96 hire]

Separation date: 09/10/98
Department service: 32/00/10
.015 service: 5
.0175 service: 5
.02 service: 22
Average salary: $62,150.00
Total: $37,445.38
Total/month: $3,120.00
Sept 11–30: $2,080.00
Oct 1–31: $3,120.00
Nov 1–30: $3,120.00

Federal Benefit Payment Computation

Birth date: 11/01/42
Hire date: 09/01/66
Freeze date: 06/30/97
Department service: 30/10/00
.15 service: 5
.0175 service: 5
.02 service: 20.833333
Average salary: $62,150.00
Total: $35,995.21
Total/month: $3,000.00
Sept 11–30: $2,000.00
Oct 1–31: $3,000.00
Nov 1–30: $3,000.00

Subpart D—Claims and Appeals Procedures

SOURCE: 65 FR 80753, Dec. 22, 2000, unless otherwise noted.

§ 29.401 Purpose.

(a) This subpart explains—

(1) The procedures that participants and beneficiaries in the Judges Plan, Police and Firefighters Plan, and the Teachers Plan must follow in applying for Federal Benefit Payments;

(2) The procedures for determining an individual's eligibility for a Federal Benefit Payment and the amount and form of an individual's Federal Benefit Payment as required by sections 11021 and 11251(a) (codified at DC Official Code section 11–1570(c)(2)(a)) of the Act;

(3) The appeal rights available under section 11022(a) of the Act and section 3 of the 2004 Act (codified at DC Official Code section 11–1570(c)(3)) to claimants whose claim for Federal Benefit Payments is denied in whole or in part; and

(4) The special rules for processing competing claimant cases.

(b) This subpart does not apply to processing collection of debts due to the United States.

(c) This part does not apply to claims and appeals filed before October 1, 1997. Such claims must be pursued with the District of Columbia.

[65 FR 80753, Dec. 22, 2000, as amended at 70 FR 60005, Oct. 14, 2005]

§ 29.402 Definitions.

In this subpart—

Beneficiary means an individual designated by a participant, or by the terms of the Judges Plan, Police and Firefighters Plan, or Teachers Plan, who is or may become entitled to a benefit under those plans.

Claimant means any person seeking a benefit for themselves or another under the Judges Plan, Police and Firefighters Plan, or Teachers Plan.

Department means the Secretary of the Treasury or a designee authorized to exercise the Secretary's authority with respect to Federal Benefit Payments under the Act.

Participant means an individual who is or may become eligible to receive a benefit under the Police and Firefighters Plan or the Teachers Plan based on credit for service accrued as of June 30, 1997, or under the Judges Plan, or whose beneficiaries may be eligible to receive any such benefit.

[65 FR 80753, Dec. 22, 2000, as amended at 70 FR 60005, Oct. 14, 2005]

§ 29.403 Applications filed with the Benefits Administrator.

All claimants for Federal Benefit Payments must file applications for benefits (including applications for retirement, refunds of contributions, and death benefits) with the Benefits Administrator.

§ 29.404 Initial benefit determinations and reconsideration by the Benefits Administrator.

(a) *Initial benefit determinations.* The Benefits Administrator will process applications for Federal Benefit Payments and determine the eligibility for and the amount and form of Federal Benefit Payments. All initial benefit determination decisions which may

reasonably be construed as a denial (in whole or part) of a claim for Federal Benefit Payments must be in writing, must advise claimants of their right to request reconsideration under paragraph (b), of this section and must state the time limits applicable to such a request.

(b) *Claimant's right to reconsideration of benefit denials.* (1) Except as provided in paragraph (b)(2) of this section, claimants who disagree with the amount or form of a Federal Benefit Payment determination and wish to contest the determination must first request the Benefits Administrator to reconsider its determination.

(2) A decision to collect a debt is not a denial of a benefit claim under this section.

(c) *Form and timing of requests for reconsideration.* (1) A request for reconsideration must be in writing, must include the claimant's name, address, date of birth and claim number, if applicable, and must state the basis for the request.

(2) A request for reconsideration must be received by the Benefits Administrator within 30 calendar days from the date of the written notice of the initial benefit determination.

(d) *Reconsideration decisions.* A reconsideration decision by the Benefits Administrator denying (in whole or part) a claim for a Federal Benefit Payment must—

(1) Be in writing;

(2) Provide adequate notice of such denial, setting forth the specific reason for the denial in a manner calculated to be understood by the average participant; and

(3) Provide notice of the right to appeal the Benefit Administrator's decision to the Department, the address to which such an appeal must be submitted, and the time limits applicable to such an appeal.

(e) *Appeal of reconsideration decisions.* The Department will review an appeal of a reconsideration decision under § 29.405.

§ 29.405 Appeals to the Department.

(a) *Who may file.* Any claimant whose claim for a Federal Benefit Payment has been denied (in whole or part) by the Benefits Administrator in a reconsideration decision under § 29.404(d) may appeal that decision to the Department.

(b) *Form of appeal.* An appeal must be in writing, must include the claimant's name, address, date of birth and claim number, if applicable, and must state the basis for the appeal.

(c) *Time limits on Appeals.* (1) An appeal must be received by the Department within 30 calendar days from the date of the reconsideration decision under § 29.404(d).

(2) The Department may extend the time limit for filing when the claimant shows that he or she was not notified of the time limit and was not otherwise aware of it, or that he or she was prevented by circumstances beyond his or her control from making the request within the time limit, or for other good and sufficient reason.

(d) *Final decision.* After consideration of the appeal, the Department will issue a final decision. The Department's decision must be in writing, must fully set forth the Department's findings and conclusions on the appeal, and must contain notice of the right to judicial review provided in § 29.406. Copies of the final decision must be sent to the claimant seeking appeal, to any competing claimants (*see* § 29.407) and to the Benefits Administrator.

§ 29.406 Judicial review.

An individual whose claim for a Federal Benefit Payment has been denied (in whole or part) in a final decision by the Department under § 29.405 may, within 180 days of the date of the final decision, file a civil action in the United States District Court for the District of Columbia. Any such civil action must be filed in accordance with the rules of that court.

§ 29.407 Competing claimants.

(a) *Competing claimants* are applicants for survivor benefits based on the service of a participant when—

(1) A benefit is payable based on the service of the participant;

(2) Two or more claimants have applied for benefits based on the service of the participant; and

(3) A decision in favor of one claimant will adversely affect another claimant(s).

(b)(1) When a competing claimant files a request for reconsideration under this section, the other competing claimants shall be notified of the request and given an opportunity to submit written substantiation of their claim.

(2) When the Benefits Administrator receives an application from a competing claimant(s) before any payments are made based upon the service of the participant, and an initial determination of benefits in favor of one claimant adversely affects another claimant, all known claimants concerned will be notified in writing of that decision and those adversely affected will be given an opportunity to request reconsideration under the procedures and time limitations set forth in § 29.404(c). The Benefits Administrator must not execute its decision until the time limit for filing a request for reconsideration has expired, or, if a reconsideration decision is made, until the time limit for filing an appeal to the Department has expired or the Department has issued a final decision on a timely appeal, whichever is later.

(3) When the Benefits Administrator does not receive an application from a competing claimant(s) until after another person has begun to receive payments based upon the service of the participant, the payments will continue until the time limit for filing a request for reconsideration has expired, or, if a reconsideration decision is made, until the time limit for filing an appeal to the Department has expired or the Department has issued a final decision on a timely appeal, whichever is later.

Subpart E—Debt Collection and Waivers of Collection

SOURCE: 66 FR 36705, July 13, 2001, unless otherwise noted.

§ 29.501 Purpose; incorporation by reference; scope.

(a) This subpart regulates—

(1) The recovery of overpayments of Federal Benefit Payments;

(2) The standards for waiver of recovery of overpayments of Federal Benefit Payments; and

(3) The use of Federal Benefit Payments to recover certain other debts due the United States.

(b) The regulations of this subpart incorporate by this reference all provisions of the Federal Claims Collection Standards (FCCS) (parts 900–904 of Title 31, Code of Federal Regulations), and supplement those regulations by the prescription of procedures and directives necessary and appropriate for the operation and administration of the Retirement Funds. To the extent they are not inconsistent with the regulations contained in this subpart, the regulations in part 5 of title 31, Code of Federal Regulations, also apply to the collection of debts under this subpart.

(c)(1) *Debts based on fraud, misrepresentation, or the presentation of a false claim.* This subpart does not apply to any overpayments of Federal Benefit Payments which arose, in whole or in part, due to fraud, misrepresentation, or the presentation of a false claim by the debtor or any party having an interest in the claim. Such debts should be referred by the Benefits Administrator immediately to the U.S. Justice Department for action pursuant to 31 CFR 900.3.

(2) *Tax debts.* This subpart does not apply to tax debts.

(d)(1) Sections 29.501 through 29.506 state the rules of general applicability to this subpart.

(2) Sections 29.511 through 29.520 prescribe procedures to be followed by the Benefits Administrator which are consistent with the FCCS in the collection of debts owed to the Retirement Funds.

(3) Sections 29.521 through 29.526 prescribe the standards that the Department will apply in decisions to waive recoupment or recovery of overpayments from the Retirement Funds under sections 11021(3) and 11251(c)(2)(B) of the Act.

(e) This part does not apply to debt collection claims asserted and requests for waivers of collection initiated before October 1, 1997. Such debt collection claims must be pursued by the District of Columbia and such requests for waivers of collection must be pursued with the District of Columbia.

[66 FR 36705, July 13, 2001, as amended at 70 FR 60005, Oct. 14, 2005]

§ 29.502 Definitions.

For purposes of this subpart—

Additional charges means interest, penalties, and/or administrative costs owed on a debt.

Administrative offset, as defined in 31 U.S.C. 3701(a)(1), means withholding funds payable by the United States to, or held by the United States for, a person to satisfy a debt the person owes the United States.

Agency means:

(1) An Executive agency as defined in section 105 of title 5, United States Code, including the U.S. Postal Service and the U.S. Postal Rate Commission;

(2) A military department, as defined in section 102 of title 5, United States Code;

(3) An agency or court in the judicial branch, including a court as defined in section 610 of title 28, United States Code, the District Court for the Northern Mariana Islands, and the Judicial Panel on Multidistrict Litigation;

(4) An agency of the legislative branch, including the U.S. Senate and the U.S. House of Representatives; and

(5) Other independent establishments that are entities of the Federal Government.

Annuitant means a retired participant, former spouse, spouse, widow(er), child or other beneficiary receiving recurring Federal Benefit Payments.

Annuity means the monthly benefit (including a retirement salary under the Judges Plan) of indefinite duration payable to an annuitant.

Anticipated expenses means expenditures which are expected to occur and for which the debtor can provide documentation of the estimated cost.

Beneficiary means an individual designated by a participant, or by the terms of the Judges Plan, Police Officers and Firefighters Plan, or Teachers Plan, who is or may become entitled to a benefit under those plans.

Change of position for the worse means an individual would be left in a worse financial position after recovery of the overpayment than prior to the receipt of the overpayment because the individual reasonably relied on the amount of the overpayment to his or her detriment. For example, an individual has ''changed position for the worse'' if he or she made expenditures or assumed new liabilities that he or she would not have otherwise done, and he or she is unable to withdraw from the commitment without incurring significant financial loss.

Compromise means accepting less than payment in full in satisfaction of a debt.

Consent means the debtor has agreed in writing to administrative offset of one or more Federal Benefit Payments after receiving notice of the available rights under 31 U.S.C. 3716 and this subpart; to Federal salary offset after receiving notice of the available rights under 5 U.S.C. 5514 and 31 CFR part 5; and to judgment offset under section 124 of Public Law 97–276, 96 Stat. 1195–1196.

Credit bureau has the same meaning as the definition of ''consumer reporting agency'' provided in 31 U.S.C. 3701(a)(3).

Creditor agency means the agency to which a debt is owed.

Debt has the same meaning as the definition of ''debt'' provided in 31 U.S.C. 3701(b)(1), and includes an overpayment of Federal Benefit Payments.

Debtor means a person who owes a debt or from whom a debt is to be recovered, including an annuitant.

Delinquent means delinquent as defined in 31 CFR 900.2(b).

Department means the Secretary of the Treasury or a designee authorized to exercise the Secretary's authority with respect to Federal Benefit Payments under the Act.

FCCS means the Federal Claims Collection Standards (parts 900–904 of Title 31, Code of Federal Regulations).

Liquid asset means cash or other property readily convertible into cash with little or no loss of value.

Lump-sum credit means:

(1) Under the Judges Plan, the Police Officers and Firefighters Plan, and the Teachers Plan, the unrefunded amount consisting of—

(i) Retirement contributions from the basic salary of a participant;

(ii) Amounts deposited covering earlier creditable service; and

(iii) Such interest as authorized by statute to be included in the payment of refunds of retirement contributions; and

(2) Under the Judges Plan, ''lump-sum credit for survivor annuity'' is defined in section 11–1561(10) of the D.C. Code.

Offset means to withhold the amount of a debt, or a portion of that amount, from one or more payments due the debtor. Offset also means the amount withheld in this manner.

Ordinary and necessary living expenses means such expenses as rent, mortgage payments, utilities, maintenance, food (including expenses for dining out), clothing, insurance (life, health, and accident), taxes, installment payments, medical expenses, reasonable expenses for recreation and vacations, expenses for support of a dependent when the debtor holds primary or joint legal responsibility for such support, and other miscellaneous expenses that the debtor can establish as being ordinary and necessary.

Overpayment or *overpayment debt* means a payment of one or more Federal Benefit Payments to an individual in the absence of entitlement or in excess of the amount to which an individual is properly entitled.

Participant means an individual who is or may become eligible to receive a benefit under the Police Officers and Firefighters Plan or Teachers Plan based on credit for service accrued as of June 30, 1997, or under the Judges Plan, or whose beneficiaries may be eligible to receive any such benefit.

Refund means the payment of a lump-sum credit to an individual who meets all requirements for payment and files an application for it.

Relinquish a valuable right means the individual has relinquished a valuable privilege, claim, entitlement, or benefit having monetary worth because of the overpayment or because of notice that such a payment would be made.

Repayment schedule means the amount of each payment and the number of payments to be made to liquidate the debt as determined by the Department or the Benefits Administrator.

Salary offset means any offset authorized by 5 U.S.C. 5514 and 31 U.S.C. 3716.

Substantially all, as used in § 29.524, means that a debtor's income is less than or equal to his or her ordinary and necessary expenses plus a reasonable monthly allowance for unexpected or emergency expenses and does not allow for the deduction of a reasonable monthly installment payment to recover the debt.

Voluntary repayment agreement means an agreement wherein the debtor makes installment payments to repay an overpayment debt in accordance with a repayment schedule agreed to by the Benefits Administrator or the Department.

Waiver means a decision not to recover all or part of an overpayment debt owed to the Retirement Funds under authority of sections 11021(3) or 11251(c)(2)(B) of the Act.

§ 29.503 Prohibition against collection of debts.

(a) Debts may be collected from Federal Benefit Payments only to the extent expressly authorized by Federal debt collection statutes and any other applicable Federal law.

(b) When collection of a debt from Federal Benefit Payments is authorized under paragraph (a) of this section, the collection will be made in accordance with this subpart and other applicable federal law.

§ 29.504 Status of debts.

A payment of a Federal Benefit Payment to a debtor because of an error on the part of the Department or Benefits Administrator, or the failure of the creditor agency to properly and/or timely submit a debt claim, does not erase the debt or affect the validity of the claim by the creditor agency.

§ 29.505 Compromise of debts; termination and suspension of collection actions.

The procedures for compromise of a claim for an overpayment or the termination or suspension of a collection action seeking to recover an overpayment, other than waiver of an overpayment under §§ 29.521 through 29.526, are controlled exclusively by the FCCS and 31 CFR part 5.

§ 29.506 Recovery of other debts owed to the United States.

(a) *Procedures for Creditor Agencies.* Agencies seeking to recover a debt by offset of Federal Benefit Payments

payable to the debtor must comply with the offset procedures set forth in 31 U.S.C. 3716 and the FCCS. A creditor agency may seek to collect a debt through offset of Federal Benefit Payments pursuant to the Department's procedures for administrative offset set forth in 31 CFR part 5.

(b) *Offset by the Benefits Administrator.* As required by 31 U.S.C. 3716(c), the Benefits Administrator must compare payment records of the Retirement Funds with records of debts submitted to the Financial Management Service for collection by administrative offset, and must offset payments to satisfy, in whole or in part, debts owed by any annuitant.

COLLECTION OF OVERPAYMENTS

§ 29.511 Demand letters.

Except as provided in § 29.516(e), before starting collection action to recover an overpayment, the Benefits Administrator must send a demand letter that informs the debtor in writing—

(a) That an overpayment has occurred, the amount of the overpayment, and the facts giving rise to the overpayment;

(b) The date by which payment of the debt should be made to avoid additional charges (*i.e.*, interest, penalties and administrative costs) permitted by the FCCS and enforced collection;

(c) The requirement that any overpayment debt delinquent for more than 180 days be transferred to the Department of the Treasury's Financial Management Service for collection;

(d) The name, address, and phone number of the appropriate person or office the debtor may contact about the debt;

(e) The remedies which may be used to enforce payment of the debt, including assessment of interest, administrative costs and penalties; administrative wage garnishment; the use of collection agencies; Federal salary offset; tax refund offset; administrative offset; and litigation.

(f) Whether offset is available and, if so, the types of payment(s) to be offset or eligible for offset, the repayment schedule (if any), the right to request an adjustment in the repayment schedule, and the right to request a voluntary repayment agreement in lieu of offset;

(g) An explanation of the Department's policy on interest, penalties, and administrative costs as set forth in 31 CFR part 5, the FCCS, and 31 U.S.C. 3717, including a statement that such assessments must be made unless excused in accordance with the FCCS;

(h) The debtor's opportunity to request repayment in installments if the debtor can show an inability to repay the debt in one lump sum;

(i) The debtor's opportunity to inspect and/or receive a copy of the records relating to the overpayment;

(j) The method and time period (60 calendar days) for requesting reconsideration, waiver, and/or compromise of the overpayment;

(k) That all requests for waiver or compromise must be accompanied by a disclosure of the debtor's financial condition and ability to pay the debt;

(l) The standards used by the Department in deciding requests for waiver (set forth in §§ 29.521 through 29.526) and compromise (set forth in 31 CFR 902.2); and

(m) The fact that a timely filing of a request for reconsideration, waiver and/or compromise, or a subsequent timely appeal of a reconsideration decision, will stop collection proceedings, unless—

(1) Failure to take the offset would substantially prejudice the Federal Government's ability to collect the debt; and

(2) The time before the payment is to be made does not reasonably permit the completion of these procedures.

§ 29.512 Reconsideration by the Benefits Administrator.

(a) *Right to reconsideration of overpayment determinations.* Individuals who receive a demand letter and who wish to contest the existence or amount of the overpayment may ask the Benefits Administrator to reconsider the determination.

(b) *Requests for waiver or compromise.* Individuals who wish to seek waiver or compromise of the overpayment may file such requests with the Department under § 29.514. An individual may file a request for reconsideration in addition to a request for waiver or compromise.

(c) *Form and timing of requests for reconsideration.* (1) A request for reconsideration must be in writing and must state the basis for the request. Individuals requesting reconsideration will be given a full opportunity to present any pertinent information and documentation supporting their position and should, to the extent possible, include such information and documentation in their request.

(2) A request for reconsideration must be received by the Benefits Administrator within 60 calendar days of the date of the demand letter. The Department may extend the time limit for filing when the individual shows that he or she was not notified of the time limit and was not otherwise aware of it, or that he or she was prevented by circumstances beyond his or her control from making the request within the time limit, or for other good and sufficient reason.

(3) When a request for reconsideration covered by this subpart is properly filed before the death of the debtor, it will be processed to completion unless the relief sought is nullified by the debtor's death.

(d) *Reconsideration decisions.* (1) The Benefits Administrator's decision on a request for reconsideration will be based upon the individual's written submissions, evidence of record, and other pertinent available information.

(2) A reconsideration decision by the Benefits Administrator must—

(i) Be in writing;

(ii) Provide notice of the extent of the individual's liability for the overpayment, if any;

(iii) If the individual is determined to be liable for all or a portion of the overpayment, reaffirm or modify the conditions for the collection of the overpayment previously proposed in the demand letter;

(iv) Provide notice of the right to appeal the Benefits Administrator's decision to the Department, the address to which such an appeal must be submitted, and the time limits applicable to such an appeal; and

(v) State that a timely appeal of the Benefits Administrator's decision to the Department will suspend action to collect the debt.

(e) *Appeal of reconsideration decisions.* The Department will review an appeal of a reconsideration decision under § 29.513.

§ 29.513 Appeals to the Department.

(a) *Form of appeal.* An appeal of a reconsideration decision under § 29.512 must be in writing and must state the basis for the appeal.

(b) *Time limits on appeals.* (1) An appeal must be received by the Department within 60 calendar days from the date of the reconsideration decision.

(2) The Department may extend the time limit for filing when the individual shows that he or she was not notified of the time limit and was not otherwise aware of it, or that he or she was prevented by circumstances beyond his or her control from making the request within the time limit, or for other good and sufficient reason.

(c) *Final decision.* After consideration of the appeal, the Department will issue a final decision. The Department's decision will be in writing, will fully set forth the Department's findings and conclusions on the appeal, and will contain notice of the right to judicial review provided in § 29.515. If the Department determines that the individual is liable for all or a portion of the overpayment, the decision also will contain the conditions for the collection of the overpayment. Copies of the final decision will be sent to the individual seeking appeal and to the Benefits Administrator.

§ 29.514 Requests for waiver and/or compromise.

(a) *Right to request waiver and/or compromise.* Individuals who receive a demand letter regarding an overpayment may ask the Department to waive and/or compromise, in whole or part, the amount of the overpayment.

(b) *Requests for reconsideration.* Individuals who have filed a request for reconsideration under § 29.512 may also request a waiver and/or compromise under this section.

(c) *Form and timing of requests for waiver and/or compromise.* (1) A request for waiver and/or compromise must be in writing and must state the basis for the request. Individuals making such

requests will be given a full opportunity to present any pertinent information and documentation supporting their position and should, to the extent possible, include such information and documentation in their request. Individuals seeking waiver or compromise of an overpayment must also submit required financial information identified in the demand letter.

(2) A request for waiver or compromise must be filed with the Department. If the request is sent by mail, it must be postmarked within 60 calendar days of the date of the demand letter. If the request is hand delivered or delivered electronically, it must be received within 60 calendar days of the date of the demand letter. The Department may extend the time limit for filing when the individual shows that he or she was not notified of the time limit and was not otherwise aware of it, or that he or she was prevented by circumstances beyond his or her control from making the request within the time limit, or for other good and sufficient reason.

(3) When a request for waiver and/or compromise under this section is properly filed before the death of the debtor, it will be processed to completion unless the relief sought is nullified by the debtor's death.

(d) *Waiver and/or compromise decisions.* (1) The Department's decision on a request for waiver and/or compromise will be based upon the individual's written submissions, evidence of record, and other pertinent available information. An individual's request for waiver will be evaluated by the standards set forth in §§ 29.521 through 29.526. An individual's request for compromise will be evaluated by the standards set forth in the FCCS in 31 CFR part 902.

(2) A waiver or compromise decision by the Department will—

(i) Be in writing;

(ii) Provide notice of whether the overpayment will be waived or compromised, and the extent to which the individual is still liable for the overpayment, if at all;

(iii) If the individual is determined to be liable for all or a portion of the overpayment, reaffirm or modify the conditions for the collection of the overpayment previously proposed in the demand letter; and

(iv) Be issued within 120 calendar days from the Department's receipt of a timely request for waiver and/or compromise. This time limit does not apply to requests for compromise that are referred to the Department of Justice for consideration pursuant to 31 CFR 902.1(b).

§ 29.515 Judicial review.

An individual whose request for reconsideration has been denied (in whole or part) in a final decision by the Department under § 29.513 may, within 180 days of the date of the final decision, file a civil action in the United States District Court for the District of Columbia. Any such civil action must be filed in accordance with the rules of that court.

§ 29.516 Collection of overpayments.

(a) *Means of collection.* Collection of an overpayment may be made by means of offset under § 29.517, or under any statutory provision providing for offset of money due the debtor from the Federal Government including, but not limited to, Federal Benefit Payments. Collection may also be effected by referral to the Justice Department for litigation, as provided in § 29.520, or referral to a collection agency as provided in § 29.519, or by other means authorized by federal law.

(b) *Additional charges.* Interest, penalties, and administrative costs will be assessed on the overpayment in accordance with standards established in 31 U.S.C. 3717 and 31 CFR 901.9. Additional charges will be waived when required by the FCCS. The Department will waive the collection of interest on the overpayment pending the Benefits Administrator's consideration of a request for reconsideration and the Department's consideration of a request for waiver and/or compromise or the appeal of a reconsideration decision. In addition, such charges may be waived when the Department determines—

(1) Collection of those charges would be against equity and good conscience under the standards prescribed in §§ 29.523 through 29.525; or

(2) Waiver of those charges would be in the best interest of the United States.

(c) *Collection in installments.* (1) Whenever feasible, overpayments will be collected in one lump sum.

(2) However, installment payments may be effected when—

(i) The debtor establishes that he or she is financially unable to pay in one lump sum; or

(ii)(A) The benefit payable is insufficient to make collection in one lump sum;

(B) The debtor fails to respond to a demand for full payment; and

(C) Offset is available.

(d) *Offset Amount.* (1) The amount offset from a monthly Federal Benefit Payment will be the lesser of:

(i) The amount of the debt, including any interest, penalties and administrative costs;

(ii) An amount equal to 15 percent of the monthly Federal Benefit Payment; or

(iii) The amount, if any, by which the monthly Federal Benefit Payment exceeds $750.

(2) For purposes of this subsection, the ''monthly Federal Benefit Payment'' is the amount of the gross monthly benefit after any reductions or deductions required under law, including reductions made to recover overpayments of Federal Benefit Payments.

(e) *Commencement of collection.* (1) Except as provided in paragraph (e)(2) of this section, collection will begin after the time limits for requesting further rights stated in §§ 29.512 through 29.514 expire and no such requests have been made, or after the Benefits Administrator and/or the Department have issued decisions on all timely requests for or appeals of those rights, unless failure to make an offset would substantially prejudice the Department's ability to collect the overpayment and the time before the payment is to be made does not reasonably permit the completion of the proceedings in §§ 29.511 through 29.514 or litigation. When offset begins without completion of the administrative review process, these procedures will be completed promptly, and amounts recovered by offset but later found not owed will be refunded promptly.

(2) The procedures identified in §§ 29.511 through 29.514 will not be applied when the overpayment is caused by—

(i) A retroactive adjustment in the periodic rate of annuity or any deduction taken from annuity when the adjustment is a result of the annuitant's election of different entitlements under law, if the adjustment is made within 120 days of the effective date of the election; or

(ii) interim estimated payments made before the formal determination of entitlement to annuity, if the amount is recouped from the total annuity payable on the first day of the month following the later of—

(A) The last interim payment or

(B) The date the formal determination is made.

(f) *Collection of delinquent debts*—(1) *Debts delinquent over 180 days.* The Benefits Administrator must refer all overpayment debts that are over 180 days delinquent to the Secretary for collection pursuant to 31 U.S.C. 3711(g) and 3716, and 31 CFR part 901.

(2) *Debts delinquent less than 180 days.* Once an overpayment debt becomes delinquent, the Benefits Administrator should refer it to the Secretary for collection by centralized administrative offset pursuant to 31 CFR 901.3, unless collection of the debt by some other means is likely to occur in a more timely and efficient manner.

(3) Once a debt is referred under this subsection, the Benefits Administrator has no further obligation to collect the debt.

§ 29.517 Collection by offset.

(a) *Offset from retirement payments.* An overpayment may be collected in whole or in part from any refund payment or recurring Federal Benefit Payments.

(b) *Offset from other payments*—(1) *Administrative offset.* When offset under subsection (a) is not available, an overpayment may be offset from other Federal payments due the debtor from other agencies under the procedures set forth in 31 CFR part 5 and 31 CFR 901.3(c).

(2) *Salary offset.* When the debtor is an employee of the Federal Government, the Department may effect collection of an overpayment by offset of the debtor's pay in accordance with regulations published to implement such offsets under 5 U.S.C. 5514 (see 5 CFR part 550, subpart K; 31 CFR 285.7; and 31 CFR part 5). Due process described in the federal salary offset regulations of 31 CFR part 5 will apply. When the debtor did not receive a hearing under those regulations and requests such a hearing, one will be conducted in accordance with 5 CFR part 550, subpart K and 31 CFR part 5.

(3) *Tax refund offset.* The Department may effect collection of an overpayment by offset of the debtor's tax refund in accordance with the Department's tax refund offset regulations found at 31 CFR part 5.

§ 29.518 Reporting delinquent debts to credit bureaus.

(a) *Notice.* If a debtor's response to the demand letter does not result in payment in full, payment by offset, or payment in accordance with a voluntary repayment agreement or other repayment schedule acceptable to the Benefits Administrator, and the debtor's rights under §§ 29.512 through 29.514 have been exhausted, the Benefits Administrator must report the debtor to a credit bureau. In addition, a debtor's failure to make subsequent payments in accordance with a repayment schedule must result in a report to a credit bureau. Before making a report to a credit bureau, the Benefits Administrator must notify the debtor in writing that—

(1) The payment is overdue;

(2) The Benefits Administrator intends, after 60 days, to make a report as described in paragraph (b) of this section to a credit bureau;

(3) The debtor's right to dispute the liability has been exhausted under §§ 29.512 through 29.514; and

(4) The debtor may avoid having the Benefits Administrator report the debtor to a credit bureau by paying the debt in one lump sum or making payments current under a repayment schedule.

(b) *Report.* If, after being sent the notice described in paragraph (a) of this section, the debtor does not pay the overpayment debt or make payments current under a repayment schedule or fails to respond to the notice, and 60 days have elapsed since the notice was mailed, the Benefits Administrator will report to a credit bureau that the debtor is responsible for an unpaid debt and provide the following information:

(1) The debtor's name, address, taxpayer identification number, and any other information necessary to establish the identity of the individual;

(2) The amount, status, and history of the debt; and

(3) The fact that the debt arose in connection with the administration of Federal Benefit Payments under a District Retirement Fund.

(c) *Subsequent reports.* The Benefits Administrator must update its report to the credit bureau whenever it has knowledge of events that substantially change the status or the amount of the liability.

(d) *Other reporting of delinquent debts.* Pursuant to 31 CFR 901.4, delinquent overpayment debts should be reported to the Department of Housing and Urban Development's Credit Alert Interactive Voice Response System (CAIVRS).

(e) *Privacy Act considerations.* A delinquent debt may not be reported under this section unless a notice issued pursuant to the Privacy Act, 5 U.S.C. 552a(e)(4), authorizes the disclosure of information about the debtor to a credit bureau or CAIVRS.

§ 29.519 Referral to a collection agency.

(a) The Department retains the responsibility for resolving disputes, compromising debts, referring overpayment debts for litigation, and suspending or terminating collection action.

(b) The Department may not refer overpayment debts to commercial collection agencies until all procedures required by or requested under §§ 29.511 through 29.514 have been completed.

§ 29.520 Referral for litigation.

The Department may refer to the Justice Department for litigation overpayment debts which cannot be compromised or waived, or on which collection activity cannot be suspended or terminated, and which the Department has been unable to recover pursuant to the collection activity described in §§ 29.511 through 29.519. (See 31 CFR part 904.) Such debts should be referred to the Justice Department as early as possible, but at least within 1 year of the date such debts last became delinquent. In the case of overpayments arising from fraud, misrepresentation, or the presentation of a false claim, referral should be made to the Justice Department immediately. (See 31 CFR 900.3(a).) Referral of a debt to the Justice Department will suspend processing under §§ 29.511 through 29.519 of this subpart.

STANDARDS FOR WAIVER OF OVERPAYMENTS

§ 29.521 Conditions for waiver and other adjustments.

(a) *General*. Overpayments made from the Retirement Funds will be recovered unless there is substantial evidence that the individual from whom recovery is to be made is eligible for waiver.

(b) *Waiver*. The Department may waive an overpayment from the Retirement Funds (provided there is no indication of fraud, misrepresentation, or lack of good faith on the part of the debtor) under sections 11021(3) or 11251(c)(2)(B) of the Act when it is established by substantial evidence that the individual from whom recovery is to be made—

(1) Is not at fault in causing or contributing to the overpayment, and

(2) Recovery would be against equity and good conscience.

(c) *Adjustment in the installment schedule*. (1)(i) An overpayment will not be waived because of financial hardship if a reasonable installment schedule can be established for repayment of the debt by adjusting the installment schedule originally established.

(ii) For example, if the Department finds that the original installment schedule—24 installments at $125 each—causes the debtor financial hardship, but that repayment in 60 installments at $50 each does not, it may adjust the installments and recover the debt in full.

(2) Where it has been determined that an individual is ineligible for a waiver, but the individual has shown that collection action pursuant to the original installment schedule would cause him or her financial hardship, the Department may—

(i) Adjust the installment schedule if the individual shows that it would cause him or her financial hardship to make payments at the rate initially scheduled by the Department; or

(ii) Terminate the collection action under 31 CFR 903.3 if the costs of collecting the debt are anticipated to exceed the amount recoverable.

§ 29.522 Fault.

(a) *General rule*. A debtor is considered to be at fault if he or she, or any other person having an interest in obtaining a waiver of the claim, caused or contributed to the accrual of the overpayment. The Department considers a debtor or any other person having an interest in obtaining a waiver of the claim to have caused or contributed to the accrual of an overpayment if—

(1) Payment resulted from the individual's incorrect but not fraudulent statement, which the individual knew or should have known to be incorrect; or

(2) Payment resulted from the individual's failure to disclose facts in his or her possession which the individual knew or should have known were material, when the Department has identified that the individual has a duty to report and has clearly notified the individual of this reporting requirement.

(3) The following factors may affect the decision as to whether the debtor is or is not at fault where the debtor submitted an incorrect statement, or the debtor failed to disclose material facts in his or her possession—

(i) The debtor's age;

(ii) The debtor's physical and/or mental condition; and

(iii) The availability and nature of the information provided to the debtor by the Department.

(b) *Knowledge of an overpayment*. (1) Individuals who are aware that they

are not entitled to a payment or are aware that a payment is higher than the payment to which they are entitled are not considered to have contributed to the overpayment if they promptly contact the Benefits Administrator and question the correctness of the payment and take no further action in reliance of the overpayment.

(2) Any contact made with the Benefits Administrator concerning the overpayment within 60 days of receipt (if the overpayment is a recurring payment, contact must be made within 60 days of the initial payment) will satisfy the prompt notification requirement.

(c) *Reasonable person standard.* The Department will use a reasonable person standard to determine whether an individual should have known that a statement was incorrect or that material facts in the individual's possession should have been disclosed. The reasonable person standard will take into account the objective factors set forth is paragraph (a)(3) of this section.

§ 29.523 Equity and good conscience.

Recovery is against equity and good conscience when there is substantial evidence that—

(a) It would cause financial hardship to the person from whom it is sought no matter what the amount and length of the proposed installment;

(b) The recipient of the overpayment can show (regardless of his or her financial circumstances) that due to the notice that such payment would be made or because of the incorrect payment he or she either has relinquished a valuable right or has changed positions for the worse; or

(c) Recovery would be unconscionable under the circumstances.

§ 29.524 Financial hardship.

Financial hardship may be deemed to exist when the debtor needs substantially all of his or her current and anticipated income and liquid assets to meet current and anticipated ordinary and necessary living expenses during the projected period of collection. Financial hardship will not be found to exist when the debtor merely establishes that the repayment causes a financial burden, *i.e.*, when it is inconvenient to repay the debt. If there are anticipated changes in income or expenses that would allow for the recovery of the overpayment at a later date, the Department may suspend collection action until a future date.

(a) *Considerations.* Pertinent considerations in determining whether recovery would cause financial hardship include the following:

(1) The debtor's financial ability to pay at the time collection is scheduled to be made, and

(2) Income to other family member(s), if such member's ordinary and necessary living expenses are included in expenses reported by the debtor.

§ 29.525 Ordinary and necessary living expenses.

An individual's ordinary and necessary living expenses include rent, mortgage payments, utilities, maintenance, transportation, food, clothing, insurance (life, health, and accident), taxes, installment payments for which the individual is already liable, medical expenses, support expenses for which the individual is legally responsible, and other miscellaneous expenses that the individual can establish as being ordinary and necessary.

§ 29.526 Waiver precluded.

Waivers will not be offered or granted when—

(1) The overpayment was obtained by fraud, misrepresentation, or by improper negotiation of checks or withdrawal of electronic fund transfer payments after the death of the payee; or

(2) The overpayment was made to an estate and a timely demand for repayment is made prior to the final disbursement by the administrator or executor of the estate.

PART 30—TARP STANDARDS FOR COMPENSATION AND CORPORATE GOVERNANCE

Sec.

30.0 Executive compensation and corporate governance.
30.1 Q–1: What definitions apply in this part?
30.2 Q–2: To what entities does this part apply?
30.3 Q–3: How are the SEOs and the most highly compensated employees identified

for purposes of compliance with this part?
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30.5 Q–5: How does a TARP recipient comply with the requirements under § 30.4 (Q–4) of this part that the compensation committee discuss, evaluate, and review the SEO compensation plans and other employee compensation plans to ensure that the SEO compensation plans do not encourage the SEOs to take unnecessary and excessive risks that threaten the value of the TARP recipient, or that the employee compensation plans pose unnecessary risks to the TARP recipient?
30.6 Q–6: How does a TARP recipient comply with the requirement under § 30.4 (Q–4) of this part that the compensation committee discuss, evaluate, and review the employee compensation plans to ensure that these plans do not encourage the manipulation of reported earnings of the TARP recipient to enhance the compensation of any of the TARP recipient's employees?
30.7 Q–7: How does a TARP recipient comply with the certification and disclosure requirements under § 30.4 (Q–4) of this part?
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30.9 Q–9: What actions are necessary for a TARP recipient to comply with the standards established under section 111(b)(3)(C) of EESA (the prohibition on golden parachute payments)?
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30.12 Q–12: What actions are necessary for a TARP recipient to comply with section 111(d) of EESA (the excessive or luxury expenditures policy requirement)?
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30.14 Q–14: How does section 111 of EESA operate in connection with an acquisition, merger, or reorganization?
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30.17 Q–17: How do the effective date provisions apply with respect to the requirements under section 111 of EESA?

AUTHORITY: 12 U.S.C. 5221; 31 U.S.C. 321.

SOURCE: 74 FR 28405, June 15, 2009, unless otherwise noted.

§ 30.0 Executive compensation and corporate governance.

The following questions and answers reflect the executive compensation and corporate governance requirements of section 111 of the Emergency Economic Stabilization Act of 2008, as amended (12 U.S.C. 5221) (EESA), with respect to participation in the Troubled Assets Relief Program (TARP) established by the Department of the Treasury (Treasury) thereunder.

§ 30.1 Q–1: What definitions apply in this part?

Affiliate. The term ''affiliate'' means an ''affiliate'' as that term is defined in Rule 405 of the Securities Act of 1933 (17 CFR 230.405).

Annual compensation. (1) *General rule.* The term ''annual compensation'' means, except as otherwise explicitly provided in this part, the dollar value for total compensation for the applicable fiscal year as determined pursuant to Item 402(a) of Regulation S–K under the Federal securities laws (17 CFR 229.402(a)). Accordingly, for this purpose the amounts required to be disclosed pursuant to paragraph (c)(2)(viii) of Item 402(a) of Regulation S–K (actuarial increases in pension plans and above market earnings on deferred compensation) are not required to be included in annual compensation.

(2) *Application to private TARP recipients.* For purposes of determining annual compensation, a TARP recipient that does not have securities registered with the SEC pursuant to the Federal securities laws must follow the requirements set forth in paragraph (1) of this definition.

ARRA. The term ''ARRA'' means the American Recovery and Reinvestment Act of 2009 (Pub. L. 111–5).

Benefit plan. The term ''benefit plan'' means any plan, contract, agreement or other arrangement that is an ''employee welfare benefit plan'' as that term is defined in section 3(1) of the Employee Retirement Income Security Act of 1974, as amended (29 U.S.C. 1002(1)), or other usual and customary plans such as dependent care, tuition reimbursement, group legal services or cafeteria plans; provided, however, that this term does not include:

(1) Any plan that is a deferred compensation plan; or

(2) Any severance pay plan, whether or not nondiscriminatory, or any other arrangement that provides for payment of severance benefits to eligible employees upon voluntary termination for good reason, involuntary termination, or termination under a window program as defined in 26 CFR 1.409A–1(b)(9)(vi).

Bonus. The term ''bonus'' means any payment in addition to any amount payable to an employee for services performed by the employee at a regular hourly, daily, weekly, monthly, or similar periodic rate. Such term generally does not include payments to or on behalf of an employee as contributions to any qualified retirement plan (as defined in section 4974(c) of the Internal Revenue Code (26 U.S.C. 4974(c)), benefits under a broad-based benefit plan, bona fide overtime pay, or bona fide and routine expense reimbursements. In addition, provided that the rate of commission is pre-established and reasonable, and is applied consistently to the sale of substantially similar goods or services, commission compensation will not be treated as a bonus. For this purpose, a bonus may include a contribution to, or other increase in benefits under, a nonqualified deferred compensation plan, regardless of when the actual payment will be made under the plan. A bonus may also qualify as a retention award or as incentive compensation.

Bonus payment. For purposes of this part, except where otherwise noted, the term ''bonus payment'' includes a payment that is, or is in the nature of, a bonus, incentive compensation, or retention award. Whether a payment is a bonus payment, or whether the right to a payment is a right to a bonus payment, is determined based upon all the facts and circumstances, and a payment may be a bonus payment regardless of the characterization of such payment by the TARP recipient or the employee. For purposes of this part, a bonus payment may include the forgiveness of a loan or other amount that otherwise may be required to be paid by the employee to the employer.

Commission compensation. (1) *Definition*. The term ''commission compensation'' means:

(i) Compensation or portions of compensation earned by an employee consistent with a program in existence for that type of employee as of February 17, 2009, if a substantial portion of the services provided by this employee consists of the direct sale of a product or service to an unrelated customer, these sales occur frequently and in the ordinary course of business of the TARP recipient (but not a specified transaction, such as an initial public offering or sale or acquisition of a specified entity or entities), the compensation paid by the TARP recipient to the employee consists of either a portion of the purchase price for the product or service sold to the unrelated customer or an amount substantially all of which is calculated by reference to the volume of sales to the unrelated customers, and payment of the compensation is either contingent upon the TARP recipient receiving payment from the unrelated customer for the product or service or, if applied consistently to all similarly situated employees, is contingent upon the closing of the sales transaction and such other requirements as may be specified by the TARP recipient before the closing of the sales transaction with the unrelated customer;

(ii) Compensation or portions of compensation earned by an employee that meet the requirements of paragraph (1)(i) of this definition except that the transaction occurs with a related customer, provided that substantial sales from which commission compensation arises are made, or substantial services from which commission compensation arises are provided, to unrelated customers by the service recipient, the sales and service arrangement and the commission arrangement with respect

to the related customer are bona fide, arise from the service recipient's ordinary course of business, and are substantially the same, both in term and in practice, as the terms and practices applicable to unrelated customers to which individually or in the aggregate substantial sales are made or substantial services provided by the service recipient; or

(iii) Compensation or portions of compensation earned by an employee consistent with a program in existence for that type of employee as of February 17, 2009, if a substantial portion of the services provided by this employee to the TARP recipient consists of sales of financial products or other direct customer services with respect to unrelated customer assets or unrelated customer asset accounts that are generally intended to be held indefinitely (and not customer assets intended to be used for a specific transaction, such as an initial public offering, or sale or acquisition of a specified entity or entities), the unrelated customer retains the right to terminate the customer relationship and may move or liquidate the assets or asset accounts without undue delay (which may be subject to a reasonable notice period), the compensation consists of a portion of the value of the unrelated customer's overall assets or asset account balance, an amount substantially all of which is calculated by reference to the increase in the value of the overall assets or account balance during a specified period, or both, or is calculated by reference to a contractual benchmark (such as a securities index or peer results), and the value of the overall assets or account balance and commission compensation is determined at least annually. For purposes of this definition, a customer is treated as an unrelated customer if the person would not be treated as related to the TARP recipient under 26 CFR 1.409A–1(f)(2)(ii) and the person would not be treated as providing management services to the TARP recipient under 26 CFR 1.409A–1(f)(2)(iv).

(2) *Examples*. The following examples illustrate the provisions of paragraph (1) of this definition:

Example 1. Employee A is an employee of TARP recipient. Among TARP recipient's businesses is the sale of life insurance policies, and TARP recipient buys and sells such policies frequently as part of its ordinary course of business. Employee A's primary duties consist of selling life insurance policies to customers unrelated to the TARP recipient. Under a commission program existing for all TARP Recipient employees selling life insurance policies as of February 17, 2009, Employee A is entitled to receive an amount equal to 75% of the total first year's premium paid by an unrelated customer to whom Employee A has sold a life insurance policy. The payments to Employee A under the program constitute commission compensation.

Example 2. The same facts as Example 1, except that under the program, the rate of commission increases to 80% of the total first year's premium paid by a customer once Employee A has sold $10 million in policies in a year. Provided that 80% is a reasonable commission, the payments to Employee A under the program constitute commission compensation.

Example 3. Employee B is an employee of TARP recipient. Among TARP recipient's businesses is the investment management of unrelated customer asset accounts, and TARP recipient provides such services routinely and in the ordinary course of business. Employee B's primary duties as an employee consist of managing the investments of the asset accounts of specified unrelated customers who have deposited amounts with the TARP recipient. Under a program in existence on February 17, 2009, Employee B is entitled to receive an amount equal to 1% of the aggregate account balances of the assets under management, as determined each December 31. The payments to Employee B constitute commission compensation.

Example 4. TARP recipient employs Employee C. As part of Employee C's duties, Employee C is responsible for specified aspects of any acquisition of an unrelated entity by TARP Recipient. As part of an acquisition in 2009, Employee C is entitled to 1% of the purchase price if and when the transaction closes. Regardless of whether such an arrangement was customary or established under a specific program as of February 17, 2009, the amount is not commission compensation because the compensation relates to a specified transaction, in this case the purchase of the entity. Accordingly, the compensation is incentive compensation.

Example 5. TARP recipient employs Employee D. As part of Employee D's duties, Employee D is responsible for managing the initial public offerings of securities of unrelated customers of TARP recipient. As part of an initial public offering in 2009, Employee D is entitled to 1% of the purchase price if and when the initial public offering closes. Regardless of whether such an arrangement

was customary or established under a specific program as of February 17, 2009, the amount is not commission compensation because the compensation relates to a specified transaction, in this case the initial public offering. Accordingly, the compensation is incentive compensation.

Compensation means all remuneration for employment, including but not limited to salary, commissions, tips, welfare benefits, retirement benefits, fringe benefits and perquisites.

Compensation committee. (1) *General rule*. The term ''compensation committee'' means a committee of independent directors, whose independence is determined pursuant to Item 407(a) of Regulation S–K under the Federal securities laws (17 CFR 229.407(a)).

(2) *Application to private TARP recipients*. For purposes of determining director independence, a TARP recipient that does not have securities registered with the SEC pursuant to the Federal securities laws must follow the requirements set forth in Item 407(a)(1)(ii) of Regulation S–K under the Federal securities laws (17 CFR 229.407(a)(1)(ii)).

Compensation structure. The term ''compensation structure'' means the characteristics of the various forms of total compensation that an employee receives or may receive, including the amounts of such compensation or potential compensation relative to the amounts of other types of compensation or potential compensation, the amounts of such compensation or potential compensation relative to the total compensation over the relevant period, and how such various forms of compensation interrelate to provide the employee his or her ultimate total compensation. These characteristics include, but are not limited to, whether the compensation is provided as salary, short-term incentive compensation, or long-term incentive compensation, whether the compensation is provided as cash compensation, equity-based compensation, or other types of compensation (such as executive pensions, other benefits or perquisites), and whether the compensation is provided as current compensation or deferred compensation.

Deferred compensation plan. The term ''deferred compensation plan'' means

(1) Any plan, contract, agreement, or other arrangement under which an employee voluntarily elects to defer all or a portion of the reasonable compensation, wages, or fees paid for services rendered which otherwise would have been paid to the employee at the time the services were rendered (including a plan that provides for the crediting of a reasonable investment return on such elective deferrals), provided that the TARP recipient either:

(i) Recognizes a compensation expense and accrues a liability for the benefit payments according to GAAP; or

(ii) Segregates or otherwise sets aside assets in a trust which may only be used to pay plan and other benefits, except that the assets of this trust may be available to satisfy claims of the TARP recipient's creditors in the case of insolvency; or

(2) A nonqualified deferred compensation or supplemental retirement plan, other than an elective deferral plan established by a TARP recipient:

(i) Primarily for the purpose of providing benefits for a select group of directors, management, or highly compensated employees in excess of the limitations on contributions and benefits imposed by sections 415, 401(a)(17), 402(g) or any other applicable provision of the Internal Revenue Code (26 U.S.C. 415, 401(a)(17), 402(g)); or

(ii) Primarily for the purpose for providing supplemental retirement benefits or other deferred compensation for a select group of directors, management or highly compensated employees (excluding severance payments).

EESA. The term ''EESA'' means the Emergency Economic Stabilization Act of 2008, as amended.

Employee. The term ''employee'' means an individual serving as a servant in the conventional master-servant relationship as understood by the common-law agency doctrine. In general, a partner of a partnership, a member of a limited liability company, or other similar owner in a similar type of entity, will not be treated as an employee for this purpose. However, to the extent that the primary purpose for the creation or utilization of such partnership, limited liability company, or other similar type of entity is to avoid or evade any or all of the requirements

of section 111 of EESA or these regulations with respect to a partner, member or other similar owner, the partner, member or other similar owner will be treated as an employee. In addition, a personal service corporation or similar intermediary between the TARP recipient and an individual providing services to the TARP recipient will be disregarded for purposes of determining whether such individual is an employee of the TARP recipient.

Employee compensation plan. The term ''employee compensation plan'' means ''plan'' as that term is defined in Item 402(a)(6)(ii) of Regulation S–K under the Federal securities laws (17 CFR 229.402(a)(6)(ii)), but only any employee compensation plan in which two or more employees participate and without regard to whether an executive officer participates in the employee compensation plan.

Exceptional financial assistance. The term ''exceptional financial assistance'' means any financial assistance provided under the Programs for Systemically Significant Failing Institutions, the Targeted Investment Program, the Automotive Industry Financing Program, and any new program designated by the Secretary as providing exceptional financial assistance.

Excessive or luxury expenditures. The term ''excessive or luxury expenditures'' means excessive expenditures on any of the following to the extent such expenditures are not reasonable expenditures for staff development, reasonable performance incentives, or other similar reasonable measures conducted in the normal course of the TARP recipient's business operations:

(1) Entertainment or events;

(2) Office and facility renovations;

(3) Aviation or other transportation services; and

(4) Other similar items, activities, or events for which the TARP recipient may reasonably anticipate incurring expenses, or reimbursing an employee for incurring expenses.

Excessive or luxury expenditures policy. The term ''excessive or luxury expenditures policy'' means written standards applicable to the TARP recipient and its employees that address the four categories of expenses set forth in the definition of ''excessive or luxury expenditures'' (entertainment or events, office and facility renovations, aviation or other transportation services, and other similar items, activities or events), and that are reasonably designed to eliminate excessive and luxury expenditures. Such written standards must:

(1) Identify the types or categories of expenditures which are prohibited (which may include a threshold expenditure amount per item, activity, or event or a threshold expenditure amount per employee receiving the item or participating in the activity or event);

(2) Identify the types or categories of expenditures for which prior approval is required (which may include a threshold expenditure amount per item, activity, or event or a threshold expenditure amount per employee receiving the item or participating in the activity or event);

(3) Provide reasonable approval procedures under which an expenditure requiring prior approval may be approved;

(4) Require PEO and PFO certification that the approval of any expenditure requiring the prior approval of any SEO, any executive officer of a substantially similar level of responsibility, or the TARP recipient's board of directors (or a committee of such board of directors), was properly obtained with respect to each such expenditure;

(5) Require the prompt internal reporting of violations to an appropriate person or persons identified in this policy; and

(6) Mandate accountability for adherence to this policy.

Executive officer. The term ''executive officer'' means an ''executive officer'' as that term is defined in Rule 3b-7 of the Securities Exchange Act of 1934 (Exchange Act) (17 CFR 240.3b-7).

Financial assistance. (1) *Definition*. The term ''financial assistance'' means any funds or fund commitment provided through the purchase of troubled assets under the authority granted to Treasury under section 101 of EESA or the insurance of troubled assets under the authority granted to Treasury under section 102 of EESA, provided that the term ''financial assistance''

does not include any loan modification under sections 101 and 109 of EESA. A change in the form of previously received financial assistance, such as a conversion of convertible preferred stock to common stock, is not treated as new or additional financial assistance.

(2) *Examples*. The following examples illustrate the provisions of paragraph (1) of this definition:

Example 1. Company A sells $500,000,000 of preferred stock to Treasury through the Capital Purchase Program. Company A has received financial assistance.

Example 2. Company B posts collateral to and receives a loan from the Federal Reserve special purpose vehicle under the Term Asset-Backed Security Loan Facility program. Company B has neither sold troubled assets to Treasury, nor insured troubled assets through Treasury, and therefore has not received financial assistance.

Example 3. LP C is a limited partnership established for the purpose of participating in the Public Private Investment Program. LP C has a general partner (GP) that makes management decisions on behalf of LP C. A limited liability company controlled by an affiliate of GP (LLC partner) raises $55,000,000 from twenty investors, with each investing equal shares, joins LP C as a limited partner, and invests those funds for a 55% equity interest in LP C. LP C sells a $45,000,000 equity interest to Treasury. LP C, at the direction of the GP, will buy and sell securities as investments and manage those investments. LP C will contract for investment advice from an investment advisor that is an affiliate of GP. LP C has received financial assistance. LLC partner has received financial assistance because it is treated as the same employer as LP C according to the standards set forth in paragraph (1)(ii) of the definition of ''TARP recipient''. The investors in the LLC partner have not received financial assistance because they are not treated as the same employer as LP C according to the standards set forth in paragraph (1)(ii) of the definition of ''TARP recipient''. GP is not an employee of LP C pursuant to the definition of ''employee'' in this rule, and is not treated as the same employer as LP C according to the standards set forth in paragraph (1)(ii) of the definition of ''TARP recipient''. The investment advisor-contractor to LP C has not received financial assistance. Entities that sell securities to or buy securities from LP C have neither sold troubled assets to Treasury nor insured troubled assets through Treasury, and therefore have not received financial assistance.

Example 4. Company D, a servicer of mortgage loans or mortgaged-backed securities, issues a financial instrument to Treasury's financial agent in which Company D commits to modify mortgages it is servicing consistent with guidelines established by Treasury under the Home Affordable Modification Program. Treasury, through its financial agent, commits to pay up to $800,000,000 in incentive payments and credit enhancements for Company E's commitment to modify mortgages. Company E has not received financial assistance.

GAAP. The term ''GAAP'' means U.S. generally accepted accounting principles.

Golden parachute payment. (1) *General rule*. The term ''golden parachute payment'' means any payment for the departure from a TARP recipient for any reason, or any payment due to a change in control of the TARP recipient or any entity that is included in a group of entities treated as one TARP recipient, except for payments for services performed or benefits accrued. For this purpose, a change in control includes any event that would qualify as a change in control event as defined in 26 CFR 1.280G–1, Q&A–27 through Q&A–29 or as a change in control event as defined in 26 CFR 1.409A–3(i)(5)(i). For this purpose, a golden parachute payment includes the acceleration of vesting due to the departure or the change in control event, as applicable. A golden parachute payment is treated as paid at the time of departure or change in control event, and is equal to the aggregate present value of all payments made for a departure or a change in control event (including the entire aggregate present value of the payment if the vesting period was not otherwise completed but was accelerated due to departure, regardless of whatever portion of the required vesting period the employee had completed). Thus, a golden parachute payment may include a right to amounts actually payable after the TARP period.

(2) *Exclusions*. For purposes of this part, a golden parachute payment does not include any of the following:

(i) Any payment made pursuant to a pension or retirement plan which is qualified (or is intended within a reasonable period of time to be qualified) under section 401 of the Internal Revenue Code (26 U.S.C. 401) or pursuant to a pension or other retirement plan which is governed by the laws of any foreign country;

(ii) Any payment made by reason of the departure of the employee due to the employee's death or disability; or

(iii) Any severance or similar payment which is required to be made pursuant to a State statute or foreign law (independent of any terms of a contract or other agreement) which is applicable to all employers within the appropriate jurisdiction (with the exception of employers that may be exempt due to their small number of employees or other similar criteria).

(3) *Payments for services performed or benefits accrued*—(i) *General rules*. Except as otherwise provided for payments made under a deferred compensation plan or a benefit plan in paragraph (4) of this definition, a payment made, or a right to a payment arising under a plan, contract, agreement, or other arrangement (including the acceleration of any vesting conditions) is for services performed or benefits accrued only if the payment was made, or the right to the payment arose, for current or prior services to the TARP recipient (except that an appropriate allowance may be made for services for a predecessor employer). Whether a payment is for services performed or benefits accrued is determined based on all the facts and circumstances. However, a payment, or a right to a payment, generally will be treated as a payment for services performed or benefits accrued only if the payment would be made regardless of whether the employee departs or the change in control event occurs, or if the payment is due upon the departure of the employee, regardless of whether the departure is voluntary or involuntary (other than reasonable restrictions, such as the forfeiture of the right to a payment for an involuntary departure for cause, but not restrictions relating to whether the departure was a voluntary departure for good reason or subsequent to a change in control).

(ii) *Examples*. The following examples illustrate the general rules in paragraph (3)(i) of this definition:

Example 1. Employee A is a SEO of Entity B at all relevant times. On September 1, 2007, Employee A received a stock appreciation right granting him the right to appreciation on the underlying shares that would vest 25% for every twelve months of continued services. Under the terms of the grant, the stock appreciation right would be immediately exercised and payable upon termination of employment. Entity B becomes a TARP recipient in December 2008. On September 1, 2009, Entity B involuntarily terminates Employee A, at which time Employee A receives a payment equal to the post-September 1, 2007 appreciation on 50% of the shares under the stock appreciation right (the portion of the shares that had vested before the termination of employment). The payment is treated as a payment for services performed and does not constitute a golden parachute payment.

Example 2. The facts are the same as the facts in Example 1, except that under Employee A's employment agreement, Employee A is entitled to accelerate vesting if Employee A is terminated involuntarily other than for cause. If Entity B pays Employee A the post-September 1, 2007 appreciation on 100% of the shares under the stock appreciation right, the portion of the payment representing the additional 50% accelerated vesting due to the termination of employment would not be for services performed and would be a golden parachute payment.

(4) *Payments from benefit plans and deferred compensation plans*. A payment from a benefit plan or a deferred compensation plan is treated as a payment for services performed or benefits accrued only if the following conditions are met:

(i) The plan was in effect at least one year prior to the employee's departure;

(ii) The payment is made pursuant to the plan and is made in accordance with the terms of the plan as in effect no later than one year before the departure and in accordance with any amendments to the plan during this one year period that do not increase the benefits payable hereunder;

(iii) The employee has a vested right, as defined under the applicable plan document, at the time of the departure or the change in control event (but not due to the departure or the change in control event) to the payments under the plan;

(iv) Benefits under the plan are accrued each period only for current or prior service rendered to the TARP recipient (except that an appropriate allowance may be made for service for a predecessor employer);

(v) Any payment made pursuant to the plan is not based on any discretionary acceleration of vesting or accrual of benefits which occurs at any time later than one year before the departure or the change in control event; and

(vi) With respect to payments under a deferred compensation plan, the TARP recipient has previously recognized compensation expense and accrued a liability for the benefit payments according to GAAP or segregated or otherwise set aside assets in a trust which may only be used to pay plan benefits, except that the assets of this trust may be available to satisfy claims of the TARP recipient's creditors in the case of insolvency and payments pursuant to the plan are not in excess of the accrued liability computed in accordance with GAAP.

Gross-up. The term ''gross-up'' means any reimbursement of taxes owed with respect to any compensation, provided that a gross-up does not include a payment under a tax equalization agreement, which is an agreement, method, program, or other arrangement that provides payments intended to compensate an employee for some or all of the excess of the taxes actually imposed by a foreign jurisdiction on the compensation paid by the TARP recipient to the employee over the taxes that would be imposed if the compensation were subject solely to U.S. Federal, State, and local income tax, or some or all of the excess of the U.S. Federal, State, and local income tax actually imposed on the compensation paid by the TARP recipient to the employee over the taxes that would be imposed if the compensation were subject solely to taxes in the applicable foreign jurisdiction, provided that the payment made under such agreement, method, program, or other arrangement may not exceed such excess and the amount necessary to compensate for the additional taxes on the amount paid under the agreement, method, program, or other arrangement.

Incentive compensation. The term ''incentive compensation'' means compensation provided under an incentive plan.

Incentive plan. (1) *Definition*. The term ''incentive plan'' means an ''incentive plan'' as that term is defined in Item 402(a)(6)(iii) of Regulation S–K under the Federal securities laws (17 CFR 229.402(a)(6)(iii)), and any plan providing stock or options as defined in Item 402(a)(6)(i) of Regulation S–K under the Federal securities laws (17 CFR 229.402(a)(6)(i)) or other equity-based compensation such as restricted stock units or stock appreciation rights, except for the payment of salary or other permissible payments in stock, stock units, or other property as described in paragraph (2) of this definition. An incentive plan does not include the payment of salary, but does include an arrangement under which an employee would earn compensation in the nature of a commission, unless such compensation qualifies as commission compensation (as defined above). Accordingly, an incentive plan includes an arrangement under which an employee receives compensation only upon the completion of a specified transaction, such as an initial public offering or sale or acquisition of a specified entity or entities, regardless of how such compensation is measured. For examples, *see* the definition of ''commission compensation,'' above. An incentive plan, or a grant under an incentive plan, may also qualify as a bonus or a retention award.

(2) *Salary or other permissible payments paid in property*. The term ''incentive plan'' does not include an arrangement under which an employee receives salary or another permissible payment in property, such as TARP recipient stock, provided that such property is not subject to a substantial risk of forfeiture (as defined in 26 CFR 1.83–3(c)) or other future period of required services, the amount of the payment is determinable as a dollar amount through the date such compensation is earned (for example, an agreement that salary payments will be made in stock equal to the value of the cash payment that would otherwise be due), and the amount of stock or other property accrues at the same time or times as the salary or other permissible payments would otherwise be paid in cash. The term ''incentive plan'' also does not include an arrangement under which an employee receives a restricted stock

unit that is analogous to TARP recipient stock, that otherwise meets the requirements of the previous sentence. For this purpose, a unit is analogous to stock if the unit is based upon stock of the TARP recipient, or is applied as if the applicable entity, division, or other unit were a corporation with one class of stock and the number of units of stock granted is determined based on a fixed percentage of the overall value of this corporation, and the term ''TARP recipient stock'' with respect to a particular employee recipient means the stock of a corporation (or the entity, division, or other unit the value of which forms the basis for the unit) that is an ''eligible issuer of service recipient stock'' under 26 CFR 1.409A–1(b)(5)(iii)(E) (applied by analogy to non-corporate entities).

(3) *Examples*. The following examples illustrate the provisions of paragraph (2) of this definition.

Example 1. Employee is an employee of TARP recipient. For 2010, TARP recipient agrees to pay a salary of $15,000, payable monthly. At each salary payment date Employee will receive a $10,000 payment in cash, and be transferred a number of shares of common stock of TARP recipient equal to $5,000 divided by the fair market value of a share of common stock on the salary payment date. The arrangement is for the payment of salary, and is not an incentive plan.

Example 2. Same facts as *Example 1*, except that pursuant to a valid elective deferral election, Employee elects to defer 20% of each salary payment into a nonqualified deferred compensation plan. At each salary payment date Employee will receive an $8,000 payment in cash, be transferred a number of shares of common stock of TARP recipient equal to $4,000 divided by the fair market value of a share of common stock on the salary payment date, and a $3,000 contribution to an account under a nonqualified deferred compensation plan. The arrangement is for the payment of salary, and is not an incentive plan.

Example 3. Employee is an employee of TARP recipient. For 2010, TARP recipient agrees to pay a salary of $15,000, payable monthly. At each salary payment date, Employee will receive a $10,000 payment in cash, and accrue a right to a number of shares of common stock of TARP recipient equal to $5,000 divided by the fair market value of a share of common stock on the salary payment date. At the end of the year, TARP recipient will transfer the total number of accrued shares to Employee, subject to a multi-year holding period (a restriction that the shares may not be transferred or otherwise disposed of by Employee for a specified number of years). If Employee's employment with the TARP recipient terminates during the holding period, the termination will not affect the duration or application of the holding period or Employee's right to retain the shares and to transfer or otherwise dispose of them at the end of the holding period. The arrangement is for the payment of salary, and is not an incentive plan. The arrangement would also be for the payment of salary, and not an incentive plan, if the arrangement provided that the holding period was to last until the later of a specified time period or a specified time following Employee's retirement or other termination of employment.

Example 4. Employee is an employee of TARP recipient. For 2010, TARP recipient agrees to pay a salary of $15,000, payable monthly. At each salary payment date, Employee will receive a $10,000 payment in cash, and accrue a right to a contribution to an account equal to $5,000 divided by the fair market value of a share on the salary payment date. The account balance will be subject to notional gains and losses based on the investment return on TARP recipient common stock. The amount will be payable upon the last day of the second year immediately following the year the services are performed. The arrangement is for the payment of salary, and is not an incentive plan. However, the arrangement generally will provide deferred compensation for purposes of section 409A of the Internal Revenue Code.

Internal Revenue Code. The term ''Internal Revenue Code'' means the Internal Revenue Code of 1986, as amended.

Long-term restricted stock. The term ''long-term restricted stock'' means restricted stock or restricted stock units that include the following features:

(1) The restricted stock or restricted stock units are issued with respect to common stock of the TARP recipient. For this purpose, a restricted stock unit includes a unit that is payable, or may be payable, in cash or stock, provided that the value of the payment is equal to the value of the underlying stock. With respect to a specified division or other unit within a TARP recipient or a TARP recipient that is not a stock corporation, a unit analogous to common stock may be used. For this purpose, a unit is analogous to common stock if applied as if the entity, division, or other unit were a corporation with one class of common stock and the number of units of common stock granted is determined based on a

fixed percentage of the overall value of this corporation. Notwithstanding the foregoing, with respect to a particular employee recipient, the corporation the stock of which is utilized (or the entity, division, or other unit the value of which forms the basis for the unit) must be an ''eligible issuer of service recipient stock'' under 26 CFR 1.409A–1(b)(5)(iii)(E) (applied by analogy to non-corporate entities).

(2) The restricted stock or restricted stock unit may not become transferable (as defined in 26 CFR 1.83–3(d)), or payable as applied to a restricted stock unit, at any time earlier than permitted under the following schedule (except as necessary to reflect a merger or acquisition of the TARP recipient):

(i) 25% of the shares or units granted at the time of repayment of 25% of the aggregate financial assistance received.

(ii) An additional 25% of the shares or units granted (for an aggregate total of 50% of the shares or units granted) at the time of repayment of 50% of the aggregate financial assistance received.

(iii) An additional 25% of the shares or units granted (for an aggregate total of 75% of the shares or units granted) at the time of repayment of 75% of the aggregate financial assistance received.

(iv) The remainder of the shares or units granted at the time of repayment of 100% of the aggregate financial assistance received.

(3) Notwithstanding the foregoing, in the case of restricted stock for which the employee does not make an election under section 83(b) of the Internal Revenue Code (26 U.S.C. 83(b)), at any time beginning with the date upon which the stock becomes substantially vested (as defined in 26 CFR 1.83–3(b)) and ending on December 31 of the calendar year including that date, a portion of the restricted stock may be made transferable as may reasonably be required to pay the Federal, State, local, or foreign taxes that are anticipated to apply to the income recognized due to this vesting, and the amounts made transferable for this purpose shall not count toward the percentages in the schedule above.

(4) The employee must be required to forfeit the restricted stock or restricted stock unit if the employee does not continue performing substantial services for the TARP recipient for at least two years from the date of grant, other than due to the employee's death or disability, or a change in control event (as defined in 26 CFR 1.280G–1, Q&A–27 through Q&A–29 or as defined in 26 CFR 1.409A–3(i)(5)(i)) with respect to the TARP recipient before the second anniversary of the date of grant.

(5) Nothing in paragraphs (1), (2), (3), and (4) of this definition is intended to prevent the placement on such restricted stock or restricted stock unit of any additional restrictions, conditions, or limitations that are not inconsistent with the requirements of these paragraphs.

Most highly compensated employee. (1) *In general.* The terms ''most highly compensated employee'' or ''most highly compensated employees'' mean the employee or employees of the TARP recipient whose annual compensation is determined to be the highest among all employees of the TARP recipient, provided that, solely for purposes of identifying the employees who are subject to any rule applicable to both the SEOs and one or more of the most highly compensated employees of the TARP recipient, SEOs of the TARP recipient are excluded when identifying the most highly compensated employee(s). For this purpose, a former employee who is no longer employed as of the first date of the relevant fiscal year of the TARP recipient is not a most highly compensated employee unless it is reasonably anticipated that such employee will return to employment with the TARP recipient during such fiscal year.

(2) *Application to new entities.* For an entity that is created or organized in the same year that the entity becomes a TARP recipient, a most highly compensated employee for the first year includes the person that the TARP recipient determines will be the most highly compensated employee for the next year based upon a reasonable, good faith determination of the projected annual compensation of such person earned during that year. This

determination must be made as of the later of the date the entity is created or organized or the date the entity becomes a TARP recipient, and must be made only once. However, a person need not yet be an employee to be treated as a most highly compensated employee, if it is reasonably anticipated that the person will become an employee of the TARP recipient during the first year.

Obligation. (1) *Definition.* The term ''obligation'' means a requirement for, or an ability of, a TARP recipient to repay financial assistance received from Treasury, as provided in the terms of the applicable financial instrument and related agreements, through the repayment of a debt obligation or the redemption or repurchase of an equity security, but not including warrants to purchase common stock of the TARP recipient.

(2) *Examples.* The following examples illustrate the provisions of paragraph (1) of this definition.

Example 1. TARP recipient sells $500 million of preferred stock to Treasury, and provides warrants to Treasury for the purchase of $75 million of common stock. The TARP recipient has an ability to redeem the preferred stock and thus maintains an outstanding obligation to Treasury.

Example 2. Same facts as *Example 1,* except that TARP recipient redeems the $500 million of preferred stock, so that Treasury holds only the $75 million of warrants to purchase common stock outstanding. TARP recipient does not maintain an outstanding obligation to Treasury.

Example 3. TARP recipient sells $120 million of securities backed by Small Business Administration-guaranteed loans to Treasury through the Consumer and Business Lending initiative, and provides warrants to Treasury for the purchase of $10 million of common stock. Because the TARP recipient does not as a result of this transaction owe a debt obligation or have a requirement or right to redeem or repurchase an equity security (other than the warrants to purchase common stock provided to the Treasury), the TARP recipient does not have an outstanding obligation to Treasury as a result of this transaction.

PEO. The term ''PEO'' means the principal executive officer or an employee acting in a similar capacity.

Perquisite. The term ''perquisite'' means a ''perquisite or other personal benefit'' the amount of which is required to be included in the amount reported under Item 402(c)(2)(ix)(A) of Regulation S–K under the Federal securities laws (17 CFR 229.402(c)(2)(ix)(A)) (Column (i) of the Summary Compensation Table (All Other Compensation)), modified to also include any such perquisite or other personal benefit provided to a most highly compensated employee subject to § 30.11(b) (Q–11).

PFO. The term ''PFO'' means the principal financial officer or an employee acting in a similar capacity.

Primary regulatory agency. The term ''primary regulatory agency'' means the Federal regulatory agency that has primary supervisory authority over the TARP recipient. For a TARP recipient that is a State-chartered bank that does not have securities registered with the SEC pursuant to the Federal securities laws, the primary regulatory agency is the TARP recipient's primary Federal banking regulator. If a TARP recipient is not subject to the supervision of a Federal regulatory agency, the term ''primary regulatory agency'' means the Treasury.

Repayment. The term ''repayment'' means satisfaction of an obligation.

Retention award. (1) *General definition.* The term ''retention award'' means any payment to an employee, other than a payment of commission compensation, a payment made pursuant to a pension or retirement plan which is qualified (or is intended within a reasonable period of time to be qualified) under section 401 of the Internal Revenue Code (26 U.S.C. 401), a payment made pursuant to a benefit plan, or a payment of a fringe benefit, overtime pay, or reasonable expense reimbursement that:

(i) Is not payable periodically to an employee for services performed by the employee at a regular hourly, daily, weekly, monthly, or similar periodic rate (or would not be payable in such manner absent an elective deferral election);

(ii) Is contingent on the completion of a period of future service with the TARP recipient or the completion of a specific project or other activity of the TARP recipient; and

(iii) Is not based on the performance of the employee (other than a requirement that the employee not be separated from employment for cause) or the business activities or value of the TARP recipient.

(2) *New hires*. With respect to newly hired employees, a payment that will be made only if the new hire continues providing services for a specified period generally constitutes a retention award. For example, a signing bonus that must be repaid unless the newly hired employee completes a certain period of service is a retention award. Similarly, a ''make-whole'' agreement under which a newly hired employee is provided benefits intended to make up for benefits foregone at his former employer, where these new benefits are subject to a continued service period vesting requirement (such as a continuation of the vesting period at the former employer), is a retention award.

(3) *Deferred compensation plans*. Whether a benefit under a deferred compensation plan that is subject to a service vesting period is a retention award depends on all the facts and circumstances. However, to the extent an employee continues to accrue, or becomes eligible to accrue, a benefit under a plan the benefits under which have not been materially enhanced for a significant period of time prior to the employee becoming an SEO or most highly compensated employee (including through expansion of the eligibility for such plan), the benefits accrued generally will not be a retention award. However, to the extent the plan is amended to materially enhance the benefits provided under the plan or to make such employee eligible to participate in such plan, and such benefits are subject to a requirement of a continued period of service, such an amendment generally will be a retention award.

SEC. The term ''SEC'' means the U.S. Securities and Exchange Commission.

Senior executive officer or SEO. (1) *General definition*. The term ''senior executive officer'' or ''SEO'' means a ''named executive officer'' as that term is determined pursuant to Instruction 1 to Item 402(a)(3) of Regulation S–K under the Federal securities laws (17 CFR 229.402(a)) who is an employee of the TARP recipient.

(2) *Application to smaller reporting company*. A TARP recipient that is a smaller reporting company must identify SEOs pursuant to paragraph (1) of this definition. Such a TARP recipient must identify at least five SEOs, even if only three named executive officers are provided in the disclosure pursuant to Item 402(m)(2) of Regulation S–K under the Federal securities laws (17 CFR 229.402(m)(2)), provided that no employee must be identified as a SEO if the employee's total annual compensation does not exceed $100,000 as defined in Item 402(a)(3)(1) of Regulation S–K under the Federal securities laws (17 CFR 229.402(a)(3)(1)).

(3) *Application to private TARP recipients*. A TARP recipient that does not have securities registered with the SEC pursuant to the Federal securities laws must identify SEOs in accordance with rules analogous to the rules in paragraph (1) of this definition.

SEO compensation plan. The term ''SEO compensation plan'' means ''plan'' as that term is defined in Item 402(a)(6)(ii) of Regulation S–K under the Federal securities laws (17 CFR 229.402(a)(6)(ii)), but only with regard to a SEO compensation plan in which a SEO participates.

Senior risk officer. The term ''senior risk officer'' means a senior risk executive officer or employee acting in a similar capacity.

Smaller reporting company. The term ''smaller reporting company'' means a ''smaller reporting company'' as that term is defined in Item 10(f) of Regulation S–K under the Federal securities laws (17 CFR 229.10(f)).

Sunset date. The term ''sunset date'' means the date on which the authorities provided under EESA section 101 and 102 terminate, pursuant to EESA section 120, taking into account any extensions pursuant to EESA section 120(b).

TARP. The term ''TARP'' means the Troubled Asset Relief Program, established pursuant to EESA.

TARP fiscal year. The term ''TARP fiscal year'' means a fiscal year of a TARP recipient, or the portion of a fiscal year of a TARP recipient, that is also a TARP period.

TARP period. The term ''TARP period'' means the period beginning with

the TARP recipient's receipt of any financial assistance and ending on the last date upon which any obligation arising from financial assistance remains outstanding (disregarding any warrants to purchase common stock of the TARP recipient that the Treasury may hold).

TARP recipient. (1) *General definition.* The term ''TARP recipient'' means

(i) Any entity that has received or holds a commitment to receive financial assistance; and

(ii) Any entity that would be treated as the same employer as an entity receiving financial assistance based on the rules in sections 414(b) and 414(c) of the Internal Revenue Code (26 U.S.C. 414(b) or (c)), but modified by substituting ''50%'' for ''80%'' in each place it appears in section 414(b) or 414(c) and the accompanying regulations. However, for purposes of applying the aggregation rules to determine the applicable employer, the rules for brother-sister controlled groups and combined groups are disregarded (including disregarding the rules in section 1563(a)(2) and (a)(3) of the Internal Revenue Code (26 U.S.C. 1563(a)(2) and (a)(3)) with respect to corporations and the parallel rules that are in 26 CFR 1.414(c)–2(c) with respect to other organizations conducting trades or businesses).

(2) *Certain excluded entities.* Neither any entity receiving funds under TARP pursuant to section 109 of EESA nor any Federal Reserve bank as that term is used in the Federal Reserve Act (12 U.S.C. 221 *et seq.*) will be treated as a TARP recipient subject to section 111 of EESA and any rules and regulations promulgated thereunder.

(3) *Anti-abuse rule.* Notwithstanding paragraph (1) of this definition, the term ''TARP recipient'' means any entity that has received, or holds a commitment to receive, financial assistance; and any entity related to such TARP recipient to the extent that the primary purpose for the creation or utilization of such entity is to avoid or evade any or all of the requirements of section 111 of EESA or these regulations.

Treasury. The term ''Treasury'' means the U.S. Department of the Treasury.

Valid employment contract. The term ''valid employment contract'' means a written employment contract that is:

(1)(i) A material contract as determined pursuant to Item 601(b)(10)(iii)(A) of Regulation S–K under the Federal securities laws (17 CFR 229.601(b)(10)(iii)(A)); or

(ii) A contract that would be deemed a material contract as determined pursuant to Item 601(b)(10)(iii) of Regulation S–K under the Federal securities laws (17 CFR 229.601(b)(10)(iii)), but for the fact that the material contract relates to one or more employee who is not an executive officer; and

(2) Is enforceable under the law of the applicable jurisdiction.

[74 FR 28405, June 15, 2009, as amended at 74 FR 63992, Dec. 7, 2009]

§ 30.2 Q–2: To what entities does this part apply?

This part applies to any TARP recipient, provided that the requirements of sections 111(b) (portions of § 30.4 (Q–4), § 30.5 (Q–5) and § 30.7 (Q–7), as applicable, § 30.6 (Q–6), and § 30.8 (Q–8) through § 30.11 (Q–11), and § 30.15 (Q–15)), and section 111(e) (§ 30.13 (Q–13)) apply only during the period during which any obligation to the Federal government arising from financial assistance provided under the TARP remains outstanding. For a TARP recipient that has had an obligation to the Federal government arising from financial assistance provided under the TARP, and no further financial assistance under the TARP, the requirements of section 111(c) (including portions of § 30.4 (Q–4), § 30.5 (Q–5) and § 30.7 (Q–7), as applicable) and section 111(d) (§ 30.12 (Q–12)) apply through the last day of the period during which that obligation remains outstanding; for a TARP recipient that has never had an obligation to the Federal government arising from financial assistance provided under the TARP, the requirements of section 111(c) (including portions of § 30.4 (Q–4), § 30.5 (Q–5) and § 30.7 (Q–7), as applicable) and section 111(d) (§ 30.12 (Q–12)) apply through the last day of the TARP recipient's fiscal year including the sunset date. For this purpose, an obligation includes the ownership by

the Federal government of common stock of a TARP recipient.

[74 FR 28405, June 15, 2009, as amended at 74 FR 63992, Dec. 7, 2009]

§ 30.3 Q–3: How are the SEOs and most highly compensated employees identified for purposes of compliance with this part?

(a) *Identification*. The SEOs for a year are the ''named executive officers'' who are employees and are identified in the TARP recipient's annual report on Form 10–K or annual meeting proxy statement for that year (reporting the SEOs' compensation for the immediately preceding year). These employees are considered the SEOs throughout that entire year. For purposes of the standards in this part applicable to the most highly compensated employees, the determination of whether an employee is a most highly compensated employee in a current fiscal year looks back to the annual compensation for the last completed fiscal year without regard to whether the compensation is includible in the employee's gross income for Federal income tax purposes.

(b) *Compliance*. Regardless of when during the current fiscal year the TARP recipient determines the SEOs or the most highly compensated employees, the TARP recipient must ensure that any of the SEOs or employees potentially subject to the requirements in this part for the current fiscal year complies with the requirements in this part as applicable.

§ 30.4 Q–4: What actions are necessary for a TARP recipient to comply with the standards established under sections 111(b)(3)(A), 111(b)(3)(E), 111(b)(3)(F) and 111(c) of EESA (evaluation of employee plans and potential to encourage excessive risk or manipulation of earnings)?

(a) *General rule*. To comply with the standards established under sections 111(b)(3)(A), 111(b)(3)(E), 111(b)(3)(F) and 111(c) of EESA, a TARP recipient must establish a compensation committee by the later of ninety days after the closing date of the agreement between the TARP recipient and Treasury or September 14, 2009, and maintain a compensation committee during the remainder of the TARP period. If a compensation committee is already established before the later of the closing date or September 14, 2009, the TARP recipient must maintain its compensation committee. During the remainder of the TARP period after the later of ninety days after the closing date of the agreement between the TARP recipient and Treasury or September 14, 2009, the compensation committee must:

(1) Discuss, evaluate, and review at least every six months with the TARP recipient's senior risk officers the SEO compensation plans to ensure that the SEO compensation plans do not encourage SEOs to take unnecessary and excessive risks that threaten the value of the TARP recipient;

(2) Discuss, evaluate, and review with senior risk officers at least every six months employee compensation plans in light of the risks posed to the TARP recipient by such plans and how to limit such risks;

(3) Discuss, evaluate, and review at least every six months the employee compensation plans of the TARP recipient to ensure that these plans do not encourage the manipulation of reported earnings of the TARP recipient to enhance the compensation of any of the TARP recipient's employees;

(4) At least once per TARP recipient fiscal year, provide a narrative description of how the SEO compensation plans do not encourage the SEOs to take unnecessary and excessive risks that threaten the value of the TARP recipient, including how these SEO compensation plans do not encourage behavior focused on short-term results rather than long-term value creation, the risks posed by employee compensation plans and how these risks were limited, including how these employee compensation plans do not encourage behavior focused on short-term results rather than long-term value creation, and how the TARP recipient has ensured that the employee compensation plans do not encourage the manipulation of reported earnings of the TARP recipient to enhance the compensation of any of the TARP recipient's employees; and

(5) Certify the completion of the reviews of the SEO compensation plans

and employee compensation plans required under paragraphs (a)(1), (2), and (3) of this section.

(b) *Exclusion of TARP recipients with no employees or no affected employees.* For any period during which a TARP recipient has no employees, or has no SEO or compensation plan subject to the review process, the TARP recipient is not subject to the requirements of paragraph (a) of this section.

(c) *Application to private TARP recipients.* The rules provided in paragraph (a) of this section are also applicable to TARP recipients that do not have securities registered with the SEC pursuant to the Federal securities laws. A TARP recipient that does not have securities registered with the SEC pursuant to the Federal securities laws and has received $25,000,000 or less in financial assistance is subject to paragraph (a) of this section, except that, in lieu of establishing and maintaining a compensation committee, such a TARP recipient is permitted to ensure that all the members of the board of directors carry out the duties of the compensation committee as described in paragraph (a) of this section. However, such a TARP recipient will be required to establish and maintain a compensation committee satisfying the requirements of paragraph (a) of this section for the first fiscal year following a fiscal year during which the TARP recipient either registers securities with the SEC pursuant to the Federal securities laws or has received more than $25,000,000 in financial assistance, and during subsequent years of the TARP period.

(d) *Application to TARP recipients that have never had an outstanding obligation.* For TARP recipients that have never had an outstanding obligation, only paragraphs (a)(2), (a)(4), (a)(5) (but for the narrative and certification requirements of (a)(4) and (a)(5), applied only to the requirements of paragraph (a)(2)), (b) and (c) of this § 30.4 (Q–4) shall apply.

§ 30.5 Q–5: How does a TARP recipient comply with the requirements under § 30.4 (Q–4) of this part that the compensation committee discuss, evaluate, and review the SEO compensation plans and employee compensation plans to ensure that the SEO compensation plans do not encourage the SEOs to take unnecessary and excessive risks that threaten the value of the TARP recipient, or that the employee compensation plans do not pose unnecessary risks to the TARP recipient?

At least every six months, the compensation committee must discuss, evaluate, and review with the TARP recipient's senior risk officers any risks (including long-term as well as short-term risks) that the TARP recipient faces that could threaten the value of the TARP recipient. The compensation committee must identify the features in the TARP recipient's SEO compensation plans that could lead SEOs to take these risks and the features in the employee compensation plans that pose risks to the TARP recipient, including any features in the SEO compensation plans and the employee compensation plans that would encourage behavior focused on short-term results and not on long-term value creation. The compensation committed is required to limit these features to ensure that the SEOs are not encouraged to take risks that are unnecessary or excessive and that the TARP recipient is not unnecessarily exposed to risks.

§ 30.6 Q–6: How does a TARP recipient comply with the requirement under § 30.4 (Q–4) of this part that the compensation committee discuss, evaluate, and review the employee compensation plans to ensure that these plans do not encourage the manipulation of reported earnings of the TARP recipient to enhance the compensation of any of the TARP recipient's employees?

The compensation committee must discuss, evaluate, and review at least every six months the terms of each employee compensation plan and identify and eliminate the features in these plans that could encourage the manipulation of reported earnings of the TARP recipient to enhance the compensation of any employee.

§ 30.7 Q–7: How does a TARP recipient comply with the certification and disclosure requirements under § 30.4 (Q–4) of this part?

(a) *Certification.* The compensation committee must provide the certifications required by § 30.4 (Q–4) of this part stating that it has reviewed, with the TARP recipient's senior risk officers, the SEO compensation plans to ensure that these plans do not encourage SEOs to take unnecessary and excessive risks, the employee compensation plans to limit any unnecessary risks these plans pose to the TARP recipient, and the employee compensation plans to eliminate any features of these plans that would encourage the manipulation of reported earnings of the TARP recipient to enhance the compensation of any employee. For any period during which no obligation arising from financial assistance provided under the TARP remains outstanding, the requirements under this paragraph shall be modified to be consistent with § 30.4(d) (Q–4(d)). Providing a statement similar to the following and in the manner provided in paragraphs (c) and (d) of this section, as applicable, would satisfy this standard: ''The compensation committee certifies that:

(1) It has reviewed with senior risk officers the senior executive officer (SEO) compensation plans and has made all reasonable efforts to ensure that these plans do not encourage SEOs to take unnecessary and excessive risks that threaten the value of [identify TARP recipient];

(2) It has reviewed with senior risk officers the employee compensation plans and has made all reasonable efforts to limit any unnecessary risks these plans pose to the [identify TARP recipient]; and

(3) It has reviewed the employee compensation plans to eliminate any features of these plans that would encourage the manipulation of reported earnings of [identify TARP recipient] to enhance the compensation of any employee.''

(b) *Disclosure.* At least once per TARP recipient fiscal year, the compensation committee must provide a narrative description identifying each SEO compensation plan and explaining how the SEO compensation plan does not encourage the SEOs to take unnecessary and excessive risks that threaten the value of the TARP recipient. The compensation committee must also identify each employee compensation plan, explain how any unnecessary risks posed by the employee compensation plan have been limited, and further explain how the employee compensation plan does not encourage the manipulation of reported earnings to enhance the compensation of any employee.

(c) *Location.* For TARP recipients with securities registered with the SEC pursuant to the Federal securities law, the compensation committee must provide these certifications and disclosures in the Compensation Committee Report required pursuant to Item 407(e) of Regulation S–K under the Federal securities laws (17 CFR 229.407(e)) and to Treasury. These disclosures must be provided in the Compensation Committee Report for any disclosure pertaining to any fiscal year any portion of which is a TARP period (for a TARP recipient with an obligation), or for any disclosure pertaining to any fiscal year including a date on or before the sunset date (for a TARP recipient that has never had an obligation). Within 120 days of the completion of a fiscal year during any part of which is a TARP period (for a TARP recipient with an obligation), or the completion of a fiscal year including a date on or before the sunset date (for a TARP recipient that has never had an obligation), a TARP recipient that is a smaller reporting company must provide the certifications of the compensation committee to its primary regulatory agency and to Treasury.

(d) *Application to private TARP recipients.* The rules provided in paragraphs (a), (b), and (c) of this section are also applicable to TARP recipients that do not have securities registered with the SEC pursuant to the Federal securities laws. Within 120 days of the completion of the fiscal year during any part of which is a TARP period (for a TARP recipient with an obligation), or the completion of a fiscal year including a date on or before the sunset date (for a TARP recipient that has never had an obligation), a private TARP recipient

must provide the certification of the compensation committee (or board of directors, as applicable under § 30.4 (Q–4)) to its primary regulatory agency and to Treasury.

§ 30.8 Q–8: What actions are necessary for a TARP recipient to comply with the standards established under section 111(b)(3)(B) of EESA (the "clawback" provision requirement)?

To comply with the standards established under section 111(b)(3)(B) of EESA, a TARP recipient must ensure that any bonus payment made to a SEO or the next twenty most highly compensated employees during the TARP period is subject to a provision for recovery or ''clawback'' by the TARP recipient if the bonus payment was based on materially inaccurate financial statements (which includes, but is not limited to, statements of earnings, revenues, or gains) or any other materially inaccurate performance metric criteria. Whether a financial statement or performance metric criteria is materially inaccurate depends on all the facts and circumstances. However, for this purpose, a financial statement or performance metric criteria shall be treated as materially inaccurate with respect to any employee who knowingly engaged in providing inaccurate information (including knowingly failing to timely correct inaccurate information) relating to those financial statements or performance metrics. Otherwise, with respect to a performance criteria, whether the inaccurate measurement of the performance or inaccurate application of the performance to the performance criteria is material depends on whether the actual performance or accurate application of the actual performance to the performance criteria is materially different from the performance required under the performance criteria or the inaccurate application of the actual performance to the performance criteria. The TARP recipient must exercise its clawback rights except to the extent it demonstrates that it is unreasonable to do so, such as, for example, if the expense of enforcing the rights would exceed the amount recovered. For the purpose of this section, a bonus payment is deemed to be made to an individual when the individual obtains a legally binding right to that payment.

§ 30.9 Q–9: What actions are necessary for a TARP recipient to comply with the standards established under section 111(b)(3)(C) of EESA (the prohibition on golden parachute payments)?

(a) *Prohibition on golden parachute payments.* To comply with the standards established under section 111(b)(3)(C) of EESA, a TARP recipient must prohibit any golden parachute payment to a SEO and any of the next five most highly compensated employees during the TARP period. A golden parachute payment is treated as paid at the time of departure and is equal to the aggregate present value of all payments made for a departure. Thus, a golden parachute payment during the TARP period may include a right to amounts actually payable after the TARP period.

(b) *Examples.* The following examples illustrate the provisions of paragraph (a) of this section:

Example 1. Employee A is a SEO of a TARP recipient. Employee A is entitled to a payment of three times his annual compensation upon an involuntary termination of employment or voluntary termination of employment for good reason, but such amount is not payable unless and until the TARP period expires with respect to TARP recipient. Employee A terminates employment during the TARP period. Because, for purposes of the prohibition on golden parachute payments, the payment is made at the time of departure, Employee A may not obtain the right to the payment upon the termination of employment.

Example 2. Employee B involuntarily terminated employment on July 1, 2008, at which time Employee B was a SEO of a financial institution. Employee B's employment agreement provided that if Employee B were involuntarily terminated or voluntarily terminated employment for good reason, Employee B would be entitled to a series of five equal annual payments. After the first payment, but before any subsequent payment, the entity became a TARP recipient. Because, for purposes of the prohibition on golden parachute payments, all of the five payments are deemed to have occurred at termination of employment and because, in this case, termination of employment occurred before the beginning of the applicable TARP period, the payment of the four remaining payments due under the agreement

will not violate the requirements of this section.

§ 30.10 Q–10: What actions are necessary for a TARP recipient to comply with section 111(b)(3)(D) of EESA (the limitations on bonus payments)?

(a) *General rule.* To comply with section 111(b)(3)(D) of EESA, pursuant to the schedule under paragraph (b) of this section and subject to the exclusions under paragraph (e) of this section, a TARP recipient must prohibit the payment or accrual of any bonus payment during the TARP period to or by the employees identified pursuant to paragraph (b) of this section.

(b)(1) *Schedule.* The prohibition required under paragraph (a) of this section applies as follows to:

(i) The most highly compensated employee of any TARP recipient receiving less than $25,000,000 in financial assistance;

(ii) At least the five most highly compensated employees of any TARP recipient receiving $25,000,000 but less than $250,000,000 in financial assistance;

(iii) The SEOs and at least the ten next most highly compensated employees of any TARP recipient receiving $250,000,000 but less than $500,000,000 in financial assistance; and

(iv) The SEOs and at least the twenty next most highly compensated employees of any TARP recipient receiving $500,000,000 or more in financial assistance.

(2) *Changes in level of financial assistance.* The determination of which schedule in paragraph (b) of this section is applicable to a TARP recipient during the TARP period is determined by the gross amount of all financial assistance provided to the TARP recipient, valued at the time the financial assistance was received. Whether a TARP recipient's financial assistance has increased during a fiscal year to the point in the schedule under paragraph (b) of this section that the SEOs or a greater number of the most highly compensated employees will be subject to the requirements under paragraph (a) of this section is determined as of the last day of the TARP recipient's fiscal year, and the increase in coverage is effective for the subsequent fiscal year.

(3) *Application to first year of financial assistance.* For employers who become TARP recipients after June 15, 2009, the bonus payment limitation provision under this paragraph (b) does not apply to bonus payments paid or accrued by TARP recipients or their employees before the first date of the TARP period. Certain bonus payments may relate to a service period beginning before and ending after the first date of the TARP period. In these circumstances, the employee will not be treated as having accrued the bonus payment on or after the first date of the TARP period if the bonus payment is reduced to reflect at least the portion of the service period that occurs on or after the first date of the TARP period. However, if the employee is a SEO or most highly compensated employee at the time the amount would otherwise be paid, the bonus payment amount as reduced in accordance with the previous sentence still may not be paid until such time as bonus payments to that employee are permitted.

(c) *Accrual*—(1) *General rule.* Whether an employee has accrued a bonus payment is determined based on the facts and circumstances. An accrual may include the granting of service credit (whether toward the calculation of the benefit or any vesting requirement) or credit for the compensation received (or that otherwise would have been received) during the period the employee was subject to the restriction under paragraph (a) of this section. For application of this rule to the fiscal year including June 15, 2009, *see* § 30.17 (Q–17).

(2) *Payments or accruals after the employee is no longer a SEO or most highly compensated employee.* If after the employee is no longer a SEO or most highly compensated employee, the employee is paid a bonus payment or provided a legally binding right to a bonus payment that is based upon services performed or compensation received during the period the employee was a SEO or most highly compensated employee, the employee will be treated as having accrued such bonus payment during the period the employee was a SEO or most highly compensated employee. For example, if the employee is retroactively granted service credit under an incentive plan (whether for

vesting or benefit calculation purposes) for the period in which the employee was a SEO or most highly compensated employee, the employee will be treated as having accrued that benefit during the period the employee was a SEO or most highly compensated employee.

(3) *Multi-year service periods.* Certain bonus payments may relate to a multi-year service period, during some portion of which the employee is a SEO or most highly compensated employee subject to paragraph (a) of this section, and during some portion of which the employee is not. In these circumstances, the employee will not be treated as having accrued the bonus payment during the period the employee was a SEO or most highly compensated employee if the bonus payment is at least reduced to reflect the portion of the service period that the employee was a SEO or most highly compensated employee. If the employee is a SEO or most highly compensated employee at the time the net bonus payment amount after such reduction would otherwise be paid, the amount still may not be paid until such time as bonus payments to that employee are permitted.

(d) *Examples.* The following examples illustrate the rules of paragraphs (a) through (c) of this section:

Example 1. Employee A is a SEO of a TARP recipient in 2010, but not in 2011. The TARP recipient maintains an annual bonus program, generally paying bonus payments in March of the following year. Employee A may not be paid a bonus payment in 2010 (for services performed in 2009 or any other year). In addition, Employee A may not be paid a bonus payment in 2011 to the extent such bonus payment is based on services performed in 2010.

Example 2. Same facts as in *Example 1,* provided further that Employee A receives a salary increase for 2011. The salary increase equals the same percentage as similarly situated executive officers, with an additional percentage increase which, over the course of twelve months, equals the bonus that would have been payable to Employee A in 2011 (for services performed in 2010), except for application of paragraph (a) of this section. Under these facts and circumstances, the additional percentage increase will be treated as a bonus payment accrued in 2010 and Employee A may not be paid this bonus payment.

Example 3. Same facts as in *Example 1,* provided further that on March 1, 2011, Employee A is granted a stock option under the TARP recipient stock incentive plan with a value approximately equal to the bonus that would have been payable to Employee A in 2011 (for services performed in 2010), except for application of paragraph (a) of this section. Other similarly situated employee not covered by the bonus limitation for 2010 do not receive such a grant. Under these facts and circumstances, the stock option grant will be treated as a bonus payment accrued in 2010 and will not be permitted to be paid to Employee A.

Example 4. Employee B is not a SEO or a most highly compensated employee of a TARP recipient during 2009. On July 1, 2009, Employee B is granted the right to a bonus payment of $50,000 if Employee B is employed by the TARP recipient through July 1, 2011 (two years). Employee B is a SEO of a TARP recipient during 2010, but is not a SEO or a most highly compensated employee of the TARP recipient during 2011. Employee B is employed by the TARP recipient on July 1, 2011. Thus, Employee B was a SEO or most highly compensated employee during one-half of the two-year required service period. Provided that Employee B is paid not more than half of the otherwise payable bonus payment, or $25,000, Employee B will not be treated as having accrued a bonus payment while Employee B was a SEO or a most highly compensated employee.

(e) *Exclusions*—(1) *Long-term restricted stock*—(i) *General rule.* The TARP recipient is permitted to award long-term restricted stock to the employees whose compensation is limited according to the schedule under paragraph (b) of this section, provided that the value of this grant may not exceed one third of the employee's annual compensation as determined for that fiscal year (that is, not using the look-back method for the prior year). For purposes of this paragraph, in determining an employee's annual compensation, all equity-based compensation granted in fiscal years ending after June 15, 2009 will only be included in the calculation in the year in which it is granted at its total fair market value on the grant date, and all equity-based compensation granted in fiscal years ending prior to June 15, 2009 will not be included in the calculation of annual compensation for any subsequent fiscal year. For purposes of this paragraph, in determining the value of the long-term restricted stock grant, the long-term restricted stock granted in accordance with this paragraph will only be included in the calculation in the year in

which the restricted stock is granted at its total fair market value on the grant date.

(ii) *Example*. During 2008, Employee A receives compensation of $1 million salary and a $1,200,000 long-term restricted stock grant subject to a three-year vesting period. During 2009, Employee A received compensation of $1 million salary and no grant of long-term restricted stock. During 2010, Employee A receives compensation of $600,000 salary and a $300,000 long-term restricted stock grant subject to a three-year vesting period. Under the general SEC compensation disclosure rules used to define annual compensation in § 30.1 (Q–1) of this part, the compensation related to the long-term restricted stock grants would be allocated over the vesting period. Assume for this purpose, that for 2010, $400,000 of the 2008 long-term restricted stock grant is allocated as compensation, and $100,000 of the 2010 long-term restricted stock grant is allocated as compensation, so that the total annual compensation is $1,100,000 ($600,000 salary + $400,000 + $100,000). However, for purposes of determining Employee A's annual compensation to apply the limit on the value of the long-term restricted stock that may be granted to Employee A in 2010, the entire $300,000 value of the 2010 grant is included but the $400,000 value attributed to the 2008 grant is excluded. Accordingly, Employee A's adjusted annual compensation is $900,000 ($1,100,000 − $100,000 + $300,000 − $400,000). In addition, the entire fair market value of the 2010 long-term restricted stock grant is included for purposes of determining whether the limit has been exceeded. Because the $300,000 adjusted value of the long-term restricted stock grant does not exceed one-third of the $900,000 adjusted annual compensation, the grant complies with paragraph (e)(1)(i).

(2) *Legally binding right under valid employment contracts*—(i) *General rule*. The prohibition under paragraph (a) of this section does not apply to bonus payments required to be paid under a valid employment contract if the employee had a legally binding right under the contract to a bonus payment as of February 11, 2009. For purposes of determining whether an employee had a legally binding right to a bonus payment, *see* 26 CFR 1.409A–1(b)(i). In addition, the bonus payment must be made in accordance with the terms of the contract as of February 11, 2009 (which may include application of an elective deferral election under a qualified retirement plan or a nonqualified deferred compensation plan), such that any subsequent amendment to the contract to increase the amount payable, accelerate any vesting conditions, or otherwise materially enhance the benefit available to the employee under the contract will result in the bonus payment being treated as not made under the employment contract executed on or before February 11, 2009. However, amendment of a valid employment contract executed on or before February 11, 2009 under which an employee has a legally binding right to a bonus payment to reduce the amount of the bonus payment or to enhance or include service-based or performance-based vesting requirements or holding period requirements will not result in this treatment. The amended employment contract would still be deemed a valid employment contract and the employee would still be treated as having a legally binding right to the bonus payment under the original employment contract. The TARP recipient and the employees of the TARP recipient should be cognizant of the restrictions under section 409A of the Internal Revenue Code (26 U.S.C. 409A) in the case of an amendment described in the preceding sentence.

(ii) *Examples*. The following examples illustrate the provisions of this paragraph (2).

Example 1. TARP recipient sponsors a written restricted stock unit plan. Under the plan, restricted stock units are traditionally granted each July 1, and are subject to a three-year vesting requirement. Employee A, a SEO of TARP recipient, received grants on July 1, 2007, July 1, 2008, and July 1, 2009. The July 1, 2007 and July 1, 2008 grants are excluded from the limitation on payments, because although the awards were subject to a continuing service vesting requirement, Employee A retained a legally binding right to the restricted stock units as of February 11, 2009. However, regardless of the fact that the restricted stock unit program was in existence on February 11, 2009, Employee A did not retain a legally binding right to a restricted stock unit for 2009 as of February 11,

2009, but rather obtained the legally binding right only when the restricted stock unit was granted on July 1, 2009. Accordingly, the July 1, 2009 grant is subject to the limitation and is not permitted to be accrued or paid (unless such grant complies with the exception for certain grants of long-term restricted stock).

Example 2. TARP recipient sponsors an annual bonus program documented in a written plan. Under the bonus program, the board of directors retains the discretion to eliminate or reduce the bonus of any employee in the bonus pool. Employees B and C, both SEOs, are in the bonus pool for 2008. On January 15, 2009, the compensation committee determines the bonuses to which the employees of the division in which Employee B works are entitled, and awards Employee B a $10,000 bonus payable on June 1. Employee B has a legally binding right to the bonus as of February 11, 2009 and payment of the bonus is not subject to the limitation. However, as of February 11, 2009, the board of directors has not met to determine which employees of the division in which Employee C works will be entitled to a bonus or the amount of such bonus. Accordingly, Employee C did not have a legally binding right to a bonus as of February 11, 2009 and may be subject to the bonus payment limitation.

Example 3. TARP recipient sponsors a written stock option plan under which stock options may be granted to SEOs designated by the compensation committee. Designations and grants typically occur at a meeting in August of every year, and no meeting occurred in 2009 before August. Regardless of the existence of the general plan, no SEO had a legally binding right to a stock option grant for 2009 as of February 11, 2009 because no grants had been made under the plan. Accordingly, any 2009 grant will be subject to the limitation and is not permitted to be made.

Example 4. Employee D is an SEO of a TARP recipient. Under Employee D's written employment agreement executed before February 11, 2009, Employee D is entitled to the total of whatever bonuses are made available to Employee E and Employee F. As of February 11, 2009, Employee E had a legally binding right to a $100,000 bonus. Employees E and F are never at any time SEOs or highly compensated employees subject to the limitation. As of February 11, 2009, Employee F had no legally binding right to a bonus, but was eligible to participate in a bonus pool and was ultimately awarded a bonus of $50,000. As of February 11, 2009, Employee D had a legally binding right to a $100,000 bonus, so that bonus is not subject to the limitation. However, as of February 11, 2009, Employee D did not have a legally binding right to the additional $50,000 bonus, so that bonus is subject to the bonus payment limitation and, if not paid before June 15, 2009 is not permitted to be paid.

(f) *Application to private TARP recipients.* The rules set forth in this section are also applicable to TARP recipients that do not have securities registered with the SEC pursuant to the Federal securities laws.

§ 30.11 Q–11: Are TARP recipients required to meet any other standards under the executive compensation and corporate governance standards in section 111 of EESA?

(a) *Approval of compensation payments to, and compensation structures for, certain employees of TARP recipients receiving exceptional financial assistance.* For any period during which a TARP recipient is designated as a TARP recipient that has received exceptional financial assistance, the TARP recipient must obtain the approval by the Special Master of all compensation payments to, and compensation structures for, SEOs and most highly compensated employees subject to paragraph (b) of § 30.10 (Q–10). TARP recipients that receive exceptional financial assistance must also receive approval by the Special Master for all compensation structures for other employees who are executive officers (as defined under the Securities and Exchange Act, Rule 3b–7) or one of the 100 most highly compensated employees of a TARP recipient receiving exceptional assistance (or both), who are not subject to the bonus limitations under § 30.10 (Q–10). For this purpose, compensation payments and compensation structures may include awards or other rights to compensation which an employee has already received but not yet been paid or, in some instances, fully accrued. Accordingly, the Special Master has the authority to require that such compensation payments or compensation structures be altered to meet the standards set forth in § 30.16 (Q–16). However, this approval requirement is not applicable to payments that are not subject to paragraph (a) of § 30.10 (Q–10) due to the application of paragraph (e)(2) of § 30.10 (Q–10) or the effective date provisions of § 30.17 (Q–17), though the Special Master will take such payments into account in reviewing the compensation structure and

amounts payable, as applicable, that are subject to review. Notwithstanding any of the foregoing, approval is not required with respect to an employee not subject to the bonus payment limitations to the extent that the employee's annual compensation, as modified in § 30.16 (Q–16) to include certain deferred compensation and pension accruals but to disregard any grant of long-term restricted stock, is limited to $500,000 or less, and any further compensation is provided in the form of long-term restricted stock. For details, *see* § 30.16 (Q–16).

(b) *Perquisite disclosure*—(1) *General rule.* TARP recipients must annually disclose during the TARP period any perquisite whose total value for the TARP recipient's fiscal year exceeds $25,000 for each of the SEOs and most highly compensated employees that are subject to paragraph (a) of § 30.10 (Q–10). TARP recipients must provide a narrative description of the amount and nature of these perquisites, the recipient of these perquisites, and a justification for offering these perquisites (including a justification for offering the perquisite, and not only for offering the perquisite with a value that exceeds $25,000). Such disclosure must be provided within 120 days of the completion of a fiscal year any part of which is a TARP period.

(2) *Location.* A TARP recipient must provide this disclosure to Treasury and to its primary regulatory agency.

(c) *Compensation consultant disclosure*—(1) *General rule.* The compensation committee of the TARP recipient must provide annually a narrative description of whether the TARP recipient, the board of directors of the TARP recipient, or the compensation committee has engaged a compensation consultant; and all types of services, including non-compensation related services, the compensation consultant or any of its affiliates has provided to the TARP recipient, the board, or the compensation committee during the past three years, including any ''benchmarking'' or comparisons employed to identify certain percentile levels of compensation (for example, entities used for benchmarking and a justification for using these entities and the lowest percentile level proposed for compensation). Such disclosure must be provided within 120 days of the completion of a fiscal year any part of which is a TARP period.

(2) *Application to TARP recipients not required to maintain compensation committees.* For those TARP recipients not required to establish and maintain compensation committees under § 30.4(c) (Q–4), the board of directors must provide the disclosure under § 30.4(c)(1).

(3) *Location.* A TARP recipient must provide this disclosure to Treasury and to its primary regulatory agency.

(d) *Prohibition on gross-ups.* Except as explicitly permitted under this part, TARP recipients are prohibited from providing (formally or informally) gross-ups to any of the SEOs and next twenty most highly compensated employees during the TARP period. For this purpose, providing a gross-up includes providing a right to a payment of such a gross-up at a future date, for example a date after the TARP period.

§ 30.12 Q–12: What actions are necessary for a TARP recipient to comply with section 111(d) of EESA (the excessive or luxury expenditures policy requirement)?

To comply with section 111(d) of EESA, by the later of ninety days after the closing date of the agreement between the TARP recipient and Treasury or September 14, 2009, the board of directors of the TARP recipient must adopt an excessive or luxury expenditures policy, provide this policy to Treasury and its primary regulatory agency, and post the text of this policy on its Internet Web site, if the TARP recipient maintains a company Web site. After adoption of the policy, the TARP recipient must maintain the policy during the remaining TARP period (if the TARP recipient has an obligation), or through the last day of the TARP recipient's fiscal year including the sunset date (if the TARP recipient has never had an obligation). If, after adopting an excessive or luxury expenditures policy, the board of directors of the TARP recipient makes any material amendments to this policy, within ninety days of the adoption of the amended policy, the board of directors must provide the amended policy to Treasury and its primary regulatory

agency and post the amended policy on its Internet Web site, if the TARP recipient maintains a company Web site. This disclosure must continue through the TARP period (if the TARP recipient has an obligation), or through the last day of the TARP recipient's fiscal year that includes the sunset date (if the TARP recipient has never had an obligation).

§ 30.13 Q–13: What actions are necessary for a TARP recipient to comply with section 111(e) of EESA (the shareholder resolution on executive compensation requirement)?

As provided in section 111(e) of EESA, any proxy or consent or authorization for an annual or other meeting of the shareholders of any TARP recipient that occurs during the TARP period must permit a separate shareholder vote to approve the compensation of executives, as required to be disclosed pursuant to the Federal securities laws (including the compensation discussion and analysis, the compensation tables, and any related material). To meet this standard, a TARP recipient must comply with any rules, regulations, or guidance promulgated by the SEC that are applicable to the TARP recipient.

[74 FR 63992, Dec. 7, 2009]

§ 30.14 Q–14: How does section 111 of EESA operate in connection with an acquisition, merger, or reorganization?

(a) *Special rules for acquisitions, mergers, or reorganizations.* In the event that a TARP recipient (target) is acquired by an entity that is not an affiliate of the target (acquirer) in an acquisition of any form, including a purchase of substantially all of the assets of the target, such that the acquirer after the transaction would have been treated as a TARP recipient if the target had received the TARP funds immediately after the transaction, acquirer will not become subject to section 111 of EESA merely as a result of the acquisition. If the acquirer is not subject to section 111 of EESA immediately after the transaction, then any employees of the acquirer immediately after the transaction (including target employees who were SEOs or most highly compensated employees immediately prior to the transaction and became acquirer employees as a result of the transaction) will not be subject to section 111 of EESA.

(b) *Anti-abuse rule.* Notwithstanding the provisions of paragraph (a) of this section, if the primary purpose of a transaction involving the acquisition, in any form, of a TARP recipient is to avoid or evade the application of any of the requirements of section 111 of EESA, the acquirer will be treated as a TARP recipient immediately upon such acquisition. In such a case, the SEOs and the most highly compensated employees to whom any of the requirements of section 111 of EESA and this Interim Final Rule apply shall be redetermined as of the date of the acquisition. The redetermined SEOs and most highly compensated employees of the post-acquisition acquirer shall consist of the PEO and PFO of the post-acquisition acquirer, plus the applicable number of next most highly compensated employees determined by aggregating the post-acquisition employees of the acquirer (to include the pre-acquisition employees of the target employed by the acquirer, or anticipated to be employed by the acquirer), and ranking such employees in order of compensation for the immediately preceding fiscal year of the pre-acquisition target or pre-acquisition acquirer, as appropriate. In the case of an asset acquisition, the entity or entities to whom the target's assets are transferred shall be treated as the direct recipient of the financial assistance for purposes of determining which other related entities are treated, in the aggregate, as the TARP recipient under the definition of ''TARP recipient'' in § 30.1 (Q–1).

§ 30.15 Q–15: What actions are necessary for a TARP recipient to comply with certification requirements of section 111(b)(4) of EESA?

(a) *Certification Requirements*—(1) *General.* To comply with section 111(b)(4) of EESA, the PEO and the PFO of the TARP recipient must provide the following certifications with respect to the compliance of the TARP recipient with section 111 of EESA as implemented under this part:

(2) *First Fiscal Year Certification.* (i) Within ninety days of the completion of the first annual fiscal year of the TARP recipient any portion of which is a TARP period, the PEO and the PFO of the TARP recipient must provide certifications similar to the model provided in appendix A to this section.

(ii) If the first annual fiscal year of a TARP recipient any portion of which is a TARP period ends within thirty days after the closing date of the applicable agreement between the TARP recipient and Treasury, the TARP recipient shall have an additional sixty days beginning on the day after the end of the fiscal year during which it can establish the compensation committee, if not already established, and during which the compensation committee shall meet with senior risk officers to discuss, review, and evaluate the SEO compensation plans and employee compensation plans in accordance with § 30.4 (Q–4) of this part. The certifications of the PEO and the PFO of the TARP recipient must be amended to reflect the timing of the establishment and reviews of the compensation committee.

(3) *Years Following First Fiscal Year Certification.* Within ninety days of the completion of each TARP fiscal year of the TARP recipient after the first TARP fiscal year, the PEO and the PFO of the TARP recipient must provide a certification similar to the model provided in appendix B to this section.

(4) *Location.* A TARP recipient with securities registered with the SEC pursuant to the Federal securities law must provide these certifications as an exhibit (pursuant to Item 601(b)(99)(i) of Regulation S–K under the Federal securities laws (17 CFR 229.601(b)(99)(i)) to the TARP recipient's annual report on Form 10–K and to Treasury. To the extent that the PEO or the PFO of the TARP recipient is unable to provide any of these certifications in a timely manner, the PEO or the PFO must provide Treasury an explanation of the reason such certification has not been provided. These certifications are in addition to the compensation committee certifications required by § 30.5 (Q–5) of this part.

(5) *Application to private TARP recipients.* The rules provided in this section are also applicable to TARP recipients that do not have securities registered with the SEC pursuant to the Federal securities laws, except that the certifications under appendix A, paragraph (x) and appendix B, paragraph (x) of this section are not required for such TARP recipients. A private TARP recipient must provide these certifications to its primary regulatory agency and to Treasury.

(6) *Application to TARP recipients that have never had an obligation.* For those TARP recipients that have never had an obligation, the PEO and PFO must provide the certifications pursuant to this paragraph (a) only with respect to the requirements applicable to a TARP recipient that has never had an obligation (generally certain compensation committee reviews of employee compensation plans and the issuance of, and compliance with, an excessive or luxury expenses policy).

(b) *Recordkeeping requirements.* The TARP recipient must preserve appropriate documentation and records to substantiate each certification required under paragraph (a) of this section for a period of not less than six years after the date of the certification, the first two years in an easily accessible place. The TARP recipient must furnish promptly to Treasury legible, true, complete, and current copies of the documentation and records that are required to be preserved under paragraph (b) of this section that are requested by any representative of Treasury.

(c) *Penalties for making or providing false or fraudulent Statements.* Any individual or entity that provides information or makes a certification to Treasury pursuant to the Interim Final Rule or as required pursuant to 31 CFR part 30 may be subject to 18 U.S.C. 1001, which generally prohibits the making of any false or fraudulent statement in a matter within the jurisdiction of the Federal government. Upon receipt of information indicating that any individual or entity has violated any provision of title 18 of the U.S. Code or other provision of Federal law, Treasury

shall refer such information to the Department of Justice and the Special Inspector General for the Troubled Asset Relief Program.

APPENDIX A TO § 30.15—MODEL CERTIFICATION FOR FIRST FISCAL YEAR CERTIFICATION

''I, [identify certifying individual], certify, based on my knowledge, that:

(i) The compensation committee of [identify TARP recipient] has discussed, reviewed, and evaluated with senior risk officers at least every six months during the period beginning on the later of September 14, 2009, or ninety days after the closing date of the agreement between the TARP recipient and Treasury and ending with the last day of the TARP recipient's fiscal year containing that date (the applicable period), the senior executive officer (SEO) compensation plans and the employee compensation plans and the risks these plans pose to [identify TARP recipient];

(ii) The compensation committee of [identify TARP recipient] has identified and limited during the applicable period any features of the SEO compensation plans that could lead SEOs to take unnecessary and excessive risks that could threaten the value of [identify TARP recipient], and during that same applicable period has identified any features of the employee compensation plans that pose risks to [identify TARP recipient] and has limited those features to ensure that [identify TARP recipient] is not unnecessarily exposed to risks;

(iii) The compensation committee has reviewed, at least every six months during the applicable period, the terms of each employee compensation plan and identified any features of the plan that could encourage the manipulation of reported earnings of [identify TARP recipient] to enhance the compensation of an employee, and has limited any such features;

(iv) The compensation committee of [identify TARP recipient] will certify to the reviews of the SEO compensation plans and employee compensation plans required under (i) and (iii) above;

(v) The compensation committee of [identify TARP recipient] will provide a narrative description of how it limited during any part of the most recently completed fiscal year that included a TARP period the features in

(A) SEO compensation plans that could lead SEOs to take unnecessary and excessive risks that could threaten the value of [identify TARP recipient];

(B) Employee compensation plans that unnecessarily expose [identify TARP recipient] to risks; and

(C) Employee compensation plans that could encourage the manipulation of reported earnings of [identify TARP recipient] to enhance the compensation of an employee;

(vi) [Identify TARP recipient] has required that bonus payments, as defined in the regulations and guidance established under section 111 of EESA (bonus payments), of the SEOs and twenty next most highly compensated employees be subject to a recovery or ''clawback'' provision during any part of the most recently completed fiscal year that was a TARP period if the bonus payments were based on materially inaccurate financial statements or any other materially inaccurate performance metric criteria;

(vii) [Identify TARP recipient] has prohibited any golden parachute payment, as defined in the regulations and guidance established under section 111 of EESA, to an SEO or any of the next five most highly compensated employees during the period beginning on the later of the closing date of the agreement between the TARP recipient and Treasury or June 15, 2009 and ending with the last day of the TARP recipient's fiscal year containing that date;

(viii) [Identify TARP recipient] has limited bonus payments to its applicable employees in accordance with section 111 of EESA and the regulations and guidance established thereunder during the period beginning on the later of the closing date of the agreement between the TARP recipient and Treasury or June 15, 2009 and ending with the last day of the TARP recipient's fiscal year containing that date, [*for recipients of exceptional assistance:* and has received or is in the process of receiving approvals from the Office of the Special Master for TARP Executive Compensation for compensation payments and structures as required under the regulations and guidance established under section 111 of EESA, and has not made any payments inconsistent with those approved payments and structures];

(ix) The board of directors of [identify TARP recipient] has established an excessive or luxury expenditures policy, as defined in the regulations and guidance established under section 111 of EESA, by the later of September 14, 2009, or ninety days after the closing date of the agreement between the TARP recipient and Treasury; this policy has been provided to Treasury and its primary regulatory agency; [identify TARP recipient] and its employees have complied with this policy during the applicable period; and any expenses that, pursuant to this policy, required approval of the board of directors, a committee of the board of directors, an SEO, or an executive officer with a similar level of responsibility were properly approved;

(x) [Identify TARP recipient] will permit a non-binding shareholder resolution in compliance with any applicable Federal securities rules and regulations on the disclosures provided under the Federal securities laws

related to SEO compensation paid or accrued during the period beginning on the later of the closing date of the agreement between the TARP recipient and Treasury or June 15, 2009 and ending with the last day of the TARP recipient's fiscal year containing that date;

(xi) [Identify TARP recipient] will disclose the amount, nature, and justification for the offering during the period beginning on the later of the closing date of the agreement between the TARP recipient and Treasury or June 15, 2009 and ending with the last day of the TARP recipient's fiscal year containing that date of any perquisites, as defined in the regulations and guidance established under section 111 of EESA, whose total value exceeds $25,000 for any employee who is subject to the bonus payment limitations identified in paragraph (viii);

(xii) [Identify TARP recipient] will disclose whether [identify TARP recipient], the board of directors of [identify TARP recipient], or the compensation committee of [TARP recipient] has engaged during the period beginning on the later of the closing date of the agreement between the TARP recipient and Treasury or June 15, 2009 and ending with the last day of the TARP recipient's fiscal year containing that date, a compensation consultant; and the services the compensation consultant or any affiliate of the compensation consultant provided during this period;

(xiii) [Identify TARP recipient] has prohibited the payment of any gross-ups, as defined in the regulations and guidance established under section 111 of EESA, to the SEOs and the next twenty most highly compensated employees during the period beginning on the later of the closing date of the agreement between the TARP recipient and Treasury or June 15, 2009 and ending with the last day of the TARP recipient's fiscal year containing that date;

(xiv) [Identify TARP recipient] has substantially complied with all other requirements related to employee compensation that are provided in the agreement between [identify TARP recipient] and Treasury, including any amendments;

(xv) [Identify TARP recipient] has submitted to Treasury a complete and accurate list of the SEOs and the twenty next most highly compensated employees for the current fiscal year and the most recently completed fiscal year, with the non-SEOs ranked in descending order of level of annual compensation, and with the name, title, and employer of each SEO and most highly compensated employee identified; and**[.]**

(xvi) I understand that a knowing and willful false or fraudulent statement made in connection with this certification may be punished by fine, imprisonment, or both. (*See*, for example, 18 U.S.C. 1001.)''

APPENDIX B TO § 30.15—MODEL CERTIFICATION FOR YEARS FOLLOWING FIRST FISCAL YEAR CERTIFICATION

''I, [identify certifying individual], certify, based on my knowledge, that:

(i) The compensation committee of [identify TARP recipient] has discussed, reviewed, and evaluated with senior risk officers at least every six months during any part of the most recently completed fiscal year that was a TARP period, senior executive officer (SEO) compensation plans and employee compensation plans and the risks these plans pose to [identify TARP recipient];

(ii) The compensation committee of [identify TARP recipient] has identified and limited during any part of the most recently completed fiscal year that was a TARP period any features of the SEO compensation plans that could lead SEOs to take unnecessary and excessive risks that could threaten the value of [identify TARP recipient] and has identified any features of the employee compensation plans that pose risks to [identify TARP recipient] and has limited those features to ensure that [identify TARP recipient] is not unnecessarily exposed to risks;

(iii) The compensation committee has reviewed, at least every six months during any part of the most recently completed fiscal year that was a TARP period, the terms of each employee compensation plan and identified any features of the plan that could encourage the manipulation of reported earnings of [identify TARP recipient] to enhance the compensation of an employee, and has limited any such features;

(iv) The compensation committee of [identify TARP recipient] will certify to the reviews of the SEO compensation plans and employee compensation plans required under (i) and (iii) above;

(v) The compensation committee of [identify TARP recipient] will provide a narrative description of how it limited during any part of the most recently completed fiscal year that was a TARP period the features in

(A) SEO compensation plans that could lead SEOs to take unnecessary and excessive risks that could threaten the value of [identify TARP recipient];

(B) Employee compensation plans that unnecessarily expose [identify TARP recipient] to risks; and

(C) Employee compensation plans that could encourage the manipulation of reported earnings of [identify TARP recipient] to enhance the compensation of an employee;

(vi) [Identify TARP recipient] has required that bonus payments to SEOs or any of the next twenty most highly compensated employees, as defined in the regulations and guidance established under section 111 of

EESA (bonus payments), be subject to a recovery or ''clawback'' provision during any part of the most recently completed fiscal year that was a TARP period if the bonus payments were based on materially inaccurate financial statements or any other materially inaccurate performance metric criteria;

(vii) [Identify TARP recipient] has prohibited any golden parachute payment, as defined in the regulations and guidance established under section 111 of EESA, to a SEO or any of the next five most highly compensated employees during any part of the most recently completed fiscal year that was a TARP period;

(viii) [Identify TARP recipient] has limited bonus payments to its applicable employees in accordance with section 111 of EESA and the regulations and guidance established thereunder during any part of the most recently completed fiscal year that was a TARP period [*for recipients of exceptional assistance*] and has received or is in the process of receiving approvals from the Office of the Special Master for TARP Executive Compensation for compensation payments and structures as required under the regulations and guidance established under section 111 of EESA, and has not made any payments inconsistent with those approved payments and structures;

(ix) [Identify TARP recipient] and its employees have complied with the excessive or luxury expenditures policy, as defined in the regulations and guidance established under section 111 of EESA, during any part of the most recently completed fiscal year that was a TARP period; and any expenses that, pursuant to the policy, required approval of the board of directors, a committee of the board of directors, an SEO, or an executive officer with a similar level of responsibility were properly approved;

(x) [Identify TARP recipient] will permit a non-binding shareholder resolution in compliance with any applicable Federal securities rules and regulations on the disclosures provided under the Federal securities laws related to SEO compensation paid or accrued during any part of the most recently completed fiscal year that was a TARP period;

(xi) [Identify TARP recipient] will disclose the amount, nature, and justification for the offering, during any part of the most recently completed fiscal year that was a TARP period, of any perquisites, as defined in the regulations and guidance established under section 111 of EESA, whose total value exceeds $25,000 for any employee who is subject to the bonus payment limitations identified in paragraph (viii);

(xii) [Identify TARP recipient] will disclose whether [identify TARP recipient], the board of directors of [identify TARP recipient], or the compensation committee of [identify TARP recipient] has engaged during any part of the most recently completed fiscal year that was a TARP period a compensation consultant; and the services the compensation consultant or any affiliate of the compensation consultant provided during this period;

(xiii) [Identify TARP recipient] has prohibited the payment of any gross-ups, as defined in the regulations and guidance established under section 111 of EESA, to the SEOs and the next twenty most highly compensated employees during any part of the most recently completed fiscal year that was a TARP period;

(xiv) [Identify TARP recipient] has substantially complied with all other requirements related to employee compensation that are provided in the agreement between [identify TARP recipient] and Treasury, including any amendments;

(xv) [Identify TARP recipient] has submitted to Treasury a complete and accurate list of the SEOs and the twenty next most highly compensated employees for the current fiscal year, with the non-SEOs ranked in descending order of level of annual compensation, and with the name, title, and employer of each SEO and most highly compensated employee identified; and''.

(xvi) I understand that a knowing and willful false or fraudulent statement made in connection with this certification may be punished by fine, imprisonment, or both. (*See*, for example 18 U.S.C. 1001.)''

[74 FR 28405, June 15, 2009, as amended at 74 FR 63992, Dec. 7, 2009]

§ 30.16 Q–16: What is the Office of the Special Master for TARP Executive Compensation, and what are its powers, duties and responsibilities?

(a) *The Office of the Special Master for TARP Executive Compensation*. The Secretary of the Treasury shall establish the Office of the Special Master for TARP Executive Compensation (Special Master). The Special Master shall serve at the pleasure of the Secretary, and may be removed by the Secretary without notice, without cause, and prior to the naming of any successor Special Master. The Special Master shall have the following powers, duties and responsibilities:

(1) *Interpretative authority*. The Special Master shall have responsibility for interpreting section 111 of EESA, these regulations, and any other applicable guidance, to determine how the requirements under section 111 of EESA, these regulations, and any other

applicable guidance, apply to particular facts and circumstances. Accordingly, the Special Master shall make all determinations, as required, as to the meaning of such guidance and whether such requirements have been met in any particular circumstances. In addition, a TARP recipient or a TARP recipient employee may submit a request, in accordance with paragraph (c)(3) of this section, for an advisory opinion with respect to the requirements under section 111 of EESA, these regulations and any other applicable guidance.

(2) *Review of prior payments to employees.* Section 111(f) of EESA provides that the Secretary shall review bonuses, retention awards, and other compensation paid before February 17, 2009, to employees of each entity receiving TARP assistance before February 17, 2009, to determine whether any such payments were inconsistent with the purposes of section 111 of EESA or TARP, or otherwise contrary to the public interest. Section 111(f) of EESA provides that, if the Secretary makes such a determination, the Secretary shall seek to negotiate with the TARP recipient and the subject employee for appropriate reimbursements to the Federal Government with respect to compensation or bonuses. The Special Master shall have the responsibility for administering these provisions, including the identification of the payments that are inconsistent with the purposes of EESA or TARP, or otherwise contrary to the public interest, and the Special Master shall have responsibility for the negotiation with the TARP recipient and the subject employee for appropriate reimbursements to the Federal Government with respect to compensation or bonuses. The Special Master shall make this determination by application of the principles outlined in paragraph (b) of this section. The Special Master's administration of these provisions may provide for the scope of review by the Special Master of a payment, including a limited review or no review, depending on the payment amount, the type of payment, the overall compensation earned by the employee during the relevant period, a combination thereof, or such other factors as the Special Master may determine, where the Special Master determines that such factors demonstrate that such payments are not, or are highly unlikely to be, inconsistent with the purposes of section 111 of EESA or TARP, or otherwise contrary to the public interest, or that renegotiation of such payments is not in the public interest. The Special Master may request in writing any information from TARP recipients necessary to carry out the review of prior compensation required under section 111(f) of EESA. TARP recipients must submit any requested information to the Special Master within 30 days of the request.

(3) *Approval of certain payments to employees of TARP recipients receiving exceptional financial assistance*—(i) *SEOs and most highly compensated employees.* The Special Master shall determine whether the compensation structure for each SEO or most highly compensated employee of a TARP recipient receiving exceptional assistance, including the amounts payable or potentially payable under such compensation structure, will or may result in payments that are inconsistent with the purposes of section 111 of EESA or TARP, or are otherwise contrary to the public interest. The Special Master shall make such determinations by applying the principles outlined in paragraph (b) of this section, subject to the requirement that the compensation structure and payments satisfy the applicable limitations under § 30.10 (Q–10). This requirement shall apply to any compensation accrued or paid during any period the SEO or most highly compensated employee is subject to the limitations under § 30.10 (Q–10). Initial requests for such approval must be submitted no later than August 14, 2009. The Special Master's administration of these provisions may provide for the Special Master's scope of review, including a limited review or no review, of a portion of a compensation structure or payment depending on the amount of such payments, the type of such payments, the overall compensation earned by the employee during the relevant period, a combination thereof, or such other factors as the Special Master determines, if the Special Master has determined that such factors

demonstrate that such payments are not, or are highly unlikely to be, inconsistent with the purposes of section 111 of EESA or TARP, or otherwise contrary to the public interest. The Special Master shall issue a determination within 60 days of the receipt of a substantially complete submission. The TARP recipient must make a further request for approval to the extent the compensation structure for any SEO or most highly compensated employee, including the amounts that are or may be payable, for any SEO or highly compensated employee is materially modified. In reviewing compensation structures and compensation payments for any period subject to Special Master review, the Special Master may take into account other compensation structures and other compensation earned, accrued or paid, including such compensation and compensation structures that are not subject to the restrictions of Section 111 of EESA pursuant to section 111(b)(3)(D)(iii) (*see* § 30.10(e)(2) (Q–30.10(e)(2) (certain legally binding rights under valid written employment contracts)), and amounts that were accrued or paid prior to June 15, 2009 and are therefore not subject to review by the Special Master.

(ii) *Other executive officers and most highly compensated employees.* With respect to any employee who is either an executive officer (as defined under the Securities and Exchange Act Rule 3b–7) or one of the 100 most highly compensated employees of a TARP recipient receiving exceptional assistance (or both), who is not subject to the bonus limitations under § 30.10 (Q–10), the Special Master shall determine whether the compensation structure for such employees will or may result in payments that are inconsistent with the purposes of section 111 of EESA or TARP, or are otherwise contrary to the public interest. The Special Master shall make such determination through application of the principles outlined in paragraph (b) of this section. With respect to the scope of the required review, the Special Master shall determine only whether the compensation arrangements are adequately structured, and is not required to rule with respect to the amounts that are or may be payable thereunder. However, the TARP recipient may also request an advisory opinion with respect to the amounts that are or may be payable, which the Special Master may provide in his sole discretion. Notwithstanding the foregoing, if the total annual compensation to an employee complies with the rules applicable to an SEO under § 30.10 (Q–10) applied without any limits on the grant of long-term restricted stock, and the annual compensation other than long-term restricted stock does not exceed $500,000 (or for 2009, $500,000 prorated to reflect the remaining portion of 2009 after June 15, 2009), the compensation structure will automatically be deemed to meet the requirements and no prior approval by the Special Master will be required. For purposes of the $500,000 limit, in determining annual compensation, all equity-based compensation granted in fiscal years ending after June 15, 2009 will be included in the calculation only in the year in which they are granted at their total fair market value on the grant date and all equity-based compensation granted in fiscal years ending prior to June 15, 2009 will not be included in the calculation of annual compensation. In addition, solely for purposes of applying the limit (and not for purposes of identifying the most highly compensated employees), the term annual compensation includes amounts required to be disclosed under paragraph (viii) of Item 402(a) of Regulation S–K of the Federal securities laws (change in the actuarial present value of benefits under a pension plan and above-market earnings on deferred compensation). The Special Master's administration of these provisions may provide for limited or no review of a portion of a compensation structure by the Special Master depending on the amount of potential payments, the type of such payments, the overall compensation earned by the employee during the relevant period, a combination thereof, or such other factors as the Special Master determines, where the Special Master has determined that such factors demonstrate that such payments are not, or are highly unlikely to be, inconsistent with the purposes of section 111 of EESA or TARP, or otherwise

contrary to the public interest. Initial requests for such approval must be submitted no later than 120 days after publication of the final rule. Separate requests need not be submitted for each individual covered employee, but should be submitted for identified groups of employees subject to the same compensation structures to the extent possible as long as sufficient detail regarding individual compensation awards are provided as necessary to evaluate such employee's compensation structure. The Special Master shall issue a determination within 60 days of the receipt of a substantially complete submission. The TARP recipient must make a further request for approval to the extent the compensation structure, including the amounts that are or may be payable, for any executive officer is materially amended. In reviewing compensation structures for any period subject to Special Master review, the Special Master may take into account other compensation structures and other compensation earned, accrued or paid, including such compensation and compensation structures that are not subject to the restrictions of Section 111 of EESA pursuant to section 111(b)(3)(D)(iii) (*see* § 30.10(e)(2) (Q–30.10(e)(2) (certain legally binding rights under valid written employment contracts)), and amounts that were accrued or paid prior to June 15, 2009 and are therefore not subject to review by the Special Master.

(iii) *Period from June 15, 2009 through final determination*. For the period from June 15, 2009 through the date of the Special Master's final determination, the TARP recipient will be treated as complying with this section if, with respect to employees covered by paragraph (a)(3)(i) of this section, the TARP recipient continues to pay compensation to such employees in accordance with the terms of employment as of June 14, 2009 to the extent otherwise permissible under this Interim Final Rule (for example, continued salary payments but not any bonus payments) and if, with respect to employees covered by paragraph (a)(3)(ii) of this section, the TARP recipient continues to pay compensation to such employees under the compensation structure established as of June 14, 2009, and if in addition the TARP recipient promptly complies with any modifications that may be required by the Special Master's final determination. However, the Special Master may take into account the amounts paid to an employee during such period in determining the appropriate compensation amounts and compensation structures, as applicable, for the remainder of the year.

(4) *Advisory opinions on compensation structures or compensation payments to employees of TARP recipients*. A TARP recipient or TARP recipient employee may request an advisory opinion from the Special Master as to whether a compensation structure is, or will or may result in payments that are, inconsistent with the purposes of EESA or TARP, or otherwise contrary to the public interest. In addition, the Special Master may become aware of compensation structures or payments at any TARP recipient for which it may be useful to provide an advisory opinion as to whether such structure or payments meets this standard. Accordingly, the Special Master shall have the authority to render advisory opinions upon request or at the Special Master's initiative, as to whether a compensation structure is, or will or may result in payments to an employee that are inconsistent with the purposes of section 111 of EESA or TARP, or otherwise contrary to the public interest, or whether a compensation payment made, or to be made, was or will be inconsistent with the purposes of section 111 of EESA or TARP, or otherwise contrary to the public interest. If the Special Master renders an adverse opinion, the Special Master shall have the authority to seek to negotiate with the TARP recipient and the subject employee for appropriate reimbursements to the TARP recipient or the Federal government. Any advisory opinion shall reflect the Special Master's application of the principles outlined in paragraph (b) of this section. The Special Master shall not be required to render an advisory opinion in every instance, but may do so only where the Special Master deems appropriate and feasible in the context of the Special Master's other responsibilities. In any case, the Special Master shall

render an opinion, or affirmatively decline to render an advisory opinion, within 60 days of the receipt of a substantially complete submission. The Special Master shall not be required to explain any decision to decline to render an advisory opinion.

(5) *Other designated duties and powers.* The Special Master shall have such other duties and powers related to the application of compensation issues arising in the administration of EESA or TARP as the Secretary or the Secretary's designate may delegate to the Special Master, including, but not limited to, the interpretation or application of contractual provisions between the Federal government and a TARP recipient as those provisions relate to the compensation paid to, or accrued by, an employee of such TARP recipient.

(b) *Determination of whether compensation is inconsistent with the purposes of section 111 of EESA or TARP or is otherwise contrary to the public interest*—(1) *Principles.* In reviewing a compensation structure or a compensation payment to determine whether it is inconsistent with the purposes of section 111 of EESA or TARP or is otherwise contrary to the public interest, the Special Master shall apply the principles enumerated below. The principles are intended to be consistent with sound compensation practices appropriate for TARP recipients, and to advance the purposes and considerations described in EESA sections 2 and 103, including the maximization of overall returns to the taxpayers of the United States and providing stability and preventing disruptions to financial markets. The Special Master has discretion to determine the appropriate weight or relevance of a particular principle depending on the facts and circumstances surrounding the compensation structure or payment under consideration, such as whether a payment occurred in the past or is proposed for the future, the role of the employee within the TARP recipient, the situation of the TARP recipient within the marketplace and the amount and type of financial assistance provided. To the extent that two or more principles may appear inconsistent in a particular situation, the Special Master will determine the relative weight to be accorded each principle. In the case of any review of payments already made under paragraph (c)(2) of this section, or of any rights to bonuses, awards, or other compensation already granted, the Special Master shall apply these principles by considering the facts and circumstances at the time the compensation was granted, earned, or paid, as appropriate.

(i) *Risk.* The compensation structure should avoid incentives to take unnecessary or excessive risks that could threaten the value of the TARP recipient, including incentives that reward employees for short-term or temporary increases in value, performance, or similar measure that may not ultimately be reflected by an increase in the long-term value of the TARP recipient. Accordingly, incentive payments or similar rewards should be structured to be paid over a time horizon that takes into account the risk horizon so that the payment or reward reflects whether the employee's performance over the particular service period has actually contributed to the long-term value of the TARP recipient.

(ii) *Taxpayer return.* The compensation structure, and amount payable where applicable, should reflect the need for the TARP recipient to remain a competitive enterprise, to retain and recruit talented employees who will contribute to the TARP recipient's future success, and ultimately to be able to repay TARP obligations.

(iii) *Appropriate allocation.* The compensation structure should appropriately allocate the components of compensation such as salary, short-term and long-term incentives, as well as the extent to which compensation is provided in cash, equity or other types of compensation such as executive pensions, other benefits, or perquisites, based on the specific role of the employee and other relevant circumstances, including the nature and amount of current compensation, deferred compensation, or other compensation and benefits previously paid or awarded. The appropriate allocation may be different for different positions and for different employees, but generally, in the case of an executive or other senior level position a significant

portion of the overall compensation should be long-term compensation that aligns the interest of the employee with the interests of shareholders and taxpayers.

(iv) *Performance-based compensation.* An appropriate portion of the compensation should be performance-based over a relevant performance period. Performance-based compensation should be determined through tailored metrics that encompass individual performance and/or the performance of the TARP recipient or a relevant business unit taking into consideration specific business objectives. Performance metrics may relate to employee compliance with relevant corporate policies. In addition, the likelihood of meeting the performance metrics should not be so great that the arrangement fails to provide an adequate incentive for the employee to perform, and performance metrics should be measurable, enforceable, and actually enforced if not met. The appropriate allocation and the appropriate performance metrics may be different for different positions and for different employees, but generally a significant portion of total compensation should be performance-based compensation, and generally that portion should be greater for positions that exercise higher levels of responsibility.

(v) *Comparable structures and payments.* The compensation structure, and amount payable where applicable, should be consistent with, and not excessive, taking into account compensation structures and amounts for persons in similar positions or roles at similar entities that are similarly situated, including, as applicable, entities competing in the same markets and similarly situated entities that are financially distressed or that are contemplating or undergoing reorganization.

(vi) *Employee contribution to TARP recipient value.* The compensation structure, and amount payable where applicable, should reflect the current or prospective contributions of an employee to the value of the TARP recipient, taking into account multiple factors such as revenue production, specific expertise, compliance with company policy and regulation (including risk management), and corporate leadership, as well as the role the employee may have had with respect to any change in the financial health or competitive position of the TARP recipient.

(2) *Further guidance.* The Secretary reserves the discretion to modify or amend the foregoing principles through notice, announcement or other generally applicable guidance, provided that such guidance shall apply only prospectively from its date of publication and shall not provide a basis for reconsideration of a determination of the Special Master, except as the Special Master deems appropriate in light of such modification or amendment.

(c) *Special Master determinations*—(1) *Initial determinations.* The Special Master shall provide an initial determination in writing, within 60 days of the receipt of a substantially complete submission, setting forth the facts and analysis that formed the basis for the determination. The TARP recipient shall have 30 days to request in writing that the Special Master reconsider the initial determination. The request for reconsideration must specify a factual error or relevant new information not previously considered, and must demonstrate that such error or lack of information resulted in a material error in the initial determination. The Special Master must provide a final determination in writing within 30 days, setting forth the facts and analysis that formed the basis for the determination. If a TARP recipient does not request reconsideration within 30 days, the initial determination shall be treated as a final determination.

(2) *Final determinations.* In the case of any final determination that the TARP recipient is required to receive, the final determination of the Special Master shall be final and binding and treated as the determination of the Treasury.

(3) *Advisory Opinions.* An advisory opinion of the Special Master shall not be binding upon any TARP recipient or employee, but may be relied upon by a TARP recipient or employee if the advisory opinion applies to the TARP recipient and the employee and the TARP recipient and employee comply in all respects with the advisory opinion.

(d) *Submissions to the Special Master*—(1) *Submission procedures.* Submissions to the Special Master may be made under such procedures as the Special Master shall determine. The Special Master may reserve the right to request further information at any time and a submission shall not be treated as substantially complete unless the Special Master has so designated.

(2) *Disclosure procedures.* Materials submitted to the Special Master and the initial and final determinations of the Special Master are subject to disclosure under the standards provided in the Freedom of Information Act (FOIA, (5 U.S.C. 552 *et seq.*)). In addition, the final determinations of the Special Master shall be disclosed to the public. The Special Master shall promulgate procedures for ensuring that disclosed materials have been subject to appropriate redaction to protect personal privacy, privileged or confidential commercial or financial information or other appropriate redactions permissible under the FOIA, which may include a procedure for the person or entity making the submission to request redactions and to review and request reconsideration of any proposed redactions before such redacted materials are released.

§ 30.17 Q–17: How do the effective date provisions apply with respect to the requirements under section 111 of EESA?

(a) *General rule.* The requirements under this part with respect to sections 111(b), 111(c), 111(d) and 111(f) are effective upon June 15, 2009. The guidance under this part with respect to those sections supersedes any previous guidance applicable to a TARP recipient to the extent that guidance is inconsistent with those requirements, but supersedes that guidance only as of June 15, 2009. To the extent previous contractual provisions are not inconsistent with ARRA or the guidance under this part, those contractual provisions remain in effect and continue to apply in accordance with their terms.

(b) *Bonus payment limitation.* The bonus payment limitation provision under § 30.10 (Q–10) of this part does not apply to bonus payments paid or accrued by TARP recipients or their employees before June 15, 2009. Certain bonus payments may relate to a service period beginning before and ending after June 15, 2009. In these circumstances, the employee will not be treated as having accrued the bonus payment on or after June 15, 2009 if the bonus payment is at least reduced to reflect the portion of the service period that occurs after June 15, 2009. If the employee is an SEO or most highly compensated employee at the time the net bonus payment after such reduction would otherwise be paid, the amount still may not be paid until such time as bonus payments to that employee are permitted.

PART 31—TROUBLED ASSET RELIEF PROGRAM

Sec.
31.1 General.

Subpart A [Reserved]

Subpart B—Conflicts of Interest

31.200 Purpose and scope.
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AUTHORITY: 31 U.S.C. 321; Pub. L. 110–343; 122 Stat. 3765.

SOURCE: 76 FR 61049, Oct. 3, 2011, unless otherwise noted.

§ 31.1 General.

This part sets forth regulations to implement and administer the Emergency Economic Stabilization Act of 2008 (Pub. L. 110–343; 122 Stat. 3765).

Subpart A [Reserved]

Subpart B—Conflicts of Interest

§ 31.200 Purpose and scope.

(a) *Purpose.* This regulation sets forth standards to address and manage or to prohibit conflicts of interest that may

arise in connection with the administration and execution of the authorities under the Troubled Asset Relief Program (TARP), established under sections 101 and 102 of the Emergency Economic Stabilization Act of 2008 (EESA).

(b) *Scope*. This regulation addresses actual and potential conflicts of interest, or circumstances that give rise to the appearance of a conflict of interest, that may arise from contracts and financial agency agreements between private sector entities and the Treasury for services under the TARP, other than administrative services identified by the TARP Chief Compliance Officer.

§ 31.201 Definitions.

As used in this part:

Arrangement means a contract or financial agency agreement between a private sector entity and the Treasury for services under the TARP, other than administrative services identified by the TARP Chief Compliance Officer.

Dependent child means a son, daughter, stepson or stepdaughter who is either (a) Unmarried, under age 21, and living in the individual's house, or (b) considered a ''dependent'' of the individual under the U.S. tax code.

EESA means the Emergency Economic Stabilization Act of 2008, as amended.

Key individual means an individual providing services to a private sector entity who participates personally and substantially, through, for example, decision, approval, disapproval, recommendation, or the rendering of advice, in the negotiation or performance of, or monitoring for compliance under, the arrangement with the Treasury. For purposes of the definition of key individual, the words ''personally and substantially'' shall have the same meaning and interpretation as such words have in 5 CFR 2635.402(b)(4).

Organizational conflict of interest means a situation in which the retained entity has an interest or relationship that could cause a reasonable person with knowledge of the relevant facts to question the retained entity's objectivity or judgment to perform under the arrangement, or its ability to represent the Treasury. Without limiting the scope of this definition, organizational conflicts of interest may include the following situations:

(1) A prior or current arrangement between the Treasury and the retained entity that may give the retained entity an unfair competitive advantage in obtaining a new arrangement with Treasury.

(2) The retained entity is, or represents, a party in litigation against the Treasury relating to activities under the EESA.

(3) The retained entity provides services for Treasury relating to the acquisition, valuation, disposition, or management of troubled assets at the same time it provides those services for itself or others.

(4) The retained entity gains, or stands to gain, an unfair competitive advantage in private business arrangements or investments by using information provided under an arrangement or obtained or developed pursuant to an arrangement with Treasury.

(5) The retained entity is a potential candidate for relief under EESA, is currently participating in an EESA program, or has a financial interest that could be affected by its performance of the arrangement.

(6) The retained entity maintains a business or financial relationship with institutions that have received funds from Treasury pursuant to the EESA.

Personal conflict of interest means a personal, business, or financial interest of an individual, his or her spouse or any dependent child that could adversely affect the individual's ability to perform under the arrangement, his or her objectivity or judgment in such performance, or his or her ability to represent the interests of the Treasury.

Related entity means the parent company and subsidiaries of a retained entity, any entity holding a controlling interest in the retained entity, and any entity in which the retained entity holds a controlling interest.

Retained entity means the individual or entity seeking an arrangement with the Treasury or having such an arrangement with the Treasury, but does not include special government employees. A ''retained entity'' includes the subcontractors and consultants it hires to perform services under the arrangement.

Special government employee means an officer or employee serving the Treasury, serving with or without compensation, for a period not to exceed 130 days during any 365-day period on a full-time or intermittent basis.

Treasury means the United States Department of the Treasury.

Treasury employee means an officer or employee of the Treasury, including a special government employee, or an employee of any other government agency who is properly acting on behalf of the Treasury.

Troubled assets, for purposes of this rule, shall have the same meaning as set forth in 12 U.S.C. 5202(9).

§ 31.211 Organizational conflicts of interest.

(a) *Retained entity's responsibility.* A retained entity working under an arrangement shall not permit an actual or potential organizational conflict of interest (including a situation in which the retained entity has an interest or relationship that could cause a reasonable person with knowledge of the relevant facts to question the retained entity's objectivity or judgment to perform under the arrangement or its ability to represent the Treasury), unless the conflict has been disclosed to Treasury under this Section and mitigated under a plan approved by Treasury, or Treasury has waived the conflict. With respect to arrangements for the acquisition, valuation, management, or disposition of troubled assets, the retained entity shall maintain a compliance program reasonably designed to detect and prevent violations of federal securities laws and organizational conflicts of interest.

(b) *Information required about the retained entity.* As early as possible before entering an arrangement to perform services for Treasury under the EESA, a retained entity shall provide Treasury with sufficient information to evaluate any organizational conflicts of interest. The information shall include the following:

(1) The retained entity's relationship to any related entities.

(2) The categories of troubled assets owned or controlled by the retained entity and its related entities, if the arrangement relates to the acquisition, valuation, disposition, or management of troubled assets.

(3) Information concerning all other business or financial interests of the retained entity, its proposed subcontractors, or its related entities, which could conflict with the retained entity's obligations under the arrangement with Treasury.

(4) A description of all organizational conflicts of interest and potential conflicts of interest.

(5) A written detailed plan to mitigate all organizational conflicts of interest, along with supporting documents.

(6) Any other information or documentation about the retained entity, its proposed subcontractors, or its related entities that Treasury may request.

(c) *Plans to mitigate organizational conflicts of interest.* The steps necessary to mitigate a conflict may depend on a variety of factors, including the type of conflict, the scope of work under the arrangement, and the organizational structure of the retained entity. Some conflicts may be so substantial and pervasive that they cannot be mitigated. Retained entities should consider the following measures when designing a mitigation plan:

(1) Adopting, implementing, and enforcing appropriate information barriers to prevent unauthorized people from learning nonpublic information relating to the arrangement and isolate key individuals from learning how their performance under the arrangement could affect the financial interests of the retained entity, its clients, and related entities.

(2) Divesting assets that give rise to conflicts of interest.

(3) Terminating or refraining from business relationships that give rise to conflicts of interest.

(4) If consistent with the terms of the arrangement and permitted by Treasury, refraining from performing specific types of work under the arrangement.

(5) Any other steps appropriate under the circumstances.

(d) *Certification required.* When the retained entity provides the information required by paragraph (b) of this section, the retained entity shall certify

that the information is complete and accurate in all material respects.

(e) *Determination required.* Prior to entering into any arrangement, the Treasury must conclude that no organizational conflict of interest exists that has not been adequately mitigated, or if a conflict cannot be adequately mitigated, that Treasury has expressly waived it. Once Treasury has approved a conflicts mitigation plan, the plan becomes an enforceable term under the arrangement.

(f) *Subsequent notification.* The retained entity has a continuing obligation to search for, report, and mitigate any and all potential organizational conflicts of interest that have not already been disclosed to Treasury under a plan approved by Treasury or previously waived by Treasury. The retained entity shall search regularly for conflicts and shall, within five (5) business days after learning of a potential organizational conflict of interest, disclose the potential conflict of interest in writing to the TARP Chief Compliance Officer. The disclosure shall describe the steps it has taken or proposes to take to mitigate the potential conflict or request a waiver from Treasury.

(g) *Periodic Certification.* No later than one year after the arrangement's effective date, and at least annually thereafter, the retained entity shall certify in writing that it has no organizational conflicts of interest, or explain in detail the extent to which it can certify, and describe the actions it has taken and plans to take to mitigate any conflicts. Treasury may require more frequent certifications, depending on the arrangement.

(h) *Retention of information.* A retained entity shall retain the information needed to comply with this section and to support the certifications required by this section for three (3) years following termination or expiration of the arrangement, and shall make that information available to Treasury upon request. Such retained information shall include, but is not limited to, written documentation regarding the factors the retained entity considered in its mitigation plan as well as written documentation addressing the results of the retained entities' periodic review of the mitigation plan.

§ 31.212 Personal conflicts of interest.

(a) *Retained entity's responsibility.* A retained entity shall ensure that all key individuals have no personal conflicts of interest (including a situation that would cause a reasonable person with knowledge of the relevant facts to question the individual's ability to perform, his or her objectivity or judgment in such performance, or his or her ability to represent the interests of the Treasury), unless mitigation measures have neutralized the conflict, or Treasury has waived the conflict.

(b) *Information required.* Before key individuals begin work under an arrangement, a retained entity shall obtain information from each of them in writing about their personal, business, and financial relationships, as well as those of their spouses and dependent children that would cause a reasonable person with knowledge of the relevant facts to question the individual's ability to perform, his or her objectivity or judgment in such performance, or his or her ability to represent the interests of the Treasury. When the arrangement concerns the acquisition, valuation, management, or disposition of troubled assets, the information shall be no less extensive than that required of certain new federal employees under Office of Government Ethics Form 450. Treasury may extend the time necessary to meet these requirements in urgent and compelling circumstances.

(c) *Disqualification.* The retained entity shall disqualify key individuals with personal conflicts of interest from performing work pursuant to the arrangement unless mitigation measures have neutralized the conflict to the satisfaction of the TARP Chief Compliance Officer. The retained entity may seek a waiver from the TARP Chief Compliance Officer to allow a key individual with a personal conflict of interest to work under the arrangement.

(d) *Initial certification.* No later than ten business days after the effective date of the arrangement, the retained entity shall certify to the Treasury that all key individuals performing services under the arrangement have no personal conflicts of interest, or are

subject to a mitigation plan or waiver approved by Treasury. In making this certification, the retained entity may rely on the information obtained pursuant to paragraph (b) of this section, unless the retained entity knows or should have known that the information provided is false or inaccurate. Treasury may extend the time necessary to meet these requirements where the retained entity has a large number of key individuals, or in other appropriate circumstances.

(e) *Periodic certification.* No later than one year after the arrangement's effective date, and at least annually thereafter, the retained entity shall renew the certification required by paragraph (d) of this section. The retained entity shall provide more frequent certifications to Treasury when requested.

(f) *Retained entities' responsibilities.* The retained entity shall adopt and implement procedures designed to search for, report, and mitigate personal conflicts of interest on a continuous basis.

(g) *Subsequent notification.* Within five business days after learning of a personal conflict of interest, the retained entity shall notify Treasury of the conflict and describe the steps it has taken and will take in the future to neutralize the conflict.

(h) *Retention of information.* A retained entity shall retain the information needed to comply with this section and to support the certifications required by this section for three years following termination or expiration of the arrangement, and shall make that information available to Treasury upon request.

§ 31.213 General standards.

(a) During the time period in which a retained entity is seeking an arrangement and during the term of any arrangement:

(1) The retained entity's officers, partners, or employees performing work under the arrangement shall not accept or solicit favors, gifts, or other items of monetary value above $20 from any individual or entity whom the retained entity, officer, partner, or employee knows is seeking official action from the Treasury in connection with the arrangement or has interests which may be substantially affected by the performance or nonperformance of duties to the Treasury under the arrangement, provided that the total value of gifts from the same person or entity does not exceed $50 in any calendar year.

(2) The retained entity and its officers and partners, and its employees shall not improperly use or allow the improper use of Treasury property for the personal benefit of any individual or entity other than the Treasury.

(3) The retained entity and its officers and partners, and its employees shall not make any unauthorized promise or commitment on behalf of the Treasury.

(b) Any individual who acts for or on behalf of the Treasury pursuant to an arrangement shall comply with 18 U.S.C. 201, which generally prohibits the direct or indirect acceptance by a public official of anything of value in return for being influenced in, or because of, an official act. Violators are subject to criminal penalties.

(c) Any individual or entity that provides information or makes a certification to the Treasury that is relating to services under EESA or required pursuant to 31 CFR part 31 is subject to 18 U.S.C. 1001, which generally prohibits the making of any false or fraudulent statement to a federal officer. Upon receipt of information indicating that any individual or entity has violated any provision of title 18 of the U.S. Code or other provision of criminal law, Treasury shall refer such information to the Department of Justice and the Special Inspector General for the Troubled Asset Relief Program (SIGTARP).

(d) A retained entity shall disclose to the SIGTARP, any credible evidence, in connection with the designation, services, or closeout of the arrangement, that an employee, or contractor of the retained entity has committed a violation of Federal criminal law involving fraud, conflict of interest, bribery, or gratuity violations found in Title 18 of the United States Code, or a violation of the civil False Claims Act (31 U.S.C. 3729–3733).

§ 31.214 Limitations on concurrent activities.

Treasury has determined that certain market activities by a retained entity during the arrangement are likely to cause impermissible conflicts of interest. Accordingly, the following restrictions shall apply unless waived pursuant to section 31.215, or Treasury agrees in writing to specific mitigation measures.

(a) If the retained entity assists Treasury in the acquisition, valuation, management, or disposition of specific troubled assets, the retained entity and key individuals shall not purchase or offer to purchase such assets from Treasury, or assist anyone else in purchasing or offering to purchase such troubled assets from the Treasury, during the term of its arrangement.

(b) If the retained entity advises Treasury with respect to a program for the purchase of troubled assets, the retained entity and key individuals shall not, during the term of the arrangement, sell or offer to sell, or act on behalf of anyone with respect to a sale or offer to sell, any asset to Treasury under the terms of that program.

§ 31.215 Grant of waivers.

The TARP Chief Compliance Officer may waive a requirement under this part that is not otherwise imposed by law when it is clear from the totality of the circumstances that a waiver is in the government's interest.

§ 31.216 Communications with Treasury employees.

(a) *Prohibitions.* During the course of any process for selecting a retained entity (including any process using noncompetitive procedures), a retained entity participating in the process and its representatives shall not:

(1) Directly or indirectly make any offer or promise of future employment or business opportunity to, or engage directly or indirectly in any discussion of future employment or business opportunity with, any Treasury employee with personal or direct responsibility for that procurement.

(2) Offer, give, or promise to offer or give, directly or indirectly, any money, gratuity, or other thing of value to any Treasury employee, except as permitted by the Standards of Conduct for Employees of the Executive Branch, 5 CFR part 2635.

(3) Solicit or obtain from any Treasury employee, directly or indirectly, any information that is not public and was prepared for use by Treasury for the purpose of evaluating an offer, quotation, or response to enter into an arrangement.

(b) *Certification.* Before a retained entity enters a new arrangement, the retained entity must certify to the following:

(1) The retained entity is aware of the prohibitions of paragraph (a) of this section and, to the best of its knowledge after making reasonable inquiry, the retained entity has no information concerning a violation or possible violation of paragraph (a) of this section.

(2) Each officer, employee, and representative of the retained entity who participated personally and substantially in preparing and submitting a bid, offer, proposal, or request for modification of the arrangement has certified that he or she:

(i) Is familiar with and will comply with the requirements of paragraph (a) of this section; and

(ii) Has no information of any violations or possible violations of paragraph (a) of this section, and will report immediately to the retained entity any subsequently gained information concerning a violation or possible violation of paragraph (a) of this section.

§ 31.217 Confidentiality of information.

(a) *Nonpublic information defined.* Any information that Treasury provides to a retained entity under an arrangement, or that the retained entity obtains or develops pursuant to the arrangement, shall be deemed nonpublic until the Treasury determines otherwise in writing, or the information becomes part of the body of public information from a source other than the retained entity.

(b) *Prohibitions.* The retained entity shall not:

(1) Disclose nonpublic information to anyone except as required to perform the retained entity's obligations pursuant to the arrangement, or pursuant to

a lawful court order or valid subpoena after giving prior notice to Treasury.

(2) Use or allow the use of any nonpublic information to further any private interest other than as contemplated by the arrangement.

(c) *Retained entity's responsibility*. A retained entity shall take appropriate measures to ensure the confidentiality of nonpublic information and to prevent its inappropriate use. The retained entity shall document these measures in sufficient detail to demonstrate compliance, and shall maintain this documentation for three years after the arrangement has terminated. The retained entity shall notify the TARP Chief Compliance Officer in writing within five business days of detecting a violation of the prohibitions in paragraph (b), above. The security measures required by this paragraph shall include:

(1) Security measures to prevent unauthorized access to facilities and storage containers where nonpublic information is stored.

(2) Security measures to detect and prevent unauthorized access to computer equipment and data storage devices that store or transmit nonpublic information.

(3) Periodic training to ensure that persons receiving nonpublic information know their obligation to maintain its confidentiality and to use it only for purposes contemplated by the arrangement.

(4) Programs to ensure compliance with federal securities laws, including laws relating to insider trading, when the arrangement relates to the acquisition, valuation, management, or disposition of troubled assets.

(5) A certification from each key individual stating that he or she will comply with the requirements in section 31.217(b). The retained entity shall obtain this certification, in the form of a nondisclosure agreement, before a key individual performs work under the arrangement, and then annually thereafter.

(d) *Certification*. No later than ten business days after the effective date of the arrangement, the retained entity shall certify to the Treasury that it has received a certification form from each key individual stating that he or she will comply with the requirements in §31.217(b). In making this certification, the retained entity may rely on the information obtained pursuant to paragraph (b) of this section, unless the retained entity knows or should have known that the information provided is false or inaccurate.

§31.218 Enforcement.

(a) Compliance with these rules concerning conflicts of interest is of the utmost importance. In the event a retained entity or any individual or entity providing information pursuant to 31 U.S.C. part 31 violates any of these rules, Treasury may impose or pursue one or more of the following sanctions:

(1) Rejection of work tainted by an organizational conflict of interest or a personal conflict of interest and denial of payment for that work.

(2) Termination of the arrangement for default.

(3) Debarment of the retained entity for Federal government contracting and/or disqualification of the retained entity from future financial agency agreements.

(4) Imposition of any other remedy available under the terms of the arrangement or at law.

(5) In the event of violation of a criminal statute, referral to the Department of Justice for prosecution of the retained entity and/or its officers or employees. In such cases, the Department of Justice may make direct and derivative use of any statements and information provided by any entity, its representatives and employees or any individual, to the extent permitted by law.

(b) To the extent Treasury has discretion in selecting or imposing a remedy, it will give significant consideration to a retained entity's prompt disclosure of any violation of these rules.

PART 32—PAYMENTS IN LIEU OF LOW INCOME HOUSING TAX CREDITS

AUTHORITY: Public Law 111–5.

§ 32.1 Timing of disbursements.

(a) State housing credit agencies that receive funds under section 1602 of Division B of the American Recovery and Reinvestment Tax Act of 2009 must make subawards to subawardees to finance the construction or acquisition and rehabilitation of low-income housing no later than December 31, 2010. Any funds that are not used to make subawards by December 31, 2010, must be returned to the Treasury by January 1, 2011.

(b) The requirement in subsection (a) above does not prevent State housing credit agencies from continuing to disburse funds to subawardees after December 31, 2010 provided:

(1) A subaward has been made to the subawardee on or before December 31, 2010;

(2) The subawardee has, by the close of 2010, paid or incurred at least 30 percent of the subawardee's total adjusted basis in land and depreciable property that is reasonably expected to be part of the low-income housing project; and

(3) Any funds not disbursed to the subawardee by December 31, 2011, must be returned to the Treasury by January 1, 2012.

[74 FR 44752, Aug. 31, 2009]

PART 33—WAIVERS FOR STATE INNOVATION

Sec.

33.100 Basis and purpose.
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AUTHORITY: Sec. 1332, Pub. L. 111–148, 124 Stat. 119.

SOURCE: 77 FR 11715, Feb. 27, 2012, unless otherwise noted.

§ 33.100 Basis and purpose.

(a) *Statutory basis.* This part implements provisions of section 1332 of the Patient Protection and Affordable Care Act (Affordable Care Act), Public Law 111–148, relating to Waivers for State Innovation, which the Secretary may authorize for plan years beginning on or after January 1, 2017. Section 1332 of the Affordable Care Act requires the Secretary to issue regulations that provide for all of the following:

(1) A process for public notice and comment at the State level, including public hearings, sufficient to ensure a meaningful level of public input.

(2) A process for the submission of an application that ensures the disclosure of all of the following:

(i) The provisions of law that the State involved seeks to waive.

(ii) The specific plans of the State to ensure that the waiver will meet all requirements specified in section 1332 of the Affordable Care Act.

(3) A process for the provision of public notice and comment after a waiver application is received by the Secretary of Health and Human Services, that is sufficient to ensure a meaningful level of public input and that does not impose requirements that are in addition to, or duplicative of, requirements imposed under the Administrative Procedures Act, or requirements that are unreasonable or unnecessarily burdensome with respect to State compliance.

(4) A process for the submission of reports to the Secretary by a State relating to the implementation of a waiver.

(5) A process for the periodic evaluation by the Secretary of programs under waivers.

(b) *Purpose.* This part sets forth certain procedural requirements for Waivers for State Innovation under section 1332 of the Affordable Care Act.

§ 33.102 Coordinated waiver process.

(a) *Coordination with applications for waivers under other Federal laws.* A State may submit a single application to the Secretary of Health and Human Services for a waiver under section 1332 of the Affordable Care Act and a waiver under one or more of the existing waiver processes applicable under titles XVIII, XIX, and XXI of the Social Security Act, or under any other Federal law relating to the provision of health care items or services, provided that such application is consistent with the

procedures described in this part, the procedures for demonstrations under section 1115 of the Social Security Act, if applicable, and the procedures under any other applicable Federal law under which the State seeks a waiver.

(b) *Coordinated process for section 1332 waivers.* A State seeking a section 1332 waiver must submit a waiver application to the Secretary of Health and Human Services. Any application submitted to the Secretary of Health and Human Services that requests to waive sections 36B, 4980H, or 5000A of the Internal Revenue Code, in accordance with section 1332(a)(2)(D) of the Affordable Care Act, shall upon receipt be transmitted by the Secretary of Health and Human Services to the Secretary to be reviewed in accordance with this part.

§ 33.104 Definitions.

For the purposes of this part:

Complete application means an application that has been submitted and for which the Secretary and the Secretary of Health and Human Services have made a preliminary determination that it includes all required information and satisfies all requirements that are described in § 33.108(f).

Public notice means a notice issued by a government agency or legislative body that contains sufficient detail to notify the public at large of a proposed action consistent with § 33.112.

Section 1332 waiver means a Waiver for State Innovation under section 1332 of the Affordable Care Act.

§ 33.108 Application procedures.

(a) *Acceptable formats for applications.* Applications for initial approval of a section 1332 waiver shall be submitted in electronic format to the Secretary of Health and Human Services.

(b) *Application timing.* Applications for initial approval of a section 1332 waiver must be submitted sufficiently in advance of the requested effective date to allow for an appropriate implementation timeline.

(c) *Preliminary review.* Each application for a section 1332 waiver will be subject to a preliminary review by the Secretary and the Secretary of Health and Human Services, who will make a preliminary determination that the application is complete. A submitted application will not be deemed received until the Secretary and the Secretary of Health and Human Services have made the preliminary determination that the application is complete.

(1) The Secretary and the Secretary of Health and Human Services will complete the preliminary review of the application within 45 days after it is submitted.

(2) If the Secretary and the Secretary of Health and Human Services determine that the application is not complete, the Secretary of Health and Human Services will send the State a written notice of the elements missing from the application.

(3) The preliminary determination that an application is complete does not preclude a finding during the 180-day Federal decision-making period that a necessary element of the application is missing or insufficient.

(d) *Notification of preliminary determination.* Upon making the preliminary determination that an application is complete, as defined in this part, the Secretary of Health and Human Services will send the State a written notice informing the State that the Secretary and the Secretary of Health and Human Services have made such a preliminary determination. That date will also mark the beginning of the Federal public notice process and the 180-day Federal decision-making period.

(e) *Public notice of completed application.* Upon receipt of a complete application for an initial section 1332 waiver, the Secretary of Health and Human Services will—

(1) Make available to the public the application, and all related State submissions, including all supplemental information received from the State following the receipt of a complete application for a section 1332 waiver.

(2) Indicate the status of the application.

(f) *Criteria for a complete application.* An application for initial approval of a section 1332 waiver will not be considered complete unless the application meets all of the following conditions:

(1) Complies with paragraphs (a) through (f) of this section.

(2) Provides written evidence of the State's compliance with the public notice requirements set forth in § 33.112, including a description of the key issues raised during the State public notice and comment period.

(3) Provides all of the following:

(i) A comprehensive description of the State legislation and program to implement a plan meeting the requirements for a waiver under section 1332 of PPACA. In analyzing whether the State has satisfied the requirement under section 1332(b)(2)(A) of PPACA that the State enact a law authorizing a waiver under section 1332 of PPACA, the Secretary and the Secretary of Health and Human Services, as applicable, may consider existing State legislation combined with duly-enacted State regulation or an executive order so long as the State legislation provides statutory authority to enforce PPACA provisions or the State plan;

(ii) A copy of the enacted State legislation that provides the State with authority to implement the proposed waiver, as required under section 1332(a)(1)(C) of the Affordable Care Act;

(iii) A list of the provisions of law that the State seeks to waive, including a description of the reason for the specific requests; and

(iv) The analyses, actuarial certifications, data, assumptions, targets, and other information set forth in paragraph (f)(4) of this section sufficient to provide the Secretary and the Secretary of Health and Human Services, as applicable, with the necessary data to determine that the State's proposed waiver satisfies the general requirements for approval under section 1332(b)(1) of the Affordable Care Act consistent with the provisions of this paragraph (f)(3)(iv) and interpretive guidance published by the Secretary and the Secretary of Health and Human Services:

(A) As required under section 1332(b)(1)(A) of the Affordable Care Act (the comprehensive coverage requirement), will provide coverage that is at least as comprehensive as the coverage defined in section 1302(b) of the Affordable Care Act and offered through Exchanges established under the Affordable Care Act as certified by the Office of the Actuary of the Centers for Medicare & Medicaid Services based on sufficient data from the State and from comparable States about their experience with programs created by the Affordable Care Act and the provisions of the Affordable Care Act that the State seeks to waive. To satisfy the comprehensive coverage requirement, the Secretary and the Secretary of Health and Human Services, as applicable, must determine that the State plan will provide consumers access to coverage options that are at least as comprehensive as the coverage options provided without the waiver, to at least a comparable number of people as would have had access to such coverage absent the waiver. These coverage options must also satisfy the affordability requirement in paragraph (f)(3)(iv)(B) of this section;

(B) As required under section 1332(b)(1)(B) of the Affordable Care Act (the affordability requirement), will provide coverage and cost sharing protections against excessive out-of-pocket spending that are at least as affordable as the provisions of Title I of the Affordable Care Act would provide. To satisfy the affordability requirement, the Secretary and the Secretary of Health and Human Services, as applicable, must determine that the State plan will provide consumers access to coverage options that are at least as affordable as the coverage options provided without the waiver, to at least a comparable number of people as would have had access to such coverage absent the waiver. These coverage options must also satisfy the comprehensive coverage requirement in paragraph (f)(3)(iv)(A) of this section;

(C) As required under section 1332(b)(1)(C) of the Affordable Care Act (the scope of coverage requirement), will provide coverage to at least a comparable number of its residents as the provisions of Title I of the Affordable Care Act would provide. Coverage refers to minimum essential coverage as defined in 26 U.S.C. 5000A(f) and 26 CFR 1.5000A–2, and health insurance coverage as defined in 45 CFR 144.103; and

(D) As prohibited under section 1332(b)(1)(D) of the Affordable Care Act (the Federal deficit requirement), will not increase the Federal deficit.

(4) Contains the following supporting information:

(i) *Actuarial analyses and actuarial certifications*. Actuarial analyses and actuarial certifications to support the State's estimates that the proposed waiver will comply with the comprehensive coverage requirement, the affordability requirement, and the scope of coverage requirement.

(ii) *Economic analyses*. Economic analyses to support the State's estimates that the proposed waiver will comply with the comprehensive coverage requirement, the affordability requirement, the scope of coverage requirement and the Federal deficit requirement, including:

(A) A detailed 10-year budget plan that is deficit neutral to the Federal government, as prescribed by section 1332(a)(1)(B)(ii) of the Affordable Care Act, and includes all costs under the waiver, including administrative costs and other costs to the Federal government, if applicable; and

(B) A detailed analysis regarding the estimated impact of the waiver on health insurance coverage in the State.

(iii) *Data and assumptions*. The data and assumptions used to demonstrate that the State's proposed waiver is in compliance with the comprehensive coverage requirement, the affordability requirement, the scope of coverage requirement and the Federal deficit requirement, including:

(A) Information on the age, income, health expenses and current health insurance status of the relevant State population; the number of employers by number of employees and whether the employer offers insurance; cross-tabulations of these variables; and an explanation of data sources and quality; and

(B) An explanation of the key assumptions used to develop the estimates of the effect of the waiver on coverage and the Federal budget, such as individual and employer participation rates, behavioral changes, premium and price effects, and other relevant factors.

(iv) *Implementation timeline*. A detailed draft timeline for the State's implementation of the proposed waiver.

(v) *Additional information*. Additional information supporting the State's proposed waiver, including:

(A) An explanation as to whether the waiver increases or decreases the administrative burden on individuals, insurers, and employers, and if so, how and why;

(B) An explanation of how the waiver will affect the implementation of the provisions of the Affordable Care Act which the State is not requesting to waive in the State and at the Federal level;

(C) An explanation of how the waiver will affect residents who need to obtain health care services out-of-State, as well as the States in which such residents may seek such services;

(D) If applicable, an explanation as to how the State will provide the Federal government with all information necessary to administer the waiver at the Federal level; and

(E) An explanation of how the State's proposal will address potential individual, employer, insurer, or provider compliance, waste, fraud and abuse within the State or in other States.

(vi) *Reporting targets*. Quarterly, annual, and cumulative targets for the comprehensive coverage requirement, the affordability requirement, the scope of coverage requirement, and the Federal deficit requirement.

(vii) *Other information*. Other information consistent with guidance provided by the Secretary and the Secretary of Health and Human Services.

(g) *Additional supporting information*. (1) During the Federal review process, the Secretary may request additional supporting information from the State via the Secretary of Health and Human Services as needed to address public comments or to address issues that arise in reviewing the application.

(2) Requests for additional information, and responses to such requests, will be made available to the public in the same manner as information described in § 33.116(b).

[77 FR 11715, Feb. 27, 2012, as amended at 86 FR 6176, Jan. 19, 2021]

§ 33.112 State public notice requirements.

(a) *General.* (1) Prior to submitting an application for a new section 1332 waiver to the Secretary of Health and Human Services for review and consideration, a State must provide a public notice and comment period sufficient to ensure a meaningful level of public input for the application for a section 1332 waiver.

(2) Such public notice and comment period shall include, for a State with one or more Federally-recognized Indian tribes within its borders, a separate process for meaningful consultation with such tribes.

(b) *Public notice and comment period.* The State shall make available at the beginning of the public notice and comment period, through its Web site or other effective means of communication, and shall update as appropriate, a public notice that includes all of the following:

(1) A comprehensive description of the application for a section 1332 waiver to be submitted to the Secretary of Health and Human Services including information and assurances related to all statutory requirements and other information consistent with guidance provided by the Secretary and the Secretary of Health and Human Services.

(2) Information relating to where copies of the application for a section 1332 waiver are available for public review and comment.

(3) Information relating to how and where written comments may be submitted and reviewed by the public, and the timeframe during which comments will be accepted.

(4) The location, date, and time of public hearings that will be convened by the State to seek public input on the application for a section 1332 waiver.

(c) *Public hearings.* (1) After issuing the public notice and prior to submitting an application for a new section 1332 waiver, a State must conduct public hearings regarding the State's application.

(2) Such public hearings shall provide an interested party the opportunity to learn about and comment on the contents of the application for a section 1332 waiver.

(d) *Submission of initial application.* After the State public notice and comment period has concluded, the State may submit an application to the Secretary of Health and Human Services for an initial waiver in accordance with the requirements set forth in § 33.108.

§ 33.116 Federal public notice and approval process.

(a) *General.* The Federal public notice and approval process begins on the first business day after the Secretary and the Secretary of Health and Human Services determine that all elements for a complete application were documented and submitted to the Secretary of Health and Human Services.

(b) *Public notice and comment period.* (1) Following a determination that a State's application for a section 1332 waiver is complete, the Secretary and the Secretary of Health and Human Services will provide for a public notice and comment period that is sufficient to ensure a meaningful level of public input and that does not impose requirements that are in addition to, or duplicative of, requirements imposed under the Administrative Procedures Act, or requirements that are unreasonable or unnecessarily burdensome with respect to State compliance.

(2) At the beginning of the Federal notice and comment period, the Secretary of Health and Human Services will make available through its Web site and otherwise, and shall update as appropriate, public notice that includes all of the following:

(i) The complete application for a section 1332 waiver, updates for the status of the State's application, and any supplemental materials received from the State prior to and during the Federal public notice and comment period.

(ii) Information relating to where copies of the application for a section 1332 waiver are available for public review and comment.

(iii) Information relating to how and where written comments may be submitted and reviewed by the public, and the timeframe during which comments will be accepted.

(iv) Any public comments received during the Federal public notice and comment period.

(c) *Approval of a section 1332 waiver application*. The final decision of the Secretary and the Secretary of Health and Human Services on a State application for a section 1332 waiver will be issued by the Secretary of Health and Human Services no later than 180 days after the determination by the Secretary and the Secretary of Health and Human Services that a complete application was received in accordance with § 33.108.

§ 33.118 Modification from the normal public notice requirements during the public health emergency.

(a) The Secretary and the Secretary of Health and Human Services may modify, in part, the State public notice requirements under § 33.112 and the Federal public notice procedures under § 33.116 to expedite a decision on a proposed waiver request during the public health emergency for COVID–19, as defined in 42 CFR 400.200, when a delay would undermine or compromise the purpose of the proposed waiver request and be contrary to the interests of consumers. These flexibilities are limited to event-triggered, emergent situations, and the flexibilities outlined in this section will not be available for States seeking to address a threat to consumers' access to health coverage or care that existed prior to the public health emergency for COVID–19.

(b) A State must meet all of the following criteria to request a modification under paragraph (a) of this section:

(1) The State must request a modification under paragraph (a) of this section, in the form and manner specified by the Secretaries.

(2) The State must have acted in good faith, and in a diligent, timely, and prudent manner in the preparation of the request for a modification under paragraph (a) of this section, and the waiver application request, as applicable.

(3) The State must, as applicable, detail in its request for a modification from State-level notice procedures under paragraph (a) of this section the justification for the request and the alternative public notice procedures it proposes to implement at the State level, including public hearings, that are designed to provide the greatest opportunity and level of meaningful public input from impacted stakeholders that is practicable given the emergency circumstances underlying the State's request for a modification. As a condition of receiving a modification approval, a State must implement public notice procedures, including public hearings, at the State level and, if required, amend the waiver application request.

(4) The State must, as applicable, detail in its request for a modification from Federal-level notice procedures under paragraph (a) of this section the justification for the request as it relates to the public health emergency and the alternative public notice procedures it requests to be implemented at the Federal level.

(c) The Secretary and the Secretary of Health and Human Services will evaluate a State's request for a modification under paragraph (a) of this section and issue their exemption determination within approximately 15 calendar days after the request is received.

(d) The Secretary of Health and Human Services will publish on the Centers for Medicare and Medicaid Services (CMS) website any modification determinations within 15 calendar days of the Secretary and the Secretary of Health and Human Services making such a determination, as well as the approved revised timeline for public comment under the approved alternative State or Federal public notice procedures, as applicable.

(e) The State must publish on its website any modification requests and determinations within 15 calendar days of receipt of the determination, as well as the approved revised timeline for public comment under the alternative State or Federal public notice procedures, as applicable.

(f) The State must, as applicable, implement the alternative public notice procedures at the State level if the State's exemption request is approved and, if required, amend the waiver application request.

[85 FR 71196, Nov. 6, 2020]

§ 33.120 Monitoring and compliance.

(a) *General.* (1) Following the issuance of a final decision to approve a section 1332 waiver by the Secretary and the Secretary of Health and Human Services, as applicable, a State must comply with all applicable Federal laws, regulations, and interpretive policy statements, as well as interpretive guidance published by the Secretary and the Secretary of Health and Human Services, unless expressly waived. A State must, within the timeframes specified in law, regulation, interpretive policy or guidance, come into compliance with any changes in Federal law, regulation, or policy affecting section 1332 waivers, unless the provision being changed is expressly waived.

(2) The Secretary and the Secretary of Health and Human Services will examine compliance with Federal and regulatory requirements consistent with § 33.108(f)(3)(iv) and interpretive guidance published by the Secretary and the Secretary of Health and Human Services when conducting implementation reviews under paragraph (b) of this section.

(b) *Implementation reviews.* (1) The terms and conditions of an approved section 1332 waiver will provide that the State will perform periodic reviews of the implementation of the section 1332 waiver.

(2) The Secretary and the Secretary of Health and Human Services will review documented complaints that a State is failing to comply with requirements specified in the terms and conditions of any approved section 1332 waiver.

(3) The Secretary and the Secretary of Health and Human Services will promptly share with a State any complaint that the Secretary and the Secretary of Health and Human Services has received and will also provide notification of any applicable monitoring and compliance issues.

(c) *Post award.* Within 6 months after the implementation date of a section 1332 waiver and annually thereafter, a State must hold a public forum to solicit comments on the progress of a section 1332 waiver. The State must hold the public forum at which members of the public have an opportunity to provide comments and must provide a summary of the forum to the Secretary of Health and Human Services as part of the quarterly report specified in § 33.124(a) that is associated with the quarter in which the forum was held, as well as in the annual report specified in § 33.124(b) that is associated with the year in which the forum was held.

(1) *Notification requirements for public forum.* The State must publish the date, time, and location of the public forum in a prominent location on the State's public Web site, at least 30 days prior to the date of the planned public forum.

(2) *Modification from the normal post-award requirements during the public health emergency.* (i) The Secretary and the Secretary of Health and Human Services may modify, in part, State post-award requirements under this paragraph (c)(2) for an approved waiver request during the public health emergency for COVID–19, as defined in 42 CFR 400.200, when the application of the post award public notice requirements would be contrary to the interests of consumers during the public health emergency. These flexibilities are limited to event-triggered, emergent situations, and the flexibilities outlined in this section will not be available for States seeking to address a threat to consumers' access to health coverage or care that existed prior to the public health emergency for COVID–19.

(ii) A State must meet all of the following criteria to request a modification under paragraph (c) of this section:

(A) The State must request a modification under this paragraph (c)(2), in the form and manner specified by the Secretaries.

(B) The State must have acted in good faith, and in a diligent, timely, and prudent manner to comply with the monitoring and compliance requirement under the waiver and the terms and conditions of the agreement between the Secretary and the Secretary of Health and Human Services, as applicable, and the State to implement a section 1332 waiver and to submit and prepare the request for a modification under this paragraph (c)(2).

(C) The State must detail in its request for a modification under this paragraph (c)(2) the alternative post award public notice procedures it proposes to implement at the State level, including public hearings, that are designed to provide the greatest opportunity and level of meaningful public input from impacted stakeholders that is practicable given the emergency circumstances underlying the State's request for a modification.

(D) The Secretary and the Secretary of Health and Human Services will evaluate a State's request for a modification under this paragraph (c)(2) and issue their modification determination within approximately 15 calendar days after the request is received.

(E) The State must publish on its website any modification requests and determinations within 15 calendar days of the receipt of the determination as well as information on the approved revised timeline for the state's post award public notice procedures, as applicable.

(d) *Terminations and suspensions.* The Secretary and the Secretary of Health and Human Services reserve the right to suspend or terminate a section 1332 waiver in whole or in part, at any time before the date of expiration, whenever the Secretaries determine that a State has materially failed to comply with the terms of a section 1332 waiver.

(e) *Closeout costs.* If all or part of a section 1332 waiver is terminated or suspended, or if a portion of a section 1332 waiver is withdrawn, Federal funding is limited to normal closeout costs associated with an orderly termination, suspension, or withdrawal, including service costs during any approved transition period, and administrative costs of disenrolling participants.

(f) *Federal evaluators.* (1) A State must fully cooperate with the Secretary, the Secretary of Health and Human Services, or an independent evaluator selected by the Secretary or the Secretary of Health and Human Services to undertake an independent evaluation of any component of a section 1332 waiver.

(2) As part of this required cooperation, a State must submit all requested data and information to the Secretary, the Secretary of Health and Human Services, or the independent evaluator.

[77 FR 11715, Feb. 27, 2012, as amended at 85 FR 71196, Nov. 6, 2020; 86 FR 6176, Jan. 19, 2021]

§ 33.124 State reporting requirements.

(a) *Quarterly reports.* A State must submit quarterly reports to the Secretary of Health and Human Services in accordance with the terms and conditions of the State's section 1332 waiver. These quarterly reports must include, but are not limited to, reports of any ongoing operational challenges and plans for and results of associated corrective actions.

(b) *Annual reports.* A State must submit an annual report to the Secretary of Health and Human Services documenting all of the following:

(1) The progress of the section 1332 waiver.

(2) Data on compliance with section 1332(b)(1)(A) through (D) of the Affordable Care Act.

(3) A summary of the annual post-award public forum, held in accordance with § 33.120(c), including all public comments received at such forum regarding the progress of the section 1332 waiver and action taken in response to such concerns or comments.

(4) Other information consistent with the State's approved terms and conditions.

(c) *Submitting and publishing annual reports.* A State must submit a draft annual report to the Secretary of Health and Human Services no later than 90 days after the end of each waiver year, or as specified in the waiver's terms and conditions.

(1) Within 60 days of receipt of comments from the Secretary of Health and Human Services, a State must submit to the Secretary of Health and Human Services a final annual report for the waiver year.

(2) The draft and final annual reports are to be published on a State's public Web site within 30 days of submission to and approval by the Secretary of Health and Human Services, respectively.

§ 33.128 Periodic evaluation requirements.

(a) The Secretary and the Secretary of Health and Human Services, as applicable, shall periodically evaluate the implementation of a program under a section 1332 waiver consistent with § 33.108(f)(3)(iv) and interpretive guidance published by the Secretary and the Secretary of Health and Human Services, as applicable, and any terms and conditions governing the section 1332 waiver.

(b) Each periodic evaluation must include a review of the annual report or reports submitted by the State in accordance with § 33.124 that relate to the period of time covered by the evaluation.

[77 FR 11715, Feb. 27, 2012, as amended at 86 FR 6176, Jan. 19, 2021]

PART 34—RESOURCES AND ECOSYSTEMS SUSTAINABILITY, TOURIST OPPORTUNITIES, AND REVIVED ECONOMIES OF THE GULF COAST STATES

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AUTHORITY: 31 U.S.C. 301; 31 U.S.C. 321; 33 U.S.C. 1251 *et seq.*

SOURCE: 80 FR 77243, Dec. 14, 2015, unless otherwise noted.

Subpart A—General Provisions

§ 34.1 Purpose.

This part describes policies and procedures applicable to the following programs authorized under the Resources and Ecosystems Sustainability, Tourist Opportunities, and Revived Economies of the Gulf Coast States Act of 2012 (RESTORE Act).

(a) The Gulf RESTORE Program is authorized under section 311(t) of the Federal Water Pollution Control Act (33 U.S.C. 1321(t)), as amended by the RESTORE Act, and includes the following components:

(1) Direct Component (subpart D of this part), administered by the Department of the Treasury.

(2) Comprehensive Plan Component (subpart E of this part), administered by the Gulf Coast Ecosystem Restoration Council.

(3) Spill Impact Component (subpart F of this part), administered by the Gulf Coast Ecosystem Restoration Council.

(b) NOAA RESTORE Act Science Program (subpart G of this part) is administered by the National Oceanic and Atmospheric Administration, and authorized by the RESTORE Act, section 1604, 33 U.S.C. 1321 note.

(c) Centers of Excellence Research Grants Program (subpart H of this part) is administered by the Department of the Treasury, and authorized by the RESTORE Act, section 1605, 33 U.S.C. 1321 note.

§ 34.2 Definitions.

As used in this part:

Act or *RESTORE Act* means the Resources and Ecosystems Sustainability, Tourist Opportunities, and Revived Economies of the Gulf Coast States Act of 2012.

Activity means an activity, project, or program, including research and monitoring, eligible for funding under the Act.

Administrative costs means those indirect costs for administration incurred by the Gulf Coast States, coastal political subdivisions, and coastal zone parishes that are allocable to activities authorized under the Act. Administrative costs do not include indirect costs that are identified specifically with, or readily assignable to, facilities as defined in 2 CFR 200.414.

Administrative expenses means those expenses incurred for administration by the Council or NOAA, including expenses for general management functions, general ledger accounting, budgeting, human resource services, general procurement services, and general legal services. Administrative expenses do not include expenses that are identified specifically with, or readily assignable to:

(1) Facilities;

(2) Eligible projects, programs, or planning activities;

(3) Activities related to grant applications, awards, audit requirements, or

post-award management, including payments and collections;

(4) The Council's development, publication, and implementation of the Comprehensive Plan and any subsequent amendments;

(5) The Council's development and publication of regulations and procedures for implementing the Spill Impact Component, and the review of State Expenditure Plans submitted under the Spill Impact Component;

(6) Preparation of reports required by the Act;

(7) Establishment and operation of advisory committees; or

(8) Collection and consideration of scientific and other research associated with restoration of the Gulf Coast ecosystem.

Alabama Gulf Coast Recovery Council means the entity identified in section 311(t)(1)(F)(i) of the Federal Water Pollution Control Act, as amended by the RESTORE Act.

Assignee means a member of the Gulf Coast Ecosystem Restoration Council who has been assigned primary authority and responsibility for a project or program included in the Comprehensive Plan through a grant or interagency agreement.

Best available science means science that maximizes the quality, objectivity, and integrity of information, including statistical information; uses peer-reviewed and publicly available data; and clearly documents and communicates risks and uncertainties in the scientific basis for such projects.

Centers of Excellence Research Grants Program means the program authorized by section 1605 of the Act.

Coastal political subdivision means any local political jurisdiction that is immediately below the state level of government, including a county, parish, or borough, with a coastline that is contiguous with any portion of the United States Gulf of Mexico. The term includes any of the disproportionately affected counties and nondisproportionately impacted counties in Florida, as defined below.

Coastal zone parishes means the parishes of Ascension, Assumption, Calcasieu, Cameron, Iberia, Jefferson, Lafourche, Livingston, Orleans, Plaquemines, St. Bernard, St. Charles, St. James, St. John the Baptist, St. Martin, St. Mary, St. Tammany, Tangipahoa, Terrebonne, and Vermilion in the State of Louisiana.

Comprehensive Plan Component means the component of the Gulf RESTORE Program authorized by section 311(t)(2) of the Federal Water Pollution Control Act, as added by section 1603 of the Act, in which funds are provided through the Council, in accordance with a plan developed by the Council, to entities to carry out the purposes of the Act.

Council means the Gulf Coast Ecosystem Restoration Council, an independent entity in the Federal Government whose members are the Governors of the Gulf Coast States; the Secretaries of Agriculture, the Army, Commerce, and the Interior; the head of the department in which the Coast Guard is operating, and the Administrator of the Environmental Protection Agency (or their designees at the level of Assistant Secretary or the equivalent).

Deepwater Horizon oil spill means the blowout and explosion of the mobile offshore drilling unit *Deepwater Horizon* that occurred on April 20, 2010, and resulting hydrocarbon releases into the environment.

Direct Component means the component of the Gulf RESTORE Program authorized by section 311(t)(1) of the Federal Water Pollution Control Act, as added by section 1603 of the Act, in which Gulf Coast States, coastal zone parishes, disproportionately affected counties, and nondisproportionately impacted counties are provided funds directly by Treasury through grants to carry out the purposes of the Act.

Disproportionately affected counties means the counties of Bay, Escambia, Franklin, Gulf, Okaloosa, Santa Rosa, Wakulla, and Walton in the State of Florida.

Federal Water Pollution Control Act means 33 U.S.C. 1251 *et seq*.

Gulf Coast Region means:

(1) In the Gulf Coast States, the coastal zones defined under section 304 of the Coastal Zone Management Act of 1972 that border the Gulf of Mexico;

(2) Land within the coastal zones described in paragraph (1) of this definition that is held in trust by, or the use

of which is by law subject solely to the discretion of, the Federal Government or officers or agents of the Federal Government;

(3) Any adjacent land, water, and watersheds, that are within 25 miles of the coastal zone described in paragraphs (1) and (2) of this definition; and

(4) All Federal waters in the Gulf of Mexico.

Gulf Coast State means any of the States of Alabama, Florida, Louisiana, Mississippi, and Texas.

Gulf Coast State entity means a party that carries out the duties of a state for the Centers of Excellence Research Grants Program under § 34.702.

Infrastructure means the public facilities or systems needed to support commerce and economic development. These installations and facilities span a wide range, including highways, airports, roads, buildings, transit systems, port facilities, railways, telecommunications, water and sewer systems, public electric and gas utilities, levees, seawalls, breakwaters, major pumping stations, and flood gates. Infrastructure encompasses new construction, upgrades and repairs to existing facilities or systems, and associated land acquisition and planning.

Multiyear Implementation Plan means the plan submitted by entities eligible for funding directly from Treasury under the Direct Component, and described at § 34.303.

NOAA means the National Oceanic and Atmospheric Administration.

NOAA RESTORE Act Science Program means the program authorized by section 1604 of the Act.

Nondisproportionately impacted counties means the counties of Charlotte, Citrus, Collier, Dixie, Hernando, Hillsborough, Jefferson, Lee, Levy, Manatee, Monroe, Pasco, Pinellas, Sarasota, and Taylor in the State of Florida.

Pass-through entity means a non-Federal entity that provides a subaward to a subrecipient to carry out part of a program under the Act.

Planning assistance means data gathering, studies, modeling, analysis and other tasks required to prepare plans for eligible activities under § 34.201(a) through (i), including environmental review and compliance tasks and architectural and engineering studies. Planning assistance also means one-time preparations that will allow the recipient to establish systems and processes needed to review grant applications, award grants, monitor grants after award, and audit compliance with respect to eligible activities under § 34.201 in a Multiyear Implementation Plan or State Expenditure Plan.

Recipient means a non-Federal entity that receives a Federal award directly from a Federal awarding agency to carry out an activity under the Act. As used in these regulations, a recipient also includes a pass-through entity. The term recipient does not include subrecipients.

Spill Impact Component means the component of the Gulf RESTORE Program authorized by section 311(t)(3) of the Federal Water Pollution Control Act, as added by section 1603 of the Act, in which Gulf Coast States are provided funds by the Council according to a formula that the Council establishes by regulation, using criteria listed in the Act.

State Expenditure Plan means the plan that each Gulf Coast State must submit to the Council for the expenditure of amounts disbursed under the Spill Impact Component, and described at § 34.503.

Subrecipient means a non-Federal entity that receives a subaward from a recipient to carry out an activity under the Act.

Treasury means the U.S. Department of the Treasury, the Secretary of the Treasury, or his/her designee.

Trust Fund means the Gulf Coast Restoration Trust Fund.

Subpart B—Trust Fund

§ 34.100 The Trust Fund.

Treasury will deposit into the Trust Fund an amount equal to 80 percent of all administrative and civil penalties paid after July 6, 2012 by responsible parties in connection with the explosion on, and sinking of, the mobile offshore drilling unit *Deepwater Horizon* pursuant to a court order, negotiated settlement, or other instrument under section 311 of the Federal Water Pollution Control Act. After these administrative and civil penalties have been

deposited into the Trust Fund, the Trust Fund will terminate on the date all amounts owed to the Trust Fund have been returned to the Trust Fund, and all amounts in the Trust Fund have been expended.

§ 34.101 Investments.

The Secretary of the Treasury will invest such amounts in the Trust Fund that are not, in the judgment of the Secretary, required to meet needs for current withdrawals. The Secretary may invest in interest-bearing obligations of the United States, having maturities suitable to the needs of the Trust Fund as determined by the Secretary. These obligations will bear interest at rates described in 31 U.S.C. 9702, unless the Secretary determines that such rates are unavailable for obligations with suitable maturities. In that event, the Secretary will select obligations of the United States bearing interest at rates determined by the Secretary, taking into consideration current market yields on outstanding marketable obligations of the United States of comparable maturities.

§ 34.102 Interest earned.

Interest earned on Trust Fund investments will be available as described in § 34.103(b).

§ 34.103 Allocation of funds.

The amounts in the Trust Fund are allocated among the programs in § 34.1.

(a) Available funds in the Trust Fund, other than interest, are allocated as follows:

(1) Thirty-five percent in equal shares for the Gulf Coast States to be used for the Direct Component of the Gulf RESTORE Program. Section 34.302 describes the allocation for each Gulf Coast State.

(2) Thirty percent for the Council to be used for the Comprehensive Plan Component of the Gulf RESTORE Program.

(3) Thirty percent for formula distribution to Gulf Coast States to be used for the Spill Impact Component of the Gulf RESTORE Program.

(4) Two and one-half percent to be used for the NOAA RESTORE Act Science Program.

(5) Two and one-half percent in equal shares for the Gulf Coast States to be used for the Centers of Excellence Research Grants Program.

(b) Within ten days of the close of a Federal fiscal year, available funds equal to the interest earned on the Trust Fund investments will be allocated, as follows:

(1) Twenty-five percent to be used for the NOAA RESTORE Act Science Program.

(2) Twenty-five percent for the Centers of Excellence Research Grants Program.

(3) Fifty percent for the Comprehensive Plan Component of the Gulf RESTORE Program.

§ 34.104 Expenditures.

Subject to limitations in the Act and these regulations, amounts in the Trust Fund will be available for the direct and indirect expenses of eligible activities without fiscal year limitation.

§ 34.105 Waiver.

To the extent not inconsistent with applicable law, Treasury may waive or modify a requirement in the regulations in this part in a single case or class of cases if the Secretary determines, in his or her sole discretion, that the requirement is not necessary for the deposit of amounts into, or the expenditure of amounts from, the Trust Fund. Treasury will provide public notice of any waivers or modifications granted that materially change a regulatory requirement.

Subpart C—Eligible Activities for the Section 311(t) Gulf RESTORE Program Components

§ 34.200 General.

This subpart describes policies and procedures regarding eligible activities applicable to the Direct Component, Comprehensive Plan Component, and Spill Impact Component of the Gulf RESTORE Program. Subparts D, E, F, and I of this part describe additional requirements that must be met before an activity can receive funding.

(a) Trust Fund amounts may be used to carry out an activity in whole or in

part only if the following requirements are met:

(1) Costs must comply with administrative requirements and cost principles in applicable Federal laws and policies on grants.

(2) The activity must meet the eligibility requirements of the Gulf RESTORE Program as defined in § 34.201, § 34.202, or § 34.203, according to component.

(3) Activities funded through the Direct Component, Comprehensive Plan Component, and Spill Impact Component must not be included in any claim for compensation presented after July 6, 2012, to the Oil Spill Liability Trust Fund authorized by 26 U.S.C. 9509.

(b) A Gulf Coast State, coastal political subdivision, and coastal zone parish may use funds available under the Direct Component or Spill Impact Component to satisfy the non-Federal cost-share of an activity that is eligible under §§ 34.201 and 34.203 and authorized by Federal law.

§ 34.201 Eligible activities for the Direct Component.

The following activities are eligible for funding under the Direct Component. Activities in paragraphs (a) through (g) of this section are eligible for funding to the extent they are carried out in the Gulf Coast Region. Direct Component activities are carried out in the Gulf Coast Region when, in the reasonable judgment of the entity applying to Treasury for a grant, each severable part of the activity is primarily designed to restore or protect that geographic area. Applicants must demonstrate that the activity will be carried out in the Gulf Coast Region when they apply for a grant. Activities designed to protect or restore natural resources must be based on the best available science. All Direct Component activities must be included in and conform to the description in the Multiyear Implementation Plan required by § 34.303.

(a) Restoration and protection of the natural resources, ecosystems, fisheries, marine and wildlife habitats, beaches, and coastal wetlands of the Gulf Coast Region.

(b) Mitigation of damage to fish, wildlife, and natural resources.

(c) Implementation of a Federally-approved marine, coastal, or comprehensive conservation management plan, including fisheries monitoring.

(d) Workforce development and job creation.

(e) Improvements to or on state parks located in coastal areas affected by the *Deepwater Horizon* oil spill.

(f) Infrastructure projects benefitting the economy or ecological resources, including port infrastructure.

(g) Coastal flood protection and related infrastructure.

(h) Promotion of tourism in the Gulf Coast Region, including promotion of recreational fishing.

(i) Promotion of the consumption of seafood harvested from the Gulf Coast Region.

(j) Planning assistance. Eligible entities under § 34.302 may apply for planning assistance grants to fund preparation and amendment of the Multiyear Implementation Plan.

(k) Administrative costs.

§ 34.202 Eligible activities for the Comprehensive Plan Component.

The Council may expend funds that are available under the Comprehensive Plan Component for eligible activities under 33 U.S.C. 1321(t)(2) and (3), including the following:

(a) The Council may expend funds to carry out activities in the Gulf Coast Region that are included in the Comprehensive Plan, as described in 33 U.S.C. 1321(t)(2). An activity selected by the Council is carried out in the Gulf Coast Region when, in the reasonable judgment of the Council, each severable part of the activity is primarily designed to restore or protect that geographic area. The Council must document the basis for its judgment when it selects the activity.

(b) The Council may expend funds to develop and publish the proposed and initial Comprehensive Plans, and to implement, amend, and update the Comprehensive Plan as required by the Act or as necessary.

(c) The Council may expend funds to prepare annual reports to Congress, and other reports and audits required by the Act, these regulations, and other Federal law.

(d) The Council may expend funds to establish and operate one or more advisory committees as may be necessary to assist the Council.

(e) The Council may expend funds to collect and consider scientific and other research associated with restoration of the Gulf Coast ecosystem, including research, observation, and monitoring.

(f) Administrative expenses.

§ 34.203 Eligible activities for the Spill Impact Component.

Activities eligible for funding under the Spill Impact Component must meet the eligibility criteria in § 34.201(a) through (k), as well as the following:

(a) The activities must be included in and conform to the description in a State Expenditure Plan required in § 34.503 and approved by the Council. State entities may apply for a grant from the total amount allocated to that state under the Spill Impact Component before the Council has approved the State Expenditure Plan to fund eligible activities that are necessary to develop and submit that plan.

(b) The activities included in the State Expenditure Plan must contribute to the overall economic and ecological recovery of the Gulf Coast.

(c) Activities listed in § 34.201(a) through (g) are eligible for funding from the Spill Impact Component to the extent they are carried out in the Gulf Coast Region. For purposes of this component, an activity is carried out in the Gulf Coast Region when, in the reasonable judgment of the entity developing the State Expenditure Plan under § 34.503, each severable part of the activity is primarily designed to restore or protect that geographic area. State Expenditure Plans must include a demonstration that activities in the plan will be carried out in the Gulf Coast Region.

§ 34.204 Limitations on administrative costs and administrative expenses.

(a)(1) Of the amounts received by a Gulf Coast State, coastal political subdivision, or coastal zone parish from Treasury under the Direct Component, or from the Council under the Comprehensive Plan Component or Spill Impact Component, not more than three percent may be used for administrative costs. The three percent limit on administrative costs may be applied to the total amount of funds received by a recipient under each of the three components either on a grant-by-grant basis or on an aggregate basis. For the latter method, amounts used for administrative costs under each of the three components may not at any time exceed three percent of the aggregate of:

(i) The amounts received under a component by a recipient, beginning with the first grant through the most recent grant, and

(ii) The amounts in the Trust Fund that are allocated to, but not yet received under such component by a Gulf Coast State, coastal political subdivision, or coastal zone parish under § 34.103, consistent with the definition of administrative costs in § 34.2.

(2) The three percent limit does not apply to the administrative costs of subrecipients. All recipient and subrecipient costs are subject to the cost principles in Federal laws and policies on grants.

(3) Treasury will conduct a retrospective analysis of this provision no later than seven years after the date it becomes effective. This review will consider whether the revision ensures that the Gulf Coast States, coastal political subdivisions, and coastal zone parishes have the necessary funding to efficiently and effectively oversee and manage projects and programs for ecological and economic restoration of the Gulf Coast Region while ensuring compliance with the statutory three percent administrative cost cap.

(b) Of the amounts received by the Council under the Comprehensive Plan Component, not more than three percent may be used for administrative expenses. The three percent limit is applied to the amounts it receives under the Comprehensive Plan Component before termination of the Trust Fund. Amounts used for administrative expenses may not at any time exceed three percent of the total of the amounts received by the Council and the amounts in the Trust Fund that

are allocated to, but not yet received by, the Council under § 34.103.

[80 FR 77243, Dec. 14, 2015, as amended at 81 FR 66530, Sept. 28, 2016; 84 FR 12932, Apr. 3, 2019]

§ 34.205 Council's audited financial statements and audits.

(a) Not later than December 1, 2014, and each year thereafter, the Council must prepare and submit to the Secretary of the Treasury an audited financial statement for the preceding Federal fiscal year, covering all accounts and associated activities of the Council.

(b) Each audited financial statement under this section must reflect:

(1) The overall financial position of the accounts and activities covered by the statement, including assets and liabilities thereof.

(2) Results of operations of the Council.

(c) The financial statements must be prepared in accordance with the form and content of the financial statements prescribed by the Director of the Office of Management and Budget for executive agencies pursuant to 31 U.S.C. 3515, consistent with applicable accounting and financial reporting principles, standards, and requirements.

(d) The Treasury Inspector General may conduct audits and reviews of the Council's accounts and activities as the Inspector General deems appropriate.

Subpart D—Gulf RESTORE Program—Direct Component

§ 34.300 General.

This subpart describes the policies and procedures applicable to the Direct Component of the Gulf RESTORE Program. The funds made available under this subpart will be in the form of a grant.

§ 34.301 Responsibility for administration—Direct Component.

Treasury is responsible for awarding and administering grants and grant agreements under this subpart. Treasury will develop and apply policies and procedures consistent with the Act and Federal laws and policies on grants. Treasury also will establish and implement a program to monitor compliance with its grant agreements.

§ 34.302 Allocation of funds—Direct Component.

The amounts made available in any fiscal year from the Trust Fund and allocated to this component will be available in equal shares for the Gulf Coast States for expenditure on eligible activities. The following entities are eligible to receive Direct Component grants.

(a) The amounts available to Alabama will be provided directly to the Alabama Gulf Coast Recovery Council, or such administrative agent as it may designate. All administrative duties of the Alabama Gulf Coast Recovery Council must be performed by public officials and employees that are subject to the ethics laws of the State of Alabama.

(b) Of the amounts available to Florida, 75 percent of funding will be provided directly to the eight disproportionately affected counties. Each disproportionately affected county's share is as follows: Bay County, 15.101453044%; Escambia County, 25.334760043%; Franklin County, 8.441253238%; Gulf County, 6.743202296%; Okaloosa County, 15.226456794%; Santa Rosa County, 10.497314919%; Wakulla County, 4.943148294%; and Walton County, 13.712411372%.

(c) Of the amounts available to Florida, 25 percent of funding will be provided directly to the nondisproportionately impacted counties. Each nondisproportionately impacted county's share is as follows: Charlotte County, 5.162%; Citrus County, 4.692%; Collier County, 7.019%; Dixie County, 3.484%; Hernando County, 4.982%; Hillsborough County, 13.339%; Jefferson County, 3.834%; Lee County, 8.776%; Levy County, 3.894%; Manatee County, 6.809%; Monroe County, 8.297%; Pasco County, 7.079%; Pinellas County, 11.002%; Sarasota County, 7.248%; and Taylor County, 4.383%.

(d) Of the amounts available to Louisiana, 70 percent will be provided directly to the Coastal Protection and Restoration Authority Board of Louisiana, through the Coastal Protection and Restoration Authority of Louisiana.

(e) Of the amounts available to Louisiana, 30 percent will be provided directly to the coastal zone parishes. Each coastal zone parish's share is as follows: Ascension, 2.42612%; Assumption, 0.93028%; Calcasieu, 5.07063%; Cameron, 2.10096%; Iberia, 2.55018%; Jefferson, 11.95309%; Lafourche, 7.86746%; Livingston, 3.32725%; Orleans, 7.12875%; Plaquemines, 17.99998%; St. Bernard, 9.66743%; St. Charles, 1.35717%; St. James, 0.75600%; St. John the Baptist, 1.11915%; St. Martin, 2.06890%; St. Mary, 1.80223%; St. Tammany, 5.53058%; Tangipahoa, 3.40337%; Terrebonne, 9.91281%; and Vermilion, 3.02766%.

(f) No parish will receive funds until the parish chief executive has certified to the Governor of Louisiana, in a form satisfactory to the Governor or the Governor's designee, that the parish has completed a comprehensive land use plan that is consistent with, or complementary to, the most recent version of the state's Coastal Master Plan approved by the Louisiana legislature.

(g) The amounts available to Mississippi will be provided directly to the Mississippi Department of Environmental Quality.

(h) The amounts available to Texas will be provided directly to the Office of the Governor or to an appointee of the Office of the Governor.

§ 34.303 Application procedure—Direct Component.

The entities identified in § 34.302 are eligible to apply for their allocation as a grant. Treasury has developed an application process for grants available under this subpart that is consistent with the Act and Federal laws and policies on grants. The application process includes the following requirements:

(a) Before an eligible entity may receive a Direct Component activity grant, the grant applicant must submit a Multiyear Implementation Plan describing each activity for which it seeks funding under the Direct Component. Applications to fund preparation and amendment of the Multiyear Implementation Plan are exempt from this requirement.

(b) For each activity, the Multiyear Implementation Plan must include a narrative description demonstrating:

(1) The need for, purpose, and objectives of the activity;

(2) How the activity is eligible for funding and meets all requirements;

(3) Location of the activity;

(4) Budget for the activity;

(5) Milestones for the activity;

(6) Projected completion dates for the activity;

(7) Criteria the applicant will use to evaluate the success of each activity in helping to restore and protect the Gulf Coast Region impacted by the *Deepwater Horizon* oil spill;

(8) The plan was made available for public review and comment for a minimum of 45 days in a manner calculated to obtain broad-based participation from individuals, businesses, Indian tribes, and non-profit organizations; and

(9) Each activity in the plan was approved after consideration of meaningful input from the public. Treasury may require a standard format and additional information in the plans. Plans can be phased and incremental and may be modified later by the applicant. If the applicant has requested or anticipates requesting funding for any part of the activity from other sources, including other components in the Act, the applicant must identify the source, state the amount of funding, and provide the current status of the request. For the State of Louisiana parishes, the applicant must submit information demonstrating compliance with § 34.302(f).

(c) Material modifications to a Multiyear Implementation Plan are subject to all applicable requirements in paragraph (b) of this section.

(d) The applicant must include supporting information in each grant application that:

(1) Proposed activities meet the statutory requirements for eligibility; and

(2) Each activity designed to protect or restore natural resources is based on best available science.

(e) An applicant may satisfy some or all of the requirements in this section and § 34.802(a) through (e) if it can demonstrate in its application to Treasury that before July 6, 2012:

(1) The applicant established conditions to carry out activities that are substantively the same as the requirements in this section and § 34.802(a) through (e).

(2) The applicable activity qualified as one or more of the eligible activities in § 34.201.

§ 34.304 Grant award process—Direct Component.

Upon determining that the Multiyear Implementation Plan and the grant application meet the requirements of these regulations and the Act, Treasury will execute a grant agreement with the recipient that complies with subpart I of this part, the Act, and other Federal laws and policies on grants.

§ 34.305 Use of funds—Direct Component.

(a) An activity may be funded in whole or in part if the applicable requirements of subparts C and D of this part are met.

(b) When awarding contracts to carry out an activity under the Direct Component, a Gulf Coast State, coastal political subdivision, or coastal zone parish may give preference to individuals and companies that reside in, are headquartered in, or are principally engaged in business in the state of project execution consistent with Federal laws and policies on grants.

(c) A Gulf Coast State, coastal political subdivision, or coastal zone parish may propose to issue subawards for eligible activities. Recipients that propose to issue subawards must demonstrate their ability to conduct subrecipient monitoring and management, as required by Federal laws and policies on grants.

§ 34.306 Reports—Direct Component.

Recipients must submit reports as prescribed by Treasury.

§ 34.307 Recordkeeping—Direct Component.

Recipients must maintain records as prescribed by Treasury, and make the records available to Treasury, including the Treasury Inspector General.

§ 34.308 Audits—Direct Component.

Treasury, including the Treasury Inspector General, may conduct audits and reviews of recipient's accounts and activities relating to the Act as deemed appropriate by Treasury.

Subpart E—Gulf RESTORE Program—Comprehensive Plan Component

§ 34.400 General.

This subpart describes the policies and procedures applicable to the Comprehensive Plan Component. The Comprehensive Plan is developed by the Council in accordance with 33 U.S.C. 1321(t)(2) and will include activities the Council intends to carry out, subject to available funding. When selecting activities to carry out in the first three years, except for certain projects and programs that were authorized prior to July 6, 2012, the Council will give highest priority to projects meeting one or more of the criteria in 33 U.S.C. 1321(t)(2)(D)(iii).

§ 34.401 Responsibility for administration—Comprehensive Plan Component.

(a) After selecting Comprehensive Plan projects and programs to be funded, the Council must assign primary authority and responsibility for overseeing and implementing projects and programs to a Gulf Coast State or Federal agency represented on the Council, which are called *assignees* in these regulations. In assigning responsibility, the Council must enter into a grant agreement with the Gulf Coast State or an interagency agreement with the Federal agency. Any grant agreement must be consistent with applicable Federal laws and policies on grants. The Council must specify whether any part of an assignee's responsibility may be further assigned to another entity and under what terms.

(b) When an assignee's grant or subaward to, or cooperative agreement with, a nongovernmental entity would equal or exceed ten percent of the total amount provided to the assignee for that activity, the Council must publish in the FEDERAL REGISTER and deliver

to the following Congressional Committees at least 30 days prior to the assignee entering into an agreement the name of the recipient or subrecipient; a brief description of the activity, including its purpose; and the amount of the award.

(1) House of Representatives committees: Committee on Science, Space, and Technology; Committee on Natural Resources; Committee on Transportation and Infrastructure; Committee on Appropriations.

(2) Senate committees: Committee on Environment and Public Works; Committee on Commerce, Science, and Transportation; Committee on Energy and Natural Resources; Committee on Appropriations.

(c) The Council must establish and implement a program to monitor compliance with its grant agreements and interagency agreements.

§ 34.402 Grant administration—Comprehensive Plan Component.

The Council must publish policies and procedures for administration of Comprehensive Plan Component grants that are consistent with applicable Federal laws and policies on grants. These grant policies and procedures must include uniform guidelines for assignees to use when selecting subrecipients, awarding grants and subawards, and monitoring compliance. The Council must also establish and implement a program to monitor compliance with its grant agreements.

§ 34.403 Use of funds—Comprehensive Plan Component.

An activity may be funded in whole or in part if the applicable requirements of subparts C and E of this part are met.

§ 34.404 Reports—Comprehensive Plan Component.

Assignees must submit reports as prescribed by the Council or Treasury. In addition, the Council must submit reports as prescribed by Treasury.

§ 34.405 Recordkeeping—Comprehensive Plan Component.

Assignees must maintain records as prescribed by the Council and Treasury, and make the records available to the Council and Treasury, including the Treasury Inspector General. In addition, the Council must make its records concerning the activities of assignees available to Treasury, including the Treasury Inspector General.

§ 34.406 Audits—Comprehensive Plan Component.

The Council and Treasury, including the Treasury Inspector General, may conduct audits and reviews of assignee's accounts and activities relating to the Act as any of them deems appropriate.

Subpart F—Gulf RESTORE Program—Spill Impact Component

§ 34.500 General.

This subpart describes the policies and procedures applicable to the Spill Impact Component of the Gulf RESTORE Program. The funds made available under this subpart will be in the form of grants.

§ 34.501 Responsibility for administration—Spill Impact Component.

The Council is responsible for awarding and administering grants under this subpart.

§ 34.502 Allocation of funds—Spill Impact Component.

The Council will allocate amounts to the Gulf Coast States based on the Act and regulations promulgated by the Council. The Council will make allocated funds available through grants for activities described in a State Expenditure Plan approved by the Council.

§ 34.503 State Expenditure Plans—Spill Impact Component.

Each Gulf Coast State, through its Governor or the Governor's designee, must submit a State Expenditure Plan to the Council for its approval that describes each activity for which the state seeks funding. The Council must develop requirements for these plans, including the requirements below.

(a) The State Expenditure Plan must be developed by:

(1) In Alabama, the Alabama Gulf Coast Recovery Council.

(2) In Florida, a consortium of local political subdivisions that includes, at a minimum, one representative of each county affected by the *Deepwater Horizon* oil spill.

(3) In Louisiana, the Coastal Protection and Restoration Authority of Louisiana, as approved by the Board.

(4) In Mississippi, the Office of the Governor or an appointee of the Office of the Governor.

(5) In Texas, the Office of the Governor or an appointee of the Office of the Governor.

(b) The State Expenditure Plan must describe how it takes into consideration the Comprehensive Plan and is consistent with the goals and objectives of the Comprehensive Plan. In addition, the State Expenditure Plan must describe the processes used:

(1) To evaluate and select activities included in the plan;

(2) To assess the capability of third party entities that will implement activities in the plan;

(3) To prevent conflicts of interest in the development and implementation of the plan;

(4) To obtain public review and comment in accordance with paragraph (g) of this section; and

(5) To verify compliance with the requirements of § 34.203 and this subpart.

(c) For each activity in the State Expenditure Plan, the plan must include a narrative description demonstrating:

(1) The need for, purpose, and objectives of the activity;

(2) How the activity is eligible for funding and meets all requirements of § 34.203 and this subpart;

(3) Location of the activity;

(4) Budget for the activity;

(5) Milestones for the activity;

(6) Projected completion dates for the activity; and

(7) Criteria the applicant will use to evaluate the success of each activity in helping to restore and protect the Gulf Coast Region. Plans can be phased or incremental and may be modified with the Council's approval. If funding has been requested from other sources, including other components of the Act, the plan must identify the source, state how much funding was requested, and provide the current status of the request.

(d) The State Expenditure Plan must demonstrate how the activities in the plan will contribute to the overall economic and ecological recovery of the Gulf Coast, and how each activity that would restore and protect natural resources, ecosystems, fisheries, marine and wildlife habitats, beaches, coastal wetlands or the economy of the Gulf Coast is based on the best available science.

(e) The State Expenditure Plan must demonstrate that activities described in § 34.201(a) through (g) will be carried out in the Gulf Coast Region, as described in § 34.203(c).

(f) No more than 25 percent of funding under the Spill Impact Component is available to a Gulf Coast State under this subpart to pay for infrastructure, unless the Governor or the Governor's representative on the Council certifies that:

(1) The ecosystem restoration needs in the state will be addressed by the activities in the proposed plan; and

(2) Additional investment in infrastructure is required to mitigate the impacts of the *Deepwater Horizon* Oil Spill to the ecosystem or economy.

(g) Before being submitted to the Council for approval, a State Expenditure Plan must be available for public review and comment for a minimum of 45 days, in a manner calculated to obtain broad-based participation from individuals, businesses, Indian tribes, and non-profit organizations.

(h) If the Council disapproves a State Expenditure Plan, the Council must notify the impacted state in writing and consult with the state to address any identified deficiencies with the plan. If the Council fails to approve or take action within 60 days after the date on which the Council receives the plan, the state may obtain expedited judicial review within 90 days in a United States district court located in the state seeking the review.

(i) The Council must publish guidelines explaining when modifications to a State Expenditure Plan require the Council's approval. Material modifications to a State Expenditure Plan are subject to the requirements of paragraphs (b) through (g) of this section.

§ 34.504 Grant administration—Spill Impact Component.

The Council must publish policies and procedures for administration of the Spill Impact Component grants that are consistent with applicable Federal laws and policies on grants. The Council must also establish and implement a program to monitor compliance with its grant agreements.

§ 34.505 Use of funds—Spill Impact Component.

An activity may be funded in whole or in part if the applicable requirements of subparts C and F of this part are met.

§ 34.506 Reports—Spill Impact Component.

Recipients must submit reports as prescribed by the Council or Treasury. In addition, the Council must submit reports as prescribed by Treasury.

§ 34.507 Recordkeeping—Spill Impact Component.

Recipients must maintain records as prescribed by the Council and make the records available to the Council, and Treasury, including the Treasury Inspector General. In addition, the Council must make its records concerning the activities of recipients available to Treasury, including the Treasury Inspector General.

§ 34.508 Audits—Spill Impact Component.

The Council and Treasury, including the Treasury Inspector General, may conduct audits and reviews of a recipient's accounts and activities relating to the Act as any of them deem appropriate.

Subpart G—NOAA RESTORE Act Science Program

§ 34.600 General.

This subpart describes policies and procedures applicable to the NOAA RESTORE Act Science Program. The program's purpose is to carry out research, observation, and monitoring to support, to the maximum extent practicable, the long-term sustainability of the ecosystem, fish stocks, fish habitat, and the recreational, commercial, and charter fishing industries in the Gulf of Mexico.

§ 34.601 Responsibility for administration—NOAA RESTORE Act Science Program.

NOAA is responsible for establishing and administering this program, in consultation with the United States Fish and Wildlife Service. NOAA must develop, publish, and apply policies and procedures for the NOAA RESTORE Act Science Program consistent with the Act, this subpart, and Federal laws and policies on grants. NOAA must monitor compliance with its grant agreements, cooperative agreements, contracts, and agreements funded through the Trust Fund. NOAA and the United States Fish and Wildlife Service will consult with the Regional Gulf of Mexico Fishery Management Council and the Gulf States Marine Fisheries Commission in carrying out the program.

§ 34.602 Use of funds and eligible activities—NOAA RESTORE Act Science Program.

(a) Amounts made available to NOAA may be expended to carry out a program comprised of activities described in section 1604 of the Act. These activities include coordination of science and technology programs and stakeholder engagement, in accordance with section 1604(f) of the Act, as well as the following activities with respect to the Gulf of Mexico:

(1) Marine and estuarine research.

(2) Marine and estuarine ecosystem monitoring and ocean observation.

(3) Data collection and stock assessments.

(4) Pilot programs for fishery independent data and reduction of exploitation of spawning aggregations.

(5) Cooperative research.

(b) NOAA may also expend amounts made available from the Trust Fund for administrative expenses connected with the program. All funds must be expended in compliance with the Act, these regulations, and other applicable law.

§ 34.603 Limitations on activities—NOAA RESTORE Act Science Program.

None of the Trust Fund amounts may be used for the following activities:

(a) For any existing or planned research led by NOAA, unless agreed to in writing by the grant recipient.

(b) To implement existing regulations or initiate new regulations promulgated or proposed by NOAA.

(c) To develop or approve a new limited access privilege program (as that term is used in section 303A of the Magnuson-Stevens Fishery Conservation and Management Act [16 U.S.C. 1853(a)]) for any fishery under the jurisdiction of the South Atlantic, Mid-Atlantic, New England, or Gulf of Mexico Fishery Management Councils.

§ 34.604 Limitations on administrative expenses—NOAA RESTORE Act Science Program.

(a) Of the amounts received by NOAA under the NOAA RESTORE Act Science Program, not more than three percent may be used for administrative expenses.

(b) The three percent limit is applied to the total amount of funds received by NOAA, beginning with the first fiscal year it receives funds through the end of the fourth, or most recent fiscal year, whichever is later.

(c) NOAA may seek reimbursement of administrative expenses incurred after the first deposit into the Trust Fund, to the extent permitted by Federal law. Administrative expenses incurred prior to the first deposit into the Trust Fund are not reimbursable.

§ 34.605 Reports—NOAA RESTORE Act Science Program.

NOAA must submit reports as prescribed by Treasury.

§ 34.606 Recordkeeping—NOAA RESTORE Act Science Program.

Recipients and other entities receiving funds under the NOAA RESTORE Act Science Program must maintain records as prescribed by NOAA and make the records available to NOAA.

§ 34.607 Audits—NOAA RESTORE Act Science Program.

NOAA and the Treasury Inspector General may conduct audits and reviews of recipient's accounts and activities relating to the Act as either of them deems appropriate.

Subpart H—Centers of Excellence Research Grants Program

§ 34.700 General.

This subpart describes the policies and procedures applicable to the Centers of Excellence Research Grants Program. The program's purpose is to establish centers of excellence to conduct research only on the Gulf Coast Region. The funds made available to the Gulf Coast States under this subpart will be in the form of a grant.

§ 34.701 Responsibility for administration—Centers of Excellence Research Grants Program.

Treasury is responsible for awarding grants to the Gulf Coast States, which will use the amounts made available to award grants to nongovernmental entities and consortia in the Gulf Coast Region for the establishment of Centers of Excellence. Treasury will develop and apply policies and procedures consistent with this Act and Federal laws and policies on grants. Each Gulf Coast State entity issuing grants must establish and implement a program to monitor compliance with its subaward agreements.

§ 34.702 Allocation of funds—Centers of Excellence Research Grants Program.

An equal share of funds will be available to each Gulf Coast State to carry out eligible activities. The duties of a Gulf Coast State will be carried out by the following entities:

(a) In Alabama, the Alabama Gulf Coast Recovery Council, or such administrative agent as it may designate.

(b) In Florida, the Florida Institute of Oceanography.

(c) In Louisiana, the Coastal Protection and Restoration Authority Board of Louisiana, through the Coastal Protection and Restoration Authority of Louisiana.

(d) In Mississippi, the Mississippi Department of Environmental Quality.

(e) In Texas, the Office of the Governor or an appointee of the Office of the Governor.

§ 34.703 Application procedure—Centers of Excellence Research Grants Program.

Treasury has developed an application process for grants available to the Gulf Coast States under this subpart that is consistent with the Act and Federal laws and policies on grants. The process includes the following requirements:

(a) Each Gulf Coast State must describe the competitive process that the state will use to select one or more Centers of Excellence. The competitive process must allow nongovernmental entities and consortia in the Gulf Coast Region, including public and private institutions of higher education, to compete. The process must give priority to entities and consortia that demonstrate the ability to establish the broadest cross-section of participants in the grant with interest and expertise in science, technology, and monitoring in the discipline(s) on which the proposal is focused. The process must also guard against conflicts of interest.

(b) Each Gulf Coast State must describe in its application the state rules and policies applying to subawards it will issue under this subpart. At a minimum, these state rules and policies must include the competitive selection process and measures to guard against conflicts of interest.

(c) Each Gulf Coast State must demonstrate in its application that the state rules and policies applying to subawards it will issue under this subpart were published and available for public review and comment for a minimum of 45 days, and that they were approved after consideration of meaningful input from the public, including broad-based participation from individuals, businesses, Indian tribes, and non-profit organizations. These requirements do not apply to state statutes and regulations, or to policies that were in effect prior to August 15, 2014.

(d) Each application must state the amount of funding requested and the purposes for which the funds will be used.

§ 34.704 Use of funds and eligible activities—Centers of Excellence Research Grants Program.

(a) A Gulf Coast State receiving funds under this subpart must establish a grant program that complies with the Act and Federal laws and policies on grants.

(b) Gulf Coast States may use funds available under this subpart to award competitive subawards for the establishment of Centers of Excellence that focus on science, technology, and monitoring in at least one of the following disciplines:

(1) Coastal and deltaic sustainability, restoration, and protection, including solutions and technology that allow citizens to live in a safe and sustainable manner in a coastal delta in the Gulf Coast Region.

(2) Coastal fisheries and wildlife ecosystem research and monitoring in the Gulf Coast Region.

(3) Offshore energy development, including research and technology to improve the sustainable and safe development of energy resources in the Gulf of Mexico.

(4) Sustainable and resilient growth and economic and commercial development in the Gulf Coast Region.

(5) Comprehensive observation, monitoring, and mapping of the Gulf of Mexico.

§ 34.705 Ineligible activities—Centers of Excellence Research Grants Program.

Any activity that is not authorized under the provisions of § 34.704 is ineligible for funding under this subpart.

§ 34.706 Reports—Centers of Excellence Research Grants Program.

Each Gulf Coast State entity must submit the following reports:

(a) An annual report to the Council in a form prescribed by the Council that includes information on subrecipients, subaward amounts, disciplines addressed, and any other information required by the Council. When the subrecipient is a consortium, the annual

report must also identify the consortium members. This information will be included in the Council's annual report to Congress.

(b) Reports as prescribed by Treasury.

§ 34.707 Recordkeeping—Centers of Excellence Research Grants Program.

Recipients must maintain records as prescribed by Treasury and make the records available to Treasury, including the Treasury Inspector General.

§ 34.708 Audits—Centers of Excellence Research Grants Program.

Treasury, including the Treasury Inspector General, may conduct audits and reviews of each recipient's accounts and activities relating to the Act as deemed appropriate by Treasury.

Subpart I—Agreements

§ 34.800 General.

This subpart describes procedures applicable to grant agreements used by Treasury, the Council (including Federal agencies carrying out responsibilities for the Council), NOAA, Gulf Coast States, coastal political subdivisions, and coastal zone parishes in making awards under subparts D, E, F, G, and H of this part. It also describes Treasury's authority to inspect records and the Treasury Inspector General's authority under the Act.

§ 34.801 Grant agreements.

The grant agreements used must conform to the Act and Federal laws and policies on grants, including audit requirements.

§ 34.802 Certifications.

At a minimum, grant applications and agreements for the Direct Component, Comprehensive Plan Component, and Spill Impact Component must contain the following certifications. The certification must be signed by an authorized senior official of the entity receiving grant funds who can legally bind the organization or entity, and who has oversight for the administration and use of the funds in question. The certification in paragraph (c) of this section does not apply to planning assistance funds for the preparation and amendment of the Multiyear Implementation Plan.

(a) I certify that each activity funded under this Agreement has been designed to plan for or undertake activities to restore and protect the natural resources, ecosystems, fisheries, marine and wildlife habitats, beaches, coastal wetlands, or economy of the Gulf Coast Region.

(b) I certify that each activity funded under this Agreement is designed to carry out one or more of the eligible activities for this component.

(c) I certify that each activity funded under this Agreement was part of a plan made available for public review and comment in a manner calculated to obtain broad-based participation from individuals, businesses, Indian tribes, and nonprofit organizations, and that the activity was selected after consideration of meaningful input from the public, as described in the grant application.

(d) I certify that each activity funded under this Agreement that protects or restores natural resources is based on the best available science, as that term is defined in 31 CFR part 34.

(e) I certify that this recipient has procedures in place for procuring property and services under this award that are consistent with the procurement standards applying to Federal grants. This recipient agrees that it will not request funds under this award for any contract unless this certification remains true and accurate.

(f) I certify that a conflict of interest policy is in effect and covering each activity funded under this Agreement.

(g) I make each of these certifications based on my personal knowledge and belief after reasonable and diligent inquiry, and I affirm that this recipient maintains written documentation sufficient to support each certification made above, and that this recipient's compliance with each of these certifications is a condition of this recipient's initial and continuing receipt and use of the funds provided under this Agreement.

§ 34.803 Conditions.

At a minimum, each grant agreement under subparts D, E, F, G, and H of this part must contain the following conditions:

(a) The recipient must immediately report any indication of fraud, waste, abuse, or potentially criminal activity pertaining to grant funds to Treasury and the Treasury Inspector General.

(b) The recipient must maintain detailed records sufficient to account for the receipt, obligation, and expenditure of grant funds. The recipient must track program income.

(c) Prior to disbursing funds to a subrecipient, the recipient must execute a legally binding written agreement with the entity receiving the subaward. The written agreement will extend all the applicable program requirements to the subrecipient.

(d) The recipient must use the funds only for the purposes identified in the agreement.

(e) The recipient must report at the conclusion of the grant period, or other period specified by the Federal agency administering the grant, on the use of funds pursuant to the agreement.

(f) Trust Fund amounts may only be used to acquire land or interests in land by purchase, exchange, or donation from a willing seller.

(g) None of the Trust Fund amounts may be used to acquire land in fee title by the Federal Government unless the land is acquired by exchange or donation or the acquisition is necessary for the restoration and protection of the natural resources, ecosystems, fisheries, marine and wildlife habitats, beaches, and coastal wetlands of the Gulf Coast Region and has the concurrence of the Governor of the state in which the acquisition will take place.

§ 34.804 Noncompliance.

(a) If Treasury determines that a Gulf Coast State, coastal political subdivision, or coastal zone parish has expended funds received under the Direct Component, Comprehensive Plan Component, or Spill Impact Component on an ineligible activity, Treasury will make no additional funds available to that recipient from any part of the Trust Fund until the recipient has deposited in the Trust Fund an amount equal to the amount expended for an ineligible activity, or Treasury has authorized the recipient to expend an equal amount from the recipient's own funds for an activity that meets the requirements of the Act.

(b) If Treasury determines that a Gulf Coast State, coastal political subdivision, or coastal zone parish has materially violated a grant agreement under the Direct Component, Comprehensive Plan Component, or Spill Impact Component, Treasury will make no additional funds available to that recipient from any part of the Trust Fund until the recipient corrects the violation.

(c) As a condition of receiving funds, recipients and subrecipients shall make available their records and personnel to Treasury in order to carry out the purposes of this section.

§ 34.805 Treasury Inspector General.

In addition to other authorities available under the Act, the Office of the Inspector General of the Department of the Treasury is authorized to conduct, supervise, and coordinate audits and investigations of activities funded through grants under the Act.

PART 35—PANDEMIC RELIEF PROGRAMS

Subpart A—Coronavirus State and Local Fiscal Recovery Funds

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APPENDIX A TO PART 35—EMERGENCY CAPITAL INVESTMENT PROGRAM MODEL EXCESSIVE OR LUXURY EXPENDITURES POLICY

AUTHORITY: 42 U.S.C. 802(f); 42 U.S.C. 803(f); 31 U.S.C. 321; Division N, Title V, Subtitle B, Pub. L. 116–260, 134 Stat. 1182; Section 104A, Pub. L. 103–325, 108 Stat. 2160, as amended (12 U.S.C. 4701 *et seq.*); Pub. L. 117–2, 135 Stat. 4 (42 U.S.C. 802 *et seq.*).

SOURCE: 86 FR 13455, Mar. 9, 2021, unless otherwise noted.

Subpart A—Coronavirus State and Local Fiscal Recovery Funds

SOURCE: 86 FR 26819, May 17, 2021, unless otherwise noted.

§ 35.1 Purpose.

This subpart implements section 9901 of the American Rescue Plan Act (Subtitle M of Title IX of Pub. L. 117–2), which amends Title VI of the Social Security Act (42 U.S.C. 801 *et seq.*) by adding sections 602 and 603 to establish the Coronavirus State Fiscal Recovery Fund and Coronavirus Local Fiscal Recovery Fund.

§ 35.2 Applicability.

This subpart applies to States, territories, Tribal governments, metropolitan cities, nonentitlement units of local government, counties, and units of general local government that accept a payment or transfer of funds made under section 602 or 603 of the Social Security Act.

§ 35.3 Definitions.

As used in this subpart:

Baseline means tax revenue of the recipient for its fiscal year ending in 2019, adjusted for inflation in each reporting year using the Bureau of Economic Analysis's Implicit Price Deflator for the gross domestic product of the United States.

County means a county, parish, or other equivalent county division (as defined by the Census Bureau).

Covered benefits include, but are not limited to, the costs of all types of leave (vacation, family-related, sick, military, bereavement, sabbatical, jury duty), employee insurance (health, life, dental, vision), retirement (pensions, 401(k)), unemployment benefit plans (Federal and State), workers' compensation insurance, and Federal Insurance Contributions Act taxes (which includes Social Security and Medicare taxes).

Covered change means a change in law, regulation, or administrative interpretation. A change in law includes any final legislative or regulatory action, a new or changed administrative interpretation, and the phase-in or taking effect of any statute or rule if the phase-in or taking effect was not prescribed prior to the start of the covered period.

Covered period means, with respect to a State, Territory, or Tribal government, the period that:

(1) Begins on March 3, 2021; and

(2) Ends on the last day of the fiscal year of such State, Territory, or Tribal government in which all funds received by the State, Territory, or Tribal government from a payment made under section 602 or 603 of the Social Security Act have been expended or returned to, or recovered by, the Secretary.

COVID–19 means the Coronavirus Disease 2019.

COVID–19 public health emergency means the period beginning on January 27, 2020 and until the termination of the national emergency concerning the COVID–19 outbreak declared pursuant to the National Emergencies Act (50 U.S.C. 1601 *et seq.*).

Deposit means an extraordinary payment of an accrued, unfunded liability. The term deposit does not refer to routine contributions made by an employer to pension funds as part of the employer's obligations related to payroll, such as either a pension contribution consisting of a normal cost component related to current employees or a component addressing the amortization of unfunded liabilities calculated by reference to the employer's payroll costs.

Eligible employer means an employer of an eligible worker who performs essential work.

Eligible workers means workers needed to maintain continuity of operations of essential critical infrastructure sectors, including health care; emergency response; sanitation, disinfection, and cleaning work; maintenance work; grocery stores, restaurants, food production, and food delivery; pharmacy; biomedical research; behavioral health work; medical testing and diagnostics; home- and community-based health care or assistance with activities of daily living; family or child care; social services work; public health work; vital services to Tribes; any work performed by an employee of a State, local, or Tribal government; educational work, school nutrition work, and other work required to operate a school facility; laundry work; elections work; solid waste or hazardous materials management, response, and cleanup work; work requiring physical interaction with patients; dental care work; transportation and warehousing; work at hotel and commercial lodging facilities that are used for COVID–19 mitigation and containment; work in a mortuary; work in critical clinical research, development, and testing necessary for COVID–19 response.

(1) With respect to a recipient that is a metropolitan city, nonentitlement unit of local government, or county, workers in any additional sectors as each chief executive officer of such recipient may designate as critical to protect the health and well-being of the residents of their metropolitan city, nonentitlement unit of local government, or county; or

(2) With respect to a State, Territory, or Tribal government, workers in any additional sectors as each Governor of a State or Territory, or each Tribal government, may designate as critical to protect the health and well-being of the residents of their State, Territory, or Tribal government.

Essential work means work that:

(1) Is not performed while teleworking from a residence; and

(2) Involves:

(i) Regular in-person interactions with patients, the public, or coworkers of the individual that is performing the work; or

(ii) Regular physical handling of items that were handled by, or are to be handled by patients, the public, or coworkers of the individual that is performing the work.

Funds means, with respect to a recipient, amounts provided to the recipient pursuant to a payment made under section 602(b) or 603(b) of the Social Security Act or transferred to the recipient pursuant to section 603(c)(4) of the Social Security Act.

General revenue means money that is received from tax revenue, current charges, and miscellaneous general revenue, excluding refunds and other correcting transactions, proceeds from issuance of debt or the sale of investments, agency or private trust transactions, and intergovernmental transfers from the Federal Government, including transfers made pursuant to section 9901 of the American Rescue Plan Act. General revenue does not include revenues from utilities. Revenue from Tribal business enterprises must be included in general revenue.

Intergovernmental transfers means money received from other governments, including grants and shared taxes.

Metropolitan city has the meaning given that term in section 102(a)(4) of the Housing and Community Development Act of 1974 (42 U.S.C. 5302(a)(4)) and includes cities that relinquish or defer their status as a metropolitan city for purposes of receiving allocations under section 106 of such Act (42 U.S.C. 5306) for fiscal year 2021.

Net reduction in total spending is measured as the State or Territory's total spending for a given reporting year excluding its spending of funds, subtracted from its total spending for its fiscal year ending in 2019, adjusted for inflation using the Bureau of Economic Analysis's Implicit Price Deflator for the gross domestic product of the United States.

Nonentitlement unit of local government means a ''city,'' as that term is defined in section 102(a)(5) of the Housing and Community Development Act of 1974 (42 U.S.C. 5302(a)(5)), that is not a metropolitan city.

Nonprofit means a nonprofit organization that is exempt from Federal income taxation and that is described in

section 501(c)(3) of the Internal Revenue Code.

Obligation means an order placed for property and services and entering into contracts, subawards, and similar transactions that require payment.

Pension fund means a defined benefit plan and does not include a defined contribution plan.

Premium pay means an amount of up to $13 per hour that is paid to an eligible worker, in addition to wages or remuneration the eligible worker otherwise receives, for all work performed by the eligible worker during the COVID–19 public health emergency. Such amount may not exceed $25,000 with respect to any single eligible worker. Premium pay will be considered to be in addition to wages or remuneration the eligible worker otherwise receives if, as measured on an hourly rate, the premium pay is:

(1) With regard to work that the eligible worker previously performed, pay and remuneration equal to the sum of all wages and remuneration previously received plus up to $13 per hour with no reduction, substitution, offset, or other diminishment of the eligible worker's previous, current, or prospective wages or remuneration; or

(2) With regard to work that the eligible worker continues to perform, pay of up to $13 that is in addition to the eligible worker's regular rate of wages or remuneration, with no reduction, substitution, offset, or other diminishment of the workers' current and prospective wages or remuneration.

Qualified census tract has the same meaning given in 26 U.S.C. 42(d)(5)(B)(ii)(I).

Recipient means a State, Territory, Tribal government, metropolitan city, nonentitlement unit of local government, county, or unit of general local government that receives a payment made under section 602(b) or 603(b) of the Social Security Act or transfer pursuant to section 603(c)(4) of the Social Security Act.

Reporting year means a single year or partial year within the covered period, aligned to the current fiscal year of the State or Territory during the covered period.

Secretary means the Secretary of the Treasury.

Small business means a business concern or other organization that:

(1) Has no more than 500 employees, or if applicable, the size standard in number of employees established by the Administrator of the Small Business Administration for the industry in which the business concern or organization operates; and

(2) Is a small business concern as defined in section 3 of the Small Business Act (15 U.S.C. 632).

State means each of the 50 States and the District of Columbia.

Tax revenue means revenue received from a compulsory contribution that is exacted by a government for public purposes excluding refunds and corrections and, for purposes of § 35.8, intergovernmental transfers. Tax revenue does not include payments for a special privilege granted or service rendered, employee or employer assessments and contributions to finance retirement and social insurance trust systems, or special assessments to pay for capital improvements.

Territory means the Commonwealth of Puerto Rico, the United States Virgin Islands, Guam, the Commonwealth of the Northern Mariana Islands, or American Samoa.

Tribal enterprise means a business concern:

(1) That is wholly owned by one or more Tribal governments, or by a corporation that is wholly owned by one or more Tribal governments; or

(2) That is owned in part by one or more Tribal governments, or by a corporation that is wholly owned by one or more Tribal governments, if all other owners are either United States citizens or small business concerns, as these terms are used and consistent with the definitions in 15 U.S.C. 657a(b)(2)(D).

Tribal government means the recognized governing body of any Indian or Alaska Native tribe, band, nation, pueblo, village, community, component band, or component reservation, individually identified (including parenthetically) in the list published by the Bureau of Indian Affairs on January 29, 2021, pursuant to section 104 of the Federally Recognized Indian Tribe List Act of 1994 (25 U.S.C. 5131).

Unemployment rate means the U–3 unemployment rate provided by the Bureau of Labor Statistics as part of the Local Area Unemployment Statistics program, measured as total unemployment as a percentage of the civilian labor force.

Unemployment trust fund means an unemployment trust fund established under section 904 of the Social Security Act (42 U.S.C. 1104).

Unit of general local government has the meaning given to that term in section 102(a)(1) of the Housing and Community Development Act of 1974 (42 U.S.C. 5302(a)(1)).

Unserved and underserved households or businesses means one or more households or businesses that are not currently served by a wireline connection that reliably delivers at least 25 Mbps download speed and 3 Mbps of upload speed.

§ 35.4 Reservation of authority, reporting.

(a) *Reservation of authority*. Nothing in this subpart shall limit the authority of the Secretary to take action to enforce conditions or violations of law, including actions necessary to prevent evasions of this subpart.

(b) *Extensions or accelerations of timing*. The Secretary may extend or accelerate any deadline or compliance date of this subpart, including reporting requirements that implement this subpart, if the Secretary determines that such extension or acceleration is appropriate. In determining whether an extension or acceleration is appropriate, the Secretary will consider the period of time that would be extended or accelerated and how the modified timeline would facilitate compliance with this subpart.

(c) *Reporting and requests for other information*. During the covered period, recipients shall provide to the Secretary periodic reports providing detailed accounting of the uses of funds, all modifications to a State or Territory's tax revenue sources, and such other information as the Secretary may require for the administration of this section. In addition to regular reporting requirements, the Secretary may request other additional information as may be necessary or appropriate, including as may be necessary to prevent evasions of the requirements of this subpart. False statements or claims made to the Secretary may result in criminal, civil, or administrative sanctions, including fines, imprisonment, civil damages and penalties, debarment from participating in Federal awards or contracts, and/or any other remedy available by law.

§ 35.5 Use of funds.

(a) *In general*. A recipient may only use funds to cover costs incurred during the period beginning March 3, 2021, and ending December 31, 2024, for one or more of the purposes enumerated in sections 602(c)(1) and 603(c)(1) of the Social Security Act, as applicable, including those enumerated in section § 35.6, subject to the restrictions set forth in sections 602(c)(2) and 603(c)(2) of the Social Security Act, as applicable.

(b) *Costs incurred*. A cost shall be considered to have been incurred for purposes of paragraph (a) of this section if the recipient has incurred an obligation with respect to such cost by December 31, 2024.

(c) *Return of funds*. A recipient must return any funds not obligated by December 31, 2024, and any funds not expended to cover such obligations by December 31, 2026.

§ 35.6 Eligible uses.

(a) *In general*. Subject to §§ 35.7 and 35.8, a recipient may use funds for one or more of the purposes described in paragraphs (b) through (e) of this section

(b) *Responding to the public health emergency or its negative economic impacts*. A recipient may use funds to respond to the public health emergency or its negative economic impacts, including for one or more of the following purposes:

(1) *COVID–19 response and prevention*. Expenditures for the mitigation and prevention of COVID–19, including:

(i) Expenses related to COVID–19 vaccination programs and sites, including staffing, acquisition of equipment or supplies, facilities costs, and information technology or other administrative expenses;

(ii) COVID–19-related expenses of public hospitals, clinics, and similar facilities;

(iii) COVID–19 related expenses in congregate living facilities, including skilled nursing facilities, long-term care facilities, incarceration settings, homeless shelters, residential foster care facilities, residential behavioral health treatment, and other group living facilities;

(iv) Expenses of establishing temporary public medical facilities and other measures to increase COVID–19 treatment capacity, including related construction costs and other capital investments in public facilities to meet COVID–19-related operational needs;

(v) Expenses of establishing temporary public medical facilities and other measures to increase COVID–19 treatment capacity, including related construction costs and other capital investments in public facilities to meet COVID–19-related operational needs;

(vi) Costs of providing COVID–19 testing and monitoring, contact tracing, and monitoring of case trends and genomic sequencing for variants;

(vii) Emergency medical response expenses, including emergency medical transportation, related to COVID–19;

(viii) Expenses for establishing and operating public telemedicine capabilities for COVID–19-related treatment;

(ix) Expenses for communication related to COVID–19 vaccination programs and communication or enforcement by recipients of public health orders related to COVID–19;

(x) Expenses for acquisition and distribution of medical and protective supplies, including sanitizing products and personal protective equipment;

(xi) Expenses for disinfection of public areas and other facilities in response to the COVID–19 public health emergency;

(xii) Expenses for technical assistance to local authorities or other entities on mitigation of COVID–19-related threats to public health and safety;

(xiii) Expenses for quarantining or isolation of individuals;

(xiv) Expenses of providing paid sick and paid family and medical leave to public employees to enable compliance with COVID–19 public health precautions;

(xv) Expenses for treatment of the long-term symptoms or effects of COVID–19, including post-intensive care syndrome;

(xvi) Expenses for the improvement of ventilation systems in congregate settings, public health facilities, or other public facilities;

(xvii) Expenses related to establishing or enhancing public health data systems; and

(xviii) Mental health treatment, substance misuse treatment, and other behavioral health services.

(2) *Public health and safety staff*. Payroll and covered benefit expenses for public safety, public health, health care, human services, and similar employees to the extent that the employee's time is spent mitigating or responding to the COVID–19 public health emergency.

(3) *Hiring State and local government staff*. Payroll, covered benefit, and other costs associated with the recipient increasing the number of its employees up to the number of employees that it employed on January 27, 2020.

(4) *Assistance to unemployed workers*. Assistance, including job training, for individuals who want and are available for work, including those who have looked for work sometime in the past 12 months or who are employed part time but who want and are available for full-time work.

(5) *Contributions to State unemployment insurance trust funds*. Contributions to an unemployment trust fund up to the level required to restore the unemployment trust fund to its balance on January 27, 2020 or to pay back advances received under Title XII of the Social Security Act (42 U.S.C. 1321) for the payment of benefits between January 27, 2020 and May 17, 2021.

(6) *Small businesses*. Assistance to small businesses, including loans, grants, in-kind assistance, technical assistance or other services, that responds to the negative economic impacts of the COVID–19 public health emergency.

(7) *Nonprofits*. Assistance to nonprofit organizations, including loans, grants, in-kind assistance, technical assistance or other services, that responds to the negative economic impacts of the COVID–19 public health emergency.

(8) *Assistance to households.* Assistance programs, including cash assistance programs, that respond to the COVID–19 public health emergency.

(9) *Aid to impacted industries.* Aid to tourism, travel, hospitality, and other impacted industries that responds to the negative economic impacts of the COVID–19 public health emergency.

(10) *Expenses to improve efficacy of public health or economic relief programs.* Administrative costs associated with the recipient's COVID–19 public health emergency assistance programs, including services responding to the COVID–19 public health emergency or its negative economic impacts, that are not federally funded.

(11) *Survivor's benefits.* Benefits for the surviving family members of individuals who have died from COVID–19, including cash assistance to widows, widowers, or dependents of individuals who died of COVID–19.

(12) *Disproportionately impacted populations and communities.* A program, service, or other assistance that is provided in a qualified census tract, that is provided to households and populations living in a qualified census tract, that is provided by a Tribal government, or that is provided to other households, businesses, or populations disproportionately impacted by the COVID–19 public health emergency, such as:

(i) Programs or services that facilitate access to health and social services, including:

(A) Assistance accessing or applying for public benefits or services;

(B) Remediation of lead paint or other lead hazards; and

(C) Community violence intervention programs;

(ii) Programs or services that address housing insecurity, lack of affordable housing, or homelessness, including:

(A) Supportive housing or other programs or services to improve access to stable, affordable housing among individuals who are homeless;

(B) Development of affordable housing to increase supply of affordable and high-quality living units; and

(C) Housing vouchers and assistance relocating to neighborhoods with higher levels of economic opportunity and to reduce concentrated areas of low economic opportunity;

(iii) Programs or services that address or mitigate the impacts of the COVID–19 public health emergency on education, including:

(A) New or expanded early learning services;

(B) Assistance to high-poverty school districts to advance equitable funding across districts and geographies; and

(C) Educational and evidence-based services to address the academic, social, emotional, and mental health needs of students; and

(iv) Programs or services that address or mitigate the impacts of the COVID–19 public health emergency on childhood health or welfare, including:

(A) New or expanded childcare;

(B) Programs to provide home visits by health professionals, parent educators, and social service professionals to individuals with young children to provide education and assistance for economic support, health needs, or child development; and

(C) Services for child welfare-involved families and foster youth to provide support and education on child development, positive parenting, coping skills, or recovery for mental health and substance use.

(c) *Providing premium pay to eligible workers.* A recipient may use funds to provide premium pay to eligible workers of the recipient who perform essential work or to provide grants to eligible employers, provided that any premium pay or grants provided under this paragraph (c) must respond to eligible workers performing essential work during the COVID–19 public health emergency. A recipient uses premium pay or grants provided under this paragraph (c) to respond to eligible workers performing essential work during the COVID–19 public health emergency if it prioritizes low- and moderate-income persons. The recipient must provide, whether for themselves or on behalf of a grantee, a written justification to the Secretary of how the premium pay or grant provided under this paragraph (c) responds to eligible workers performing essential work if the premium pay or grant would increase an eligible worker's total wages and remuneration above 150 percent of

such eligible worker's residing State's average annual wage for all occupations or their residing county's average annual wage, whichever is higher.

(d) *Providing government services.* For the provision of government services to the extent of a reduction in the recipient's general revenue, calculated according to paragraphs (d)(1) and (2) of this section.

(1) *Frequency.* A recipient must calculate the reduction in its general revenue using information as-of December 31, 2020, December 31, 2021, December 31, 2022, and December 31, 2023 (each, a calculation date) and following each calculation date.

(2) *Calculation.* A reduction in a recipient's general revenue equals:

$$Max\ \{[Base\ Year\ Revenue * (1 + Growth\ Adjustment)^{\left(\frac{n_t}{12}\right)}] - Actual\ General\ Revenue_t; 0\}$$

Where:

Base Year Revenue is the recipient's general revenue for the most recent full fiscal year prior to the COVD–19 public health emergency;

Growth Adjustment is equal to the greater of 4.1 percent (or 0.041) and the recipient's average annual revenue growth over the three full fiscal years prior to the COVID–19 public health emergency.

n equals the number of months elapsed from the end of the base year to the calculation date.

Actual General Revenue is a recipient's actual general revenue collected during 12-month period ending on each calculation date;

Subscript *t* denotes the specific calculation date.

(e) *To make necessary investments in infrastructure.* A recipient may use funds to make investments in:

(1) *Clean Water State Revolving Fund and Drinking Water State Revolving Fund investments.* Projects or activities of the type that would be eligible under section 603(c) of the Federal Water Pollution Control Act (33 U.S.C. 1383(c)) or section 1452 of the Safe Drinking Water Act (42 U.S.C. 300j–12); or,

(2) *Broadband.* Broadband infrastructure that is designed to provide service to unserved or underserved households and businesses and that is designed to, upon completion:

(i) Reliably meet or exceed symmetrical 100 Mbps download speed and upload speeds; or

(ii) In cases where it is not practicable, because of the excessive cost of the project or geography or topography of the area to be served by the project, to provide service meeting the standards set forth in paragraph (e)(2)(i) of this section:

(A) Reliably meet or exceed 100 Mbps download speed and between at least 20 Mbps and 100 Mbps upload speed; and

(B) Be scalable to a minimum of 100 Mbps download speed and 100 Mbps upload speed.

§ 35.7 Pensions.

A recipient may not use funds for deposit into any pension fund.

§ 35.8 Tax.

(a) *Restriction.* A State or Territory shall not use funds to either directly or indirectly offset a reduction in the net tax revenue of the State or Territory resulting from a covered change during the covered period.

(b) *Violation.* Treasury will consider a State or Territory to have used funds to offset a reduction in net tax revenue if, during a reporting year:

(1) *Covered change.* The State or Territory has made a covered change that, either based on a reasonable statistical methodology to isolate the impact of the covered change in actual revenue or based on projections that use reasonable assumptions and do not incorporate the effects of macroeconomic growth to reduce or increase the projected impact of the covered change, the State or Territory assesses has had or predicts to have the effect of reducing tax revenue relative to current law;

(2) *Exceeds the de minimis threshold.* The aggregate amount of the measured or predicted reductions in tax revenue caused by covered changes identified under paragraph (b)(1) of this section, in the aggregate, exceeds 1 percent of the State's or Territory's baseline;

(3) *Reduction in net tax revenue.* The State or Territory reports a reduction in net tax revenue, measured as the difference between actual tax revenue and the State's or Territory's baseline, each measured as of the end of the reporting year; and

(4) *Consideration of other changes.* The aggregate amount of measured or predicted reductions in tax revenue caused by covered changes is greater than the sum of the following, in each case, as calculated for the reporting year:

(i) The aggregate amount of the expected increases in tax revenue caused by one or more covered changes that, either based on a reasonable statistical methodology to isolate the impact of the covered change in actual revenue or based on projections that use reasonable assumptions and do not incorporate the effects of macroeconomic growth to reduce or increase the projected impact of the covered change, the State or Territory assesses has had or predicts to have the effect of increasing tax revenue; and

(ii) Reductions in spending, up to the amount of the State's or Territory's net reduction in total spending, that are in:

(A) Departments, agencies, or authorities in which the State or Territory is not using funds; and

(B) Departments, agencies, or authorities in which the State or Territory is using funds, in an amount equal to the value of the spending cuts in those departments, agencies, or authorities, minus funds used.

(c) *Amount and revenue reduction cap.* If a State or Territory is considered to be in violation pursuant to paragraph (b) of this section, the amount used in violation of paragraph (a) of this section is equal to the lesser of:

(1) The reduction in net tax revenue of the State or Territory for the reporting year, measured as the difference between the State's or Territory's baseline and its actual tax revenue, each measured as of the end of the reporting year; and,

(2) The aggregate amount of the reductions in tax revenues caused by covered changes identified in paragraph (b)(1) of this section, minus the sum of the amounts in identified in paragraphs (b)(4)(i) and (ii).

§ 35.9 Compliance with applicable laws.

A recipient must comply with all other applicable Federal statutes, regulations, and Executive orders, and a recipient shall provide for compliance with the American Rescue Plan Act, this subpart, and any interpretive guidance by other parties in any agreements it enters into with other parties relating to these funds.

§ 35.10 Recoupment.

(a) *Identification of violations*—(1) *In general.* Any amount used in violation of § 35.5, § 35.6, or § 35.7 may be identified at any time prior to December 31, 2026.

(2) *Annual reporting of amounts of violations.* On an annual basis, a recipient that is a State or Territory must calculate and report any amounts used in violation of § 35.8.

(b) *Calculation of amounts subject to recoupment*—(1) *In general.* Except as provided in paragraph (b)(2) of this section, Treasury will calculate any amounts subject to recoupment resulting from a violation of § 35.5, § 35.6, or § 35.7 as the amounts used in violation of such restrictions.

(2) *Violations of § 35.8.* Treasury will calculate any amounts subject to recoupment resulting from a violation of § 35.8, equal to the lesser of:

(i) The amount set forth in § 35.8(c); and,

(ii) The amount of funds received by such recipient.

(c) *Notice.* If Treasury calculates an amount subject to recoupment under paragraph (b) of this section, Treasury will provide the recipient a written notice of the amount subject to recoupment along with an explanation of such amounts.

(d) *Request for reconsideration.* Unless Treasury extends the time period, within 60 calendar days of receipt of a notice of recoupment provided under paragraph (c) of this section, a recipient may submit a written request to Treasury requesting reconsideration of any amounts subject to recoupment under paragraph (b) of this section. To request reconsideration of any amounts subject to recoupment, a recipient must submit to Treasury a written request that includes:

(1) An explanation of why the recipient believes all or some of the amount should not be subject to recoupment; and

(2) A discussion of supporting reasons, along with any additional information.

(e) *Final amount subject to recoupment.* Unless Treasury extends the time period, within 60 calendar days of receipt of the recipient's request for reconsideration provided pursuant to paragraph (d) of this section, the recipient will be notified of the Secretary's decision to affirm, withdraw, or modify the notice of recoupment. Such notification will include an explanation of the decision, including responses to the recipient's supporting reasons and consideration of additional information provided.

(f) *Repayment of funds.* Unless Treasury extends the time period, a recipient shall repay to the Secretary any amounts subject to recoupment in accordance with instructions provided by Treasury:

(1) Within 120 calendar days of receipt of the notice of recoupment provided under paragraph (c) of this section, in the case of a recipient that does not submit a request for reconsideration in accordance with the requirements of paragraph (d) of this section; or

(2) Within 120 calendar days of receipt of the Secretary's decision under paragraph (e) of this section, in the case of a recipient that submits a request for reconsideration in accordance with the requirements of paragraph (d) of this section.

§ 35.11 Payments to States.

(a) *In general.* With respect to any State or Territory that has an unemployment rate as of the date that it submits an initial certification for payment of funds pursuant to section 602(d)(1) of the Social Security Act that is less than two percentage points above its unemployment rate in February 2020, the Secretary will withhold 50 percent of the amount of funds allocated under section 602(b) of the Social Security Act to such State or territory until the date that is twelve months from the date such initial certification is provided to the Secretary.

(b) *Payment of withheld amount.* In order to receive the amount withheld under paragraph (a) of this section, the State or Territory must submit to the Secretary at least 30 days prior to the date referenced in paragraph (a) the following information:

(1) A certification, in the form provided by the Secretary, that such State or Territory requires the payment to carry out the activities specified in section 602(c) of the Social Security Act and will use the payment in compliance with section 602(c) of the Social Security Act; and,

(2) Any reports required to be filed by that date pursuant to this subpart that have not yet been filed.

§ 35.12 Distributions to nonentitlement units of local government and units of general local government.

(a) *Nonentitlement units of local government.* Each State or Territory that receives a payment from Treasury pursuant to section 603(b)(2)(B) of the Social Security Act shall distribute the amount of the payment to nonentitlement units of government in such State or Territory in accordance with the requirements set forth in section 603(b)(2)(C) of the Social Security Act and without offsetting any debt owed by such nonentitlement units of local governments against such payments.

(b) *Budget cap.* A State or Territory may not make a payment to a nonentitlement unit of local government pursuant to section 603(b)(2)(C) of the Social Security Act and paragraph (a) of this section in excess of the amount equal to 75 percent of the most recent budget for the nonentitlement unit of local government as of January 27, 2020. A State or Territory shall permit a nonentitlement unit of local government without a formal budget as of January 27, 2020, to provide a certification from an authorized officer of the nonentitlement unit of local government of its most recent annual expenditures as of January 27, 2020, and a State or Territory may rely on such certification for purposes of complying with this paragraph (b).

(c) *Units of general local government.* Each State or Territory that receives a payment from Treasury pursuant to

section 603(b)(3)(B)(ii) of the Social Security Act, in the case of an amount to be paid to a county that is not a unit of general local government, shall distribute the amount of the payment to units of general local government within such county in accordance with the requirements set forth in section 603(b)(3)(B)(ii) of the Social Security Act and without offsetting any debt owed by such units of general local government against such payments.

(d) *Additional conditions.* A State or Territory may not place additional conditions or requirements on distributions to nonentitlement units of local government or units of general local government beyond those required by section 603 of the Social Security Act or this subpart.

Subpart B—Compensation and Capital Distributions

§ 35.20 Purpose, applicability, and general provisions.

(a) *Purpose.* Pursuant Section 104A of the Community Development Banking and Financial Institutions Act of 1994 (Act), as added by the Consolidated Appropriations Act, 2021 (Pub. L. 116–260), this subpart establishes restrictions on executive compensation, dividend payments, and share buybacks for recipients of capital investments under the Department of the Treasury's Emergency Capital Investment Program (ECIP or Program), as well as additional criteria for participation in the Program that the Secretary has determined are appropriate in furtherance of the Program goals.

(b) *Applicability.* This subpart applies on a consolidated basis to any insured depository institution, bank holding company, savings and loan holding company, or federally insured credit union that issues preferred stock or a subordinated debt instrument to the Department of the Treasury under the Program (an ECIP recipient, as defined in § 35.21 of this subpart). An ECIP recipient must comply with the requirements of this subpart during the ECIP period.

(c) *Limitation of authority.* Nothing in this subpart shall be interpreted to limit the authority of the appropriate Federal banking agency to take action under other provisions of law, including action to address unsafe or unsound practices or conditions, deficient capital levels, or violations of law or regulation, under section 8 of the Federal Deposit Insurance Act, section 8 of the Bank Holding Company Act, or section 10 of the Home Owners' Loan Act, or the Federal Credit Union Act, as may be applicable.

§ 35.21 Definitions.

Except as modified in this regulation or unless the context otherwise requires, the terms used in this regulation have the same meaning as set forth in the relevant statutes. For purposes of this subpart:

Act means the Community Development Banking and Financial Institutions Act of 1994, as amended (12 U.S.C. 4701 *et seq.*).

Appropriate Federal banking agency has the same meaning as in 12 U.S.C. 1813 and also includes the NCUA with respect to a federally insured credit union.

Capital distributions means:

(1) Dividends, including discretionary dividends, on non-senior securities and any other payments on a share of stock or other equity or equivalent interest;

(2) Payments, including interest payments, on non-senior securities, that the issuer has full discretion to permanently or temporarily suspend without triggering a default;

(3) Redemptions or repurchases of non-senior securities; or

(4) Any similar transaction that the Department of the Treasury determines to be in substance a capital distribution;

(5) Provided, that a ''capital distribution'' does not include:

(i) Redemptions or repurchases of shares that are part of an employee stock ownership plan for an ECIP recipient that is not publicly traded, provided that the repurchase is required solely by virtue of the Employee Retirement Income Security Act of 1974, as amended;

(ii) In the case of federally insured credit unions:

(A) Payments of dividends and interest (as defined by 12 CFR 707.2(h) and (o)) on accounts held by their members; provided that this exclusion does not

apply to any extraordinary or special dividend by a credit union; or

(B) Redemptions of membership share interests upon voluntary or involuntary terminations of membership by a credit union or its members, as applicable; and

(iii) Solely in the case of § 35.23(b) (Limit on amount of capital distributions), redemptions or repurchases of non-senior securities if the issuer of the non-senior securities being repurchased or redeemed fully funds the redemption or repurchase by issuing at least a corresponding amount of new non-senior securities that rank equally in liquidation with, receive the same capital treatment as and, if applicable, have a stated maturity date no earlier than the non-senior securities being redeemed or repurchased.

ECIP means the Emergency Capital Investment Program established under Section 104A of the Community Development Banking and Financial Institutions Act of 1994, as amended.

ECIP investment means any preferred stock, subordinated debt, or other instrument (including any successor to any such instrument) issued by an ECIP recipient to the Department of the Treasury under the ECIP.

ECIP investment agreement means the agreement between an ECIP recipient and the Department of the Treasury with respect to the ECIP investment in that ECIP recipient.

ECIP investment date means the date on which an ECIP recipient first issued an ECIP investment.

ECIP period means the period from the ECIP investment date until the earliest of:

(1) The date on which the ECIP recipient has fully redeemed or repaid the ECIP investment received under ECIP;

(2) The date on which the investment the ECIP recipient received under the ECIP is no longer held, in full or in part, by the Department of the Treasury or any affiliate thereof; and

(3) Ten years after the ECIP investment date.

ECIP recipient means any entity that has received a capital investment under the ECIP.

Excessive or luxury expenditures means:

(1) Excessive expenditures on any of the following to the extent such expenditures are not reasonable expenditures for staff development, reasonable performance incentives, or other similar reasonable measures conducted in the normal course of the ECIP recipient's business operations:

(i) Entertainment or events;

(ii) Office and facility renovations;

(iii) Aviation or other transportation services;

(iv) Tax gross-ups; and

(v) Other similar items, activities, or events for which the ECIP recipient may reasonably anticipate incurring expenses, or reimbursing an employee for incurring expenses;

(2) Provided, that reasonable capital investments in technology, equipment, and similar items that expand the long-term capability of an ECIP recipient to provide products and services to its customers and community are not excessive or luxury expenditures.

Excessive or luxury expenditures policy means written standards applicable to the ECIP recipient and its employees that address the five categories of expenses set forth in the definition of ''excessive or luxury expenditures,'' and that are reasonably designed to eliminate excessive and luxury expenditures. Such written standards must:

(1) Identify the types or categories of expenditures which are prohibited (which may include a threshold expenditure amount per item, activity, or event or a threshold expenditure amount per employee receiving the item or participating in the activity or event);

(2) Identify the types or categories of expenditures for which prior approval is required (which may include a threshold expenditure amount per item, activity, or event or a threshold expenditure amount per employee receiving the item or participating in the activity or event);

(3) Provide reasonable approval procedures for expenditures requiring prior approval;

(4) Require the ECIP recipient to deliver a certification, executed by two senior executive officers (one of which must be its principal executive officer or principal financial officer) certifying that the approval of any expenditure

requiring the prior approval of any senior executive officer, any executive officer of a substantially similar level of responsibility, or the ECIP recipient's board of directors (or a committee of such board of directors), was properly obtained with respect to each such expenditure;

(5) Require the prompt internal reporting of violations to an appropriate person or persons identified in this policy; and

(6) Mandate accountability for adherence to the policy.

FDIC means the Federal Deposit Insurance Corporation.

Federal Reserve Board means the Board of Governors of the Federal Reserve System.

NCUA means the National Credit Union Administration.

Non-senior security means any equity interest or equivalent interest (including but not limited to membership share interests in the case of a credit union) or any other interest in, or instrument issued by, an ECIP recipient that is *pari passu* with, or junior to, the ECIP investment with respect to capital distributions or ranking in liquidation, including but not limited to the common stock (or equivalent equity interest) of the ECIP recipient, or any equity interest or equivalent interest or any other interest in or instrument issued by a depository institution holding company of which the ECIP recipient is a subsidiary.

OCC means the Office of the Comptroller of the Currency.

Principal executive officer means the chief executive officer of an ECIP recipient (or individual performing a similar function).

Principal financial officer means the chief financial officer of an ECIP recipient (or individual performing a similar function).

Senior executive officer means an ECIP recipient's president, any vice president in charge of a principal business unit, division or function, any other officer who performs a policy making function, or any other person who performs similar policy making functions.

Severance payment means any payment or benefit provided to an officer or employee of an ECIP recipient in connection with any termination of such officer or employee's employment with the ECIP recipient (including resignation, severance, retirement, or constructive termination), except for payment for services performed or benefits accrued. A severance payment includes cash payments, health care benefits, perquisites, the enhancement or acceleration of any payment or vesting of any payment or benefit, or any other in-kind benefit payable or provided in connection with any termination of an officer or employee of the ECIP recipient.

Total compensation means all compensation, other than any severance payment, provided by an ECIP recipient to an officer or employee, including salary, wages, bonuses, awards of stock, deferred compensation, and other financial benefits.

§ 35.22 Restrictions on compensation.

(a) *Restriction on executive compensation.* An ECIP recipient must ensure that the total compensation paid to its senior executive officers is appropriate and not excessive. Unless informed otherwise by the Department of the Treasury, an ECIP recipient is considered to have satisfied the requirements regarding executive compensation in this section if it, and, if applicable, all insured depository institution subsidiaries of the ECIP recipient, maintains compliance with the following (or any successor requirement, as applicable):

(1) For an ECIP recipient or subsidiary of an ECIP recipient that is an insured depository institution, except for federally insured credit unions, the Interagency Guidelines Establishing Standards for Safety and Soundness as issued by the appropriate Federal banking agency for the ECIP recipient or subsidiary (*i.e.*, for national banks and Federal savings associations, 12 CFR part 30, appendix A; state member banks, 12 CFR part 208, appendix D–1; insured state nonmember banks and state savings associations, 12 CFR part 364, appendix A);

(2) For an ECIP recipient that is a bank holding company, the requirements for corporate practices of bank holding companies as issued by the Federal Reserve Board at 12 CFR 225.4;

(3) For an ECIP recipient that is a savings and loan holding company, the

requirements regarding safe and sound operations of savings and loan holding companies as issued by the Federal Reserve Board at 12 CFR 238.8; and

(4) For an ECIP recipient that is a federally insured credit union, the requirements on compensation and benefits for federally insured credit unions as issued by the NCUA at 12 CFR 701.19(a); 12 CFR 701.21(c)(8); 12 CFR 702.203(b)(10); and 12 CFR 702.204(b)(10).

(b) *Restriction on severance payments.* An ECIP recipient shall not make excessive severance payments to any senior executive officer. Unless informed otherwise by the Department of the Treasury, an ECIP is considered to have satisfied the requirements regarding severance payments in this section if it maintains compliance with the following (or any successor requirement, as applicable):

(1) For an ECIP recipient that is an insured depository institution, a bank holding company or a savings and loan holding company, the limits and prohibitions to enter into contracts to pay and to make golden parachute and indemnification payments to institution-affiliated parties to the extent applicable to the ECIP recipient, as issued by the FDIC at 12 CFR part 359; and

(2) For an ECIP recipient that is a federally insured credit union, the limits and prohibitions on the ability of federally insured credit unions to enter into contracts to pay and to make golden parachute and indemnification payments to institution-affiliated parties as issued by the NCUA at 12 CFR 750.1.

(c) *Excessive or luxury expenditures.* (1) Ninety days after an ECIP investment date with respect to an ECIP recipient, the board of directors of the ECIP recipient must adopt an excessive or luxury expenditures policy, provide such policy to the Department of the Treasury and the ECIP recipient's appropriate Federal banking agency, and post the text of such policy on its internet website, if the ECIP recipient maintains an internet website.

(2) If, after adopting an excessive or luxury expenditures policy, the board of directors of the ECIP recipient makes any material amendments to such policy, within ninety days of the adoption of the amended policy the board of directors must provide the amended policy to the Department of the Treasury and the ECIP recipient's appropriate Federal banking agency and post the amended policy on its internet website, if the ECIP recipient maintains an internet website.

(3) The ECIP recipient must maintain, and continue the disclosure of any material amendments to, the excessive or luxury expenditures policy during the ECIP period, unless the Department of the Treasury determines that discontinuation of the policy would not be contrary to the public interest.

(d) *Material changes in policies or procedures.* An ECIP recipient must obtain prior approval from the Department of the Treasury before making any material change to the policies or procedures that it maintains for purposes of compliance with paragraph (a), (b), or (c) of this section. A change to the compensation, severance pay, or excessive or luxury expenditures policies or procedures will be considered material for purposes of this section if the change is likely to have a negative effect on the financial condition of the ECIP recipient, limit the ability of the ECIP recipient to make payments under the terms of an ECIP instrument, or otherwise impair the ECIP recipient's ability to meet its obligations to the Department of the Treasury under the ECIP.

(1) A request to make a material change to compensation, severance pay or excessive luxury expenditures policies or procedures, must be submitted by an ECIP recipient in writing and received by the Department of the Treasury at least thirty days prior to the effective date of the policy change. The request should describe the change, reason for the change, and anticipated financial or other impact of the change on the condition of the ECIP recipient.

(2) The request will be deemed approved thirty days after the ECIP recipient has provided a complete request to the Department of the Treasury, unless, prior to the expiration of the thirty-day period, the Department of the Treasury objects to the proposed change or notifies the ECIP recipient that additional time is required in

order to complete review of the proposed change to policy or procedures

§ 35.23 Restrictions on dividends, share buybacks, and other capital distributions.

(a) *Restriction on capital distributions due to nonpayment.* An ECIP recipient shall not make any capital distribution on a non-senior security, unless:

(1) If the ECIP investment is in the form of preferred stock, the ECIP recipient has paid in full the dividends for the last completed dividend period on the preferred stock; or

(2) If the ECIP investment is in a form other than preferred stock (including, subordinated debt), the ECIP recipient has paid in full the principal, interest, and other amounts due and payable under the terms of the ECIP investment, and no amount that has been deferred remains unpaid.

(b) *Limit on amount of capital distributions.* (1) If an ECIP recipient is an insured depository institution, bank holding company, or savings and loan holding company, the ECIP recipient shall obtain the approval of the Department of the Treasury prior to making any capital distribution if the total of capital distributions made during the calendar year, including the proposed capital distribution, exceeds its eligible distributable income; provided, however, that any prior approval of a capital distribution by the Department of the Treasury does not supersede any applicable regulatory requirements of the ECIP recipient's appropriate Federal banking agency, or other actions taken by such agency. For purposes of this paragraph, ''eligible distributable income'' means the sum of the ECIP recipient's reported year-to-date net income as of the end of the most recent calendar quarter, plus net income for the two preceding calendar years, less any dividends or distributions for the year to date as of the end of the most recent calendar quarter and the two preceding calendar years, where each amount is calculated in accordance with the instructions to the Call Report or applicable reporting form.

(2) If the ECIP recipient is federally insured credit union, the ECIP recipient shall obtain the Department of the Treasury's prior approval to make any capital distributions if the distribution would:

(i) In the case of a dividend, be payable from retained earnings (as defined in 12 CFR 702.2(f)) other than undivided earnings; or

(ii) Cause the ECIP recipient's net worth classification to fall below ''adequately capitalized'' (as defined in 12 CFR 702.102(a)(2)).

(c) *Exception for Subchapter S Corporations and other pass-through entities.* Notwithstanding anything to the contrary in paragraphs (a) and (b) of this section, any ECIP recipient that is an S corporation, as defined in 26 U.S.C. 1361(a), or other pass-through entity may make capital distributions, to the extent reasonably required to cover its owners' tax obligations in respect to the entity's earnings. Such distributions shall be subject to an annual reconciliation, with any surplus or deficiency to be deducted or added to distributions, as applicable, in the following year. Any tax-related distributions permitted under this paragraph (c) must also comply with any applicable limitations or determinations established by an ECIP recipient's Federal regulators.

§ 35.24 Annual certification.

On an annual basis an ECIP recipient shall, in accordance with the terms and conditions of its ECIP investment agreement, submit to the Department of the Treasury a certification executed by two senior executive officers (one of which must be either its principal executive officer or principal financial officer) that the ECIP recipient is in compliance with each of the excessive compensation, severance pay, and excessive or luxury expenditures requirements and restrictions on capital distributions set forth in §§ 35.22 and 35.23.

§ 35.25 Exemptive relief.

The Department of the Treasury may grant exemptions or waivers from some or all of the restrictions on share buybacks and dividend payments under this part if such exemption or waiver is necessary or appropriate to effectuate the goals of the ECIP or to protect the public interest. Such exemptions or waivers may be subject to such terms

and conditions as deemed necessary or appropriate by the Department of the Treasury.

APPENDIX A TO PART 35—EMERGENCY CAPITAL INVESTMENT PROGRAM MODEL EXCESSIVE OR LUXURY EXPENDITURES POLICY

I. INTRODUCTION

A participant in the Emergency Capital Investment Program (ECIP recipient, as defined at 31 CFR 35.21) is required to establish and maintain policies designed to eliminate excessive or luxury expenditures. The term ''excessive or luxury expenditures'' means excessive expenditures on any of the following to the extent such expenditures are not reasonable expenditures for staff development, reasonable performance incentives, or other similar reasonable measures conducted in the normal course of the ECIP recipient's business operations: (1) Entertainment or events; (2) office and facility renovations; (3) aviation or other transportation services; (4) tax gross-ups; and (5) other similar items, activities, or events for which the ECIP recipient may reasonably anticipate incurring expenses, or reimbursing an employee for incurring expenses.

(1) To facilitate compliance with this requirement, the Department of the Treasury is making available a model excessive or luxury expenditures policy. An ECIP recipient may refer to this model policy for guidance in satisfying the requirement at 31 CFR 35.22(c) to adopt and maintain an excessive or luxury expenditures policy. Alternatively, ECIP recipients may use other forms of, or existing policies relating to, excessive or luxury expenditures, provided that such other forms or policies satisfy all the requirements of the regulation at 31 CFR 35.22(c).

(2) An ECIP recipient's luxury or excessive expenditure policy should be posted on the ECIP recipient's website. Any material amendments to an ECIP recipient's excessive or luxury expenditures policy must made in accordance with the provisions set forth in 31 CFR 35.22(d) (Material changes in policies or procedures). If the ECIP recipient makes any material amendments to this policy, then the ECIP recipient must submit a copy of the amended policy to the Department of the Treasury and post the amended policy on the ECIP recipient's website. ECIP recipients should refer to 31 CFR part 35, subpart B for additional information regarding definitions of terms used in the model policy, disclosure, material changes, certification, and other compliance requirements.

II. MODEL EXCESSIVE OR LUXURY EXPENDITURES POLICY

A. Purpose

The purpose of this policy is to establish parameters and internal controls governing the expenditures of [NAME OF ECIP RECIPIENT] (together with its subsidiaries and controlled affiliates, referred to hereafter as the Organization). Expenditures of the Organization should be customary, prudent, consistent with applicable laws and regulations, and reasonably related to the Organization's business objectives and needs. This policy identifies expenditures that are excessive or luxury expenditures, creates processes that are reasonably designed to eliminate such expenditures, and establishes accountability for compliance. Routine operating expenses, capital expenditures, and other reasonable expenses are not prohibited by this policy.

B. Authority

The Organization has authority to provide compensation and benefits that are reasonable. This policy establishes a prohibition on expenditures that are excessive or luxury expenditures as required by the Department of the Treasury's Emergency Capital Investment Program regulations (31 CFR part 35), and as may be required by other statutes and regulations.

C. Responsibility

This policy is the responsibility of the Organization's board of directors (board). The board has approved this policy and will review compliance with this policy no less frequently than annually, and summary data on excessive or luxury expenditures will be reported to the board as part of the compliance review.

D. Scope

This policy applies to all employees, officers, and directors of the Organization with regard to any expenditure of the Organization. In making any expenditure on behalf of the Organization, employees, officers, and directors should consider whether the expenditure is an excessive or luxury expenditure that is prohibited under this policy.

E. Excessive or Luxury Expenditures

''Excessive or luxury expenditures'' means excessive expenditures on any of the following to the extent not reasonable or appropriate expenditures for business development, staff development, reasonable performance incentives, or other similar reasonable measures conducted in the normal course of the Organization's business operations:

(1) *Entertainment or events.* This category includes fees, dues, tickets costs related to

social, athletic, artistic and dining clubs, activities, celebrations or other events, and similar expenditures. Expenditures for charitable contributions and charitable events are not prohibited under this policy. Entertainment or events expenditures in an amount less than $_____ per instance, and $_____ on an annual aggregate basis per individual, are exempt from this policy.

(2) *Office and facility renovations.* This category includes costs and allowances for office renovation, including expenditures related to furniture, art, office personalization, interior finishing, design and decoration, and similar expenditures. Office and facility renovations expenditures in an amount less than $_____ per instance, and $_____ on an annual aggregate basis per individual, are exempt from this policy.

(3) *Aviation or other transportation services.* (i) This category includes charter fees, tickets, slip or docking fees, vehicle installment payments, reservation and travel agent expenses, and similar expenditures associated with transportation services (*e.g.,* airline, train, rental cars, or vans). Mileage reimbursable according to current Internal Revenue Service mileage rates is exempt from this policy. Transportation services in an amount less than $_____ per instance, and $_____ on an annual aggregate basis per individual, are exempt from this policy.

(ii) The principal executive officer may establish or delegate to an appropriate executive officer the authority to establish processes for reimbursement of reasonable travel expenditures, which processes must be reviewed by executive management no less frequently than annually.

(4) *Tax gross-ups.* This category includes any reimbursement of taxes owed with respect to any compensation. This category does not apply to tax equalization agreements for employees subject to tax from a non-U.S. jurisdiction.

(5) *Other similar items, activities, or events for which the Organization may reasonably anticipate incurring expenses or reimbursing an employee for incurring expenses.* (i) Expenditures related to other items not listed in the preceding categories are exempt from this policy in an amount less than $_____ per instance, and together with all expenditures permitted under this policy, may not exceed $_____ on an annual aggregate basis per individual.

(ii) For the avoidance of doubt, reasonable capital investments in technology, equipment, and similar items that expand the long-term capability of an ECIP recipient to provide products and services to its customers and community are not excessive or luxury expenditures.

(iii) The principal executive officer may establish or delegate to an appropriate executive officer the authority to establish processes for the evaluation and approval of expenditures in the preceding categories that are not luxury or excessive expenditures and that are not otherwise exempt from this policy. These processes must be reviewed by executive management no less frequently than annually, as well as any additional threshold expenditure amounts per item, activity, or event, or a threshold expenditure amount per employee receiving the item or participating in the activity or event under this policy. Such approvals must be reported to the board of directors (which may be in an appropriate summary form) no less frequently than annually.

F. Exceptions or Violations

(1) Any exception or violation of this policy must be promptly reported to the Organization's (i) principal executive officer, (ii) officer with primary responsibility for the Organization's compliance function, or (iii) officer designated with primary responsibility for overseeing the administration, monitoring, and compliance with this policy. Exceptions and violations must be reported to the board of directors no less frequently than annually, or more frequently as the nature and severity of violation may warrant. All employees, officers, and directors of the Organization must adhere to this policy and will be held accountable for compliance. Any employee or officer who violates this policy may be subject to disciplinary action up to and including termination of employment.

(2) Any employee or officer that is aware of any circumstance that may indicate a violation of this policy is required to report such circumstance to their supervisor or the Organization's principal compliance officer or compliance group. The Organization prohibits retaliation against any employee or officer for making a good faith report of actual or suspected violations of the Organization's code of conduct, laws, regulations, or other Organization policies, including this policy. A finding of retaliation against any such employee or officer may result in disciplinary action up to and including termination. Failure to promptly report known violations by others may also be deemed a violation of the Organization's code of conduct.

(3) Employees and officers may ask questions, raise concerns, or report instances of non-compliance with this policy and/or any of the existing underlying relevant policies by contacting the following: [COMPLIANCE HELP LINE OR E–MAIL].

G. Certification

On an annual basis, the ECIP recipient will deliver to the Department of the Treasury a certification, executed by two senior executive officers (one of which must be either the ECIP recipient's principal executive officer or principal financial officer) certifying that

(i) the Organization is in compliance with this policy and (ii) the approval of any expenditure requiring the prior approval of any senior executive officer, any executive officer of a substantially similar level of responsibility, or the board of directors (or a committee of such board), was properly obtained with respect to each such expenditure.

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AUTHORITY: 5 U.S.C. 301; 31 U.S.C. 321; Title I, Pub. L. 107–297, 116 Stat. 2322, as amended by Pub. L. 109–144, 119 Stat. 2660, Pub. L. 110–160, 121 Stat. 1839, Pub. L. 114–1, 129 Stat. 3, and Pub. L. 116–94, 133 Stat. 2534 (15 U.S.C. 6701 note); Pub. L. 114–74, 129 Stat. 601, Title VII (28 U.S.C. 2461 note).

SOURCE: 81 FR 93765, Dec. 21, 2016, unless otherwise noted.

Subpart A—General Provisions

§ 50.1 Authority, purpose, and scope.

(a) *Authority*. This part is issued pursuant to authority in Title I of the Terrorism Risk Insurance Act of 2002, Public Law 107–297, 116 Stat. 2322, as amended by the Terrorism Risk Insurance Extension Act of 2005, Public Law 109–144, 119 Stat. 2660, the Terrorism Risk Insurance Program Reauthorization Act of 2007, Public Law 110–160, 121 Stat. 1839, and the Terrorism Risk Insurance Program Reauthorization Act of 2015, Public Law 114–1, 129 Stat. 3.

(b) *Purpose*. This part contains rules prescribed by the Department of the Treasury to implement and administer the Terrorism Risk Insurance Program.

(c) *Scope*. This part applies to insurers subject to the Act and their policyholders and claimants.

EFFECTIVE DATE NOTE: At 86 FR 30540, June 9, 2021, § 50.1 was amended by revising paragraph (a), effective July 12, 2021. For the convenience of the user, the revised text is set forth as follows:

§ 50.1 Authority, purpose, and scope.

(a) *Authority*. This part is issued pursuant to authority in Title I of the Terrorism Risk Insurance Act of 2002, Public Law 107–297, 116 Stat. 2322, as amended by the Terrorism Risk Insurance Extension Act of 2005, Public Law 109–144, 119 Stat. 2660, the Terrorism Risk Insurance Program Reauthorization Act of 2007, Public Law 110–160, 121 Stat. 1839, the Terrorism Risk Insurance Program Reauthorization Act of 2015, Public Law 114–1, 129 Stat. 3, and the Terrorism Risk Insurance Program Reauthorization Act of 2019, Public Law 116–94, 133 Stat. 2534.

* * * * *

§ 50.2 Responsible office.

The office responsible for the administration of the Terrorism Risk Insurance Act in the Department of the Treasury is the Terrorism Risk Insurance Program Office within the Federal Insurance Office. The Treasury Assistant Secretary for Financial Institutions prescribes the regulations under the Act.

§ 50.3 Mandatory participation in program.

Any entity that meets the definition of an insurer under the Act is required to participate in the Program.

§ 50.4 Definitions.

For purposes of this part:

(a) *Act* means the Terrorism Risk Insurance Act of 2002 (as amended).

(b) *Act of terrorism*—(1) *In general*. The term *act of terrorism* means any act that is certified by the Secretary, in consultation with the Attorney General of the United States and the Secretary of Homeland Security:

(i) To be an act of terrorism;

(ii) To be a violent act or an act that is dangerous to human life, property, or infrastructure;

(iii) To have resulted in damage within the United States, or outside of the United States in the case of:

(A) An air carrier (as defined in 49 U.S.C. 40102) or a United States flag vessel (or a vessel based principally in the United States, on which United States income tax is paid and whose insurance coverage is subject to regulation in the United States); or

(B) The premises of a United States mission; and

(iv) To have been committed by an individual or individuals as part of an effort to coerce the civilian population of the United States or to influence the policy or affect the conduct of the United States Government by coercion.

(2) *Limitations*. The Secretary is not authorized to certify an act as an act of terrorism if:

(i) The act is committed as part of the course of a war declared by the Congress (except with respect to any coverage for workers' compensation); or

(ii) Property and casualty insurance losses resulting from the act, in the aggregate, do not exceed $5,000,000.

(3) *Judicial review precluded.* The Secretary's certification of an act of terrorism, or determination not to certify an act as an act of terrorism, is final and is not subject to judicial review.

(c)(1) *Affiliate* means, with respect to an insurer, any entity that controls, is controlled by, or is under common control with the insurer. An affiliate must itself meet the definition of insurer to participate in the Program.

(2)(i) For purposes of paragraph (c)(1) of this section, an insurer has control over another insurer for purposes of the Program if:

(A) The insurer directly or indirectly or acting through one or more other persons owns, controls, or has power to vote 25 percent or more of any class of voting securities of the other insurer;

(B) The insurer controls in any manner the election of a majority of the directors or trustees of the other insurer; or

(C) The Secretary determines, after notice and opportunity for hearing, that an insurer directly or indirectly exercises a controlling influence over the management or policies of the other insurer, even if there is no control as defined in paragraph (c)(2)(i)(A) or (c)(2)(i)(B) of this section.

(ii) An entity, including any affiliate thereof, does not have control or exercise controlling influence over a reciprocal insurer under this section if, as of January 12, 2015, the entity, including any affiliate thereof, was acting as an attorney-in-fact for the reciprocal insurer, provided that the entity does not, for reasons other than activities it may perform under the attorney-in-fact relationship, have control over the reciprocal insurer as otherwise defined under this section.

(3) An insurer described in paragraph (c)(2)(i)(A) or (B) of this section is conclusively deemed to have control.

(4) For purposes of a determination of controlling influence under paragraph (c)(2)(i)(C) of this section, if an insurer is not described in paragraph (c)(2)(i)(A) or (B) of this section, the following rebuttable presumptions will apply:

(i) If an insurer controls another insurer under the laws of a state, and at least one of the factors listed in paragraph (c)(4)(iv) of this section applies, there is a rebuttable presumption that the insurer that has control under state law exercises a controlling influence over the management or policies of the other insurer for purposes of paragraph (c)(2)(i)(C) of this section.

(ii) If an insurer provides 25 percent or more of another insurer's capital (in the case of a stock insurer), policyholder surplus (in the case of a mutual insurer), or corporate capital (in the case of other entities that qualify as insurers), and at least one of the factors listed in paragraph (c)(4)(iv) of this section applies, there is a rebuttable presumption that the insurer providing such capital, policyholder surplus, or corporate capital exercises a controlling influence over the management or policies of the receiving insurer for purposes of paragraph (c)(2)(i)(C) of this section.

(iii) If an insurer, at any time during a calendar year, supplies 25 percent or more of the underwriting capacity for that year to an insurer that is a syndicate consisting of one or more incorporated or individual unincorporated underwriters, and at least one of the factors in paragraph (c)(4)(iv) of this section applies, there is a rebuttable presumption that the insurer exercises a controlling influence over the syndicate for purposes of paragraph (c)(2)(i)(C) of this section.

(iv) If paragraphs (c)(4)(i) through (iii) of this section are not applicable, but two or more of the following factors apply to an insurer, with respect to another insurer, there is a rebuttable presumption that the insurer exercises a controlling influence over the management or policies of the other insurer for purposes of paragraph (c)(2)(i)(C) of this section:

(A) The insurer is one of the two largest shareholders of any class of voting stock;

(B) The insurer holds more than 35 percent of the combined debt securities and equity of the other insurer;

(C) The insurer is party to an agreement pursuant to which the insurer possesses a material economic stake in the other insurer resulting from a profit-sharing arrangement, use of common names, facilities or personnel, or the provision of essential services to the other insurer;

(D) The insurer is party to an agreement that enables the insurer to influence a material aspect of the management or policies of the other insurer;

(E) The insurer would have the ability, other than through the holding of revocable proxies, to direct the votes of more than 25 percent of the other insurer's voting stock in the future upon the occurrence of an event;

(F) The insurer has the power to direct the disposition of more than 25 percent of a class of voting stock of the other insurer in a manner other than a widely dispersed or public offering;

(G) The insurer and/or the insurer's representative or nominee constitute more than one member of the other insurer's board of directors; or

(H) The insurer or its nominee or an officer of the insurer serves as the chairman of the board, chairman of the executive committee, chief executive officer, chief operating officer, chief financial officer or in any position with similar policymaking authority in the other insurer.

(5) An insurer that is not described in paragraph (c)(2)(i) or (ii) of this section may request a hearing in which the insurer may rebut a presumption of controlling influence under paragraph (c)(4)(i) through (iv) of this section or otherwise request a determination of controlling influence by presenting and supporting its position through written submissions to Treasury, and in Treasury's discretion, through informal oral presentations, in accordance with the procedure in § 50.7.

(6) An insurer's affiliates for a calendar year, for purposes of subpart H of this part, shall be determined in accordance with the timing requirements laid out in § 50.75 of this part.

(d) *Aggregate Federal share of compensation* means the aggregate amount paid by Treasury for the Federal share of compensation for insured losses in a calendar year.

(e) *Assessment period* means a period, established by Treasury, during which policyholders of property and casualty insurance policies must pay, and insurers must collect, the Federal terrorism policy surcharge for remittance to Treasury.

(f) *Attorney-in-fact* means a person or entity appointed by the subscribers or members of a reciprocal insurer to act for and bind the reciprocal insurer under relevant state law for the benefit of its subscribers or members.

(g) *Captive insurer* means an insurer licensed under the captive insurance laws or regulations of any state.

(h) *Direct earned premium* means direct earned premium for all property and casualty insurance issued by any insurer for insurance against all losses, including losses from an act of terrorism, occurring at the locations described in section 102(5)(A) and (B) of the Act.

(1) *State-licensed or admitted insurers.* For a state licensed or admitted insurer that reports to the NAIC, direct earned premium is the premium information for property and casualty insurance reported by the insurer on column 2 of the Exhibit of Premiums and Losses of the NAIC Annual Statement (commonly known as Statutory Page 14).

(i) Premium information as reported to state regulators through the NAIC should be included in the calculation of direct earned premiums for purposes of the Program only to the extent it reflects premiums for property and casualty insurance issued by the insurer against losses occurring at the locations described in section 102(5)(A) and (B) of the Act.

(ii) Premiums for personal property and casualty lines of insurance (insurance primarily designed to cover personal, family or household risk exposures, with the exception of insurance written to insure 1 to 4 family rental dwellings owned for the business purpose of generating income for the property owner), or premiums for any other insurance coverage that does not meet the definition of property and casualty insurance, should be excluded in the calculation of direct earned premiums for purposes of the Program.

(iii) Personal property and casualty lines of insurance coverage that includes incidental coverage for commercial purposes are primarily personal coverage, and therefore premiums may be fully excluded by an insurer from the calculation of direct earned premium. For purposes of this section, commercial coverage is incidental if less than 25 percent of the total direct

earned premium is attributable to commercial coverage. Property and casualty insurance against losses occurring at locations other than the locations described in section 102(5)(A) and (B) of the Act, or other insurance coverage that does not meet the definition of property and casualty insurance, but that includes incidental coverage for commercial risk exposures at such locations, is primarily not commercial, and therefore premiums for such insurance may also be fully excluded by an insurer from the calculation of direct earned premium. For purposes of this section, property and casualty insurance for losses occurring at the locations described in section 102(5)(A) and (B) of the Act is incidental if less than 25 percent of the total direct earned premium for the insurance policy is attributable to coverage at such locations. Also for purposes of this section, coverage for commercial risk exposures is incidental if it is combined with coverages that otherwise do not meet the definition of property and casualty insurance and less than 25 percent of the total direct earned premium for the insurance policy is attributable to the coverage for commercial risk exposures.

(iv) If an insurance policy covers both commercial and personal property and casualty exposures, insurers may allocate the premiums in accordance with the proportion of risk between commercial and personal components in order to ascertain direct earned premium. If a policy includes insurance coverage that meets the definition of property and casualty insurance for losses occurring at the locations described in section 102(5)(A) and (B) of the Act, but also includes other coverage, insurers may allocate the premiums in accordance with the proportion of risk attributable to the components in order to ascertain direct earned premium.

(2) *Insurers that do not report to NAIC.* An insurer that does not report to the NAIC, but that is licensed or admitted by any state (such as certain farm or county mutual insurers), should use the guidance provided in paragraph (h)(1) of this section to assist in ascertaining its direct earned premium.

(i) Direct earned premium may be ascertained by adjusting data maintained by such insurer or reported by such insurer to its state regulator to reflect a breakdown of premiums for commercial and personal property and casualty exposure risk as described in paragraph (h)(1) of this section and, if necessary, re-stated to reflect the accrual method of determining direct earned premium versus direct premium.

(ii) Such an insurer should consider other types of payments that compensate the insurer for risk of loss (contributions, assessments, etc.) as part of its direct earned premium.

(3) *Certain eligible surplus line carrier insurers.* An eligible surplus line carrier insurer listed on the NAIC Quarterly Listing of Alien Insurers must ascertain its direct earned premium by pricing separately its premium for insurance that meets the definition of property and casualty insurance for losses occurring at the locations described in section 102(5)(A) and (B) of the Act.

(4) *Federally approved insurers.* A federally approved insurer, defined under section 102(6)(A)(iii) of the Act, should use a methodology similar to that specified for eligible surplus line carrier insurers in paragraph (h)(3) of this section to calculate its direct earned premium. Such calculation should be adjusted to reflect the limitations on scope of insurance coverage under the Program (*i.e.*, to the extent of Federal approval of property and casualty insurance in connection with maritime, energy or aviation activities).

(i) *Direct written premium* means the premium information for property and casualty insurance that is included by an insurer in column 1 of the Exhibit of Premiums and Losses of the NAIC Annual Statement or in an equivalent reporting requirement. The Federal terrorism policy surcharge is not included in amounts reported as direct written premium.

(j) *Discretionary recoupment amount* means such amount of the aggregate Federal share of compensation in excess of the mandatory recoupment amount that the Secretary has determined will be recouped pursuant to section 103(e)(7)(D) of the Act.

(k) *Federal Insurance Office* means the Federal Insurance Office within the U.S. Department of the Treasury.

(l) *Federal terrorism policy surcharge* means the amount established by Treasury under subpart J of this part that is imposed as a policy surcharge on property and casualty insurance policies, expressed as a percentage of the written premium.

(m) *Insurance marketplace aggregate retention amount* means an amount for a calendar year as calculated under section 103(e)(6) of the Act.

(1) For calendar years beginning with 2015 through 2019, such amount is the lesser of the aggregate amount, for all insurers, of insured losses once there has been a Program Trigger Event during the calendar year and:

(i) For calendar year 2015: $29,500,000,000;

(ii) For calendar year 2016: $31,500,000,000;

(iii) For calendar year 2017: $33,500,000,000;

(iv) For calendar year 2018: $35,500,000,000; and

(v) For calendar year 2019: $37,500,000,000.

(2) For calendar years beginning with 2020 and any calendar year thereafter as may be necessary, such amount is the lesser of the aggregate amount, for all insurers, of insured losses once there has been a Program Trigger Event during the calendar year and the annual average of the sum of insurer deductibles for all insurers for the prior 3 years, to be calculated by taking:

(i) The total amount of direct earned premium reported by insurers to Treasury pursuant to § 50.51 in the three calendar years prior to the calendar year in question, and then dividing that figure by three; and

(ii) Multiplying the resulting three-year average figure by 20%.

(3) For calendar year 2020 and each subsequent calendar year, Treasury shall publish in the FEDERAL REGISTER the insurance marketplace aggregate retention amount no later than December 31 of the prior calendar year.

(n) *Insured loss.* (1) The term insured loss means any loss resulting from an act of terrorism (including an act of war, in the case of workers' compensation) that is covered by primary or excess property and casualty insurance issued by an insurer if the loss:

(i) Occurs within the United States;

(ii) Occurs to an air carrier (as defined in 49 U.S.C. 40102), or to a United States flag vessel (or a vessel based principally in the United States, on which United States income tax is paid and whose insurance coverage is subject to regulation in the United States), regardless of where the loss occurs; however, to the extent a loss occurs to such an air carrier or vessel outside the United States, the insured loss does not include losses covered by third party insurance contracts that are separate from the insurance coverage provided to the air carrier or vessel; or

(iii) Occurs at the premises of any United States mission.

(2) The term insured loss includes reasonable loss adjustment expenses, incurred by an insurer in connection with insured losses, that are allocated and identified by claim file in insurer records, including expenses incurred in the investigation, adjustment, and defense of claims, but excluding staff salaries, overhead, and other insurer expenses that would have been incurred notwithstanding the insured loss.

(3) The term insured loss does not include:

(i) Punitive or exemplary damages awarded or paid in connection with the Federal cause of action specified in section 107(a)(1) of the Act. The term ''punitive or exemplary damages'' means damages that are not compensatory but are an award of money made to a claimant solely to punish or deter; or

(ii) Extra-contractual damages awarded against, or paid by, an insurer; or

(iii) Payments by an insurer in excess of policy limits.

(o) *Insurer* means any entity, including any affiliate of the entity, that meets the following requirements:

(1)(i) The entity must fall within at least one of the following categories:

(A) It is licensed or admitted to engage in the business of providing primary or excess insurance in any state (including, but not limited to, state licensed captive insurance companies,

state licensed or admitted risk retention groups, and state licensed or admitted farm and county mutuals) and, if a joint underwriting association, pooling arrangement, or other similar entity, then the entity must:

(*1*) Have gone through a process of being licensed or admitted to engage in the business of providing primary or excess insurance that is administered by the state's insurance regulator, which process generally applies to insurance companies or is similar in scope and content to the process applicable to insurance companies;

(*2*) Be generally subject to State insurance regulation, including financial reporting requirements, applicable to insurance companies within the State; and

(*3*) Be managed independently from other insurers participating in the program;

(B) It is not licensed or admitted to engage in the business of providing primary or excess insurance in any state, but is an eligible surplus line carrier listed on the NAIC Quarterly Listing of Alien Insurers;

(C) It is approved or accepted for the purpose of offering property and casualty insurance by a Federal agency in connection with maritime, energy, or aviation activity, but only to the extent of such Federal approval of property and casualty insurance coverage offered by the insurer in connection with maritime, energy, or aviation activity;

(D) It is a state residual market insurance entity or state workers' compensation fund; or

(E) As determined by the Secretary, it falls within any of the classes or types of captive insurers or other self-insurance arrangements by municipalities and other entities.

(ii) If an entity falls within more than one category described in paragraph (o)(1)(i) of this section, the entity is considered to fall within the first category within which it falls for purposes of the program.

(2) The entity must receive direct earned premium, except in the case of:

(i) State residual market insurance entities and state workers' compensation funds, to the extent provided in subpart D of this part; and

(ii) Other classes or types of captive insurers and other self-insurance arrangements by municipalities and other entities to the extent provided for in subpart E of this part.

(3) The entity must meet any other criteria as prescribed by Treasury.

(p) *Insurer deductible* means:

(1) For an insurer that has had a full year of operations during the calendar year immediately preceding the applicable calendar year, the value of an insurer's direct earned premiums during the immediately preceding calendar year, multiplied by 20 percent; and

(2) For an insurer that has not had a full year of operations during the immediately preceding calendar year, the insurer deductible will be based on data for direct earned premiums for the applicable calendar year multiplied by 20 percent. If the insurer does not have a full year of operations during the applicable calendar year, the direct earned premiums for the applicable calendar year will be annualized to determine the insurer deductible.

(q) *Mandatory recoupment amount* means the difference between the insurance marketplace aggregate retention amount for a calendar year and the uncompensated insured losses during such calendar year.

(r) *NAIC* means the National Association of Insurance Commissioners.

(s) *Person* means any individual, business or nonprofit entity (including those organized in the form of a partnership, limited liability company, corporation, or association), trust or estate, or a State or political subdivision of a state or other governmental unit.

(t) *Professional liability insurance* means insurance coverage for liability arising out of the performance of professional or business duties related to a specific occupation, with coverage being tailored to the needs of the specific occupation. Examples include abstracters, accountants, insurance adjusters, architects, engineers, insurance agents and brokers, lawyers, real estate agents, stockbrokers, and veterinarians. For purposes of this definition, professional liability insurance does not include directors and officers liability insurance.

(u) *Program* means the Terrorism Risk Insurance Program established by the Act.

(v) *Program Trigger Event* means a certified act of terrorism within a calendar year that results in aggregate industry insured losses, either on its own or in combination with any other certified act(s) of terrorism having previously taken place in the same calendar year, exceeding:

(1) $100,000,000 with respect to calendar year 2015 insured losses;

(2) $120,000,000 with respect to calendar year 2016 insured losses;

(3) $140,000,000 with respect to calendar year 2017 insured losses;

(4) $160,000,000 with respect to calendar year 2018 insured losses;

(5) $180,000,000 with respect to calendar year 2019 insured losses; or

(6) $200,000,000 with respect to calendar year 2020 insured losses and with respect to any calendar year thereafter.

(w) *Property and casualty insurance* means commercial lines of property and casualty insurance, including excess insurance, workers' compensation insurance, and directors and officers liability insurance, and:

(1) Means commercial lines within only the following lines of insurance from the NAIC's Exhibit of Premiums and Losses (commonly known as Statutory Page 14): Line 1—Fire; Line 2.1—Allied Lines; Line 5.1—Commercial Multiple Peril (non-liability portion); Line 5.2—Commercial Multiple Peril (liability portion); Line 8—Ocean Marine; Line 9—Inland Marine; Line 16—Workers' Compensation; Line 17—Other Liability; Line 18—Products Liability; Line 22—Aircraft (all perils); and Line 27—Boiler and Machinery; and

(2) Does not include:

(i) Federal crop insurance issued or reinsured under the Federal Crop Insurance Act (7 U.S.C. 1501 *et seq.*), or any other type of crop or livestock insurance that is privately issued or reinsured (including crop insurance reported under either Line 2.1—Allied Lines or Line 2.2—Multiple Peril (Crop) of the NAIC's Exhibit of Premiums and Losses (commonly known as Statutory Page 14);

(ii) Private mortgage insurance (as defined in section 2 of the Homeowners Protection Act of 1998) (12 U.S.C. 4901) or title insurance;

(iii) Financial guaranty insurance issued by monoline financial guaranty insurance corporations;

(iv) Insurance for medical malpractice;

(v) Health or life insurance, including group life insurance;

(vi) Flood insurance provided under the National Flood Insurance Act of 1968 (42 U.S.C. 4001 *et seq.*) or earthquake insurance reported under Line 12 of the NAIC's Exhibit of Premiums and Losses (commonly known as Statutory Page 14);

(vii) Reinsurance or retrocessional reinsurance;

(viii) Commercial automobile insurance, including insurance reported under Lines 19.3 (Commercial Auto No-Fault (personal injury protection)), 19.4 (Other Commercial Auto Liability) and 21.2 (Commercial Auto Physical Damage) of the NAIC's Exhibit of Premiums and Losses (commonly known as Statutory Page 14);

(ix) Burglary and theft insurance, including insurance reported under Line 26 (Burglary and Theft) of the NAIC's Exhibit of Premiums and Losses (commonly known as Statutory Page 14);

(x) Surety insurance, including insurance reported under Line 24 (Surety) of the NAIC's Exhibit of Premiums and Losses (commonly known as Statutory Page 14);

(xi) Professional liability insurance as defined in paragraph (t) of this section; or

(xii) Farm owners multiple peril insurance, including insurance reported under Line 3 (Farmowners Multiple Peril) of the NAIC's Exhibit of Premiums and Losses (commonly known as Statutory Page 14).

(x) *Reciprocal insurer* means an insurer organized under relevant state law as a reciprocal or interinsurance exchange.

(y) *Secretary* means the Secretary of the U.S. Department of the Treasury.

(z) *Small insurer* means an insurer (or an affiliated group of insurers in the case of affiliates within the meaning of paragraph (c) of this section) whose policyholder surplus for the immediately preceding year (as reported on

its Annual Statement for state regulatory purposes at Page 3, Line 37, Column 1, or as calculated in similar fashion by participating insurers that do not file an Annual Statement) is less than five times the Program Trigger amount for the current year and whose direct earned premium for the preceding year is also less than five times the Program Trigger amount for the current year. An insurer that has not had a full year of operations during the immediately preceding calendar year is a small insurer if its policyholder surplus in the current year is less than five times the Program Trigger amount for the current year. A captive insurer is not a small insurer, regardless of the size of its policyholder surplus or direct earned premium.

(aa) *State* means any state of the United States, the District of Columbia, the Commonwealth of Puerto Rico, the Commonwealth of the Northern Mariana Islands, American Samoa, Guam, each of the United States Virgin Islands, and any territory or possession of the United States.

(bb) *Surcharge* means the Federal terrorism policy surcharge as defined in paragraph (l) of this section.

(cc) *Surcharge effective date* means the date established by Treasury that begins the assessment period.

(dd) *Treasury* means the U.S. Department of the Treasury.

(ee) *Uncompensated insured losses* means the aggregate amount of insured losses of all insurers in a calendar year, once there has been a Program Trigger Event, that is not compensated by the Federal Government because such losses:

(1) Are within the insurer deductibles of insurers, or

(2) Are within the portions of losses in excess of insurer deductibles that are not compensated through payments made as a result of claims for the Federal share of compensation.

(ff) *United States* means the several states, and includes the territorial sea and the continental shelf of the United States, as those terms are defined in the Violent Crime Control and Law Enforcement Act of 1994 (18 U.S.C. 2280 and 2281).

[81 FR 93765, Dec. 21, 2016, as amended at 84 FR 62452, Nov. 15, 2019]

EFFECTIVE DATE NOTE: At 86 FR 30540, June 9, 2021, § 50.4 was amended by revising paragraphs (b)(2)(ii) and (n)(3)(iii), adding paragraph (n)(3)(iv) and revising (w)(1) and (2), effective July 12, 2021. At 86 FR 31620, June 15, 2021, the regulatory instruction corrected a revision from ''paragraph (w)(2)'' to ''paragraph (w)(2) introductory text'', effective July 12, 2021. For the convenience of the user, the added and revised text is set forth as follows:

§ 50.4 Definitions.

* * * * *

(b) * * *

(2) * * *

(ii) Property and casualty insurance losses resulting from the act, in the aggregate, do not exceed $5,000,000. For these purposes, property and casualty insurance losses include any amounts subject to payment under a property and casualty insurance policy, even if the policyholder declined to obtain terrorism risk insurance under the policy or is otherwise ultimately responsible for the payment.

* * * * *

(n) * * *

(3) * * *

(iii) Payments by an insurer in excess of policy limits; or

(iv) Amounts paid by a policyholder as required under the terms and conditions of property and casualty insurance issued by an insurer.

* * * * *

(w) * * *

(1) Means commercial lines within only the following lines of insurance from the NAIC's Exhibit of Premiums and Losses (commonly known as Statutory Page 14): Line 1—Fire; Line 2.1—Allied Lines; Line 5.1—Commercial Multiple Peril (non-liability portion); Line 5.2—Commercial Multiple Peril (liability portion); Line 8—Ocean Marine; Line 9—Inland Marine; Line 16—Workers' Compensation; Line 17—Other Liability; Line 18—Products Liability; Line 22—Aircraft (all perils); and Line 27—Boiler and Machinery; a standalone cyber liability policy falling within Line 17—Other Liability, is property and casualty insurance, so long as it is not otherwise identified for state reporting purposes as a policy that is not property and casualty insurance, such as professional liability insurance.

(2) Property and casualty insurance does not include:

* * * * *

§ 50.5 Rule of construction for dates.

Unless otherwise expressly provided in the regulation, any date in these regulations is intended to be applied so that the day begins at 12:01 a.m. and ends at midnight on that date.

§ 50.6 Special rules for Interim Guidance safe harbors.

(a) An insurer will be deemed to be in compliance with the requirements of the Act to the extent the insurer reasonably relied on Interim Guidance prior to the effective date of applicable regulations.

(b) For purposes of this section, Interim Guidance means the following documents, which are available from Treasury at *https://www.treasury.gov/resource-center/fin-mkts/Pages/program.aspx:*

(1) Interim Guidance I issued by Treasury on December 3, 2002;

(2) Interim Guidance II issued by Treasury on December 18, 2002;

(3) Interim Guidance III issued by Treasury on January 22, 2003;

(4) Interim Guidance IV issued by Treasury on December 29, 2005;

(5) Interim Guidance V issued by Treasury on December 31, 2007; and

(6) Interim Guidance VI issued by Treasury on February 4, 2015.

EFFECTIVE DATE NOTE: At 86 FR 30540, June 9, 2021, § 50.6 was amended by revising paragraph (b), effective July 12, 2021. For the convenience of the user, the revised text is set forth as follows:

§ 50.6 Special rules for Interim Guidance safe harbors.

* * * * *

(b) For purposes of this section, any Interim Guidance will be posted by Treasury at *https://home.treasury.gov/policy-issues/financial-markets-financial-institutions-and-fiscal-service/federal-insurance-office/terrorism-risk-insurance-program.*

§ 50.7 Procedure for requesting determinations of controlling influence.

(a) An insurer or insurers not having control over another insurer under § 50.4(c)(2)(i) or (ii) may make a written submission to Treasury to rebut a presumption of controlling influence under § 50.4(c)(4)(i) through (iv) or otherwise to request a determination of controlling influence. Such submissions shall be made to the Terrorism Risk Insurance Program Office, Department of the Treasury, Room 1410, 1500 Pennsylvania Ave. NW., Washington, DC 20220. The submission should be entitled, ''Controlling Influence Submission,'' and should provide the full name and address of the submitting insurer(s) and the name, title, address and telephone number of the designated contact person(s) for such insurer(s).

(b) Treasury will review submissions and determine whether Treasury needs additional written or orally presented information. In its discretion, Treasury may schedule a date, time, and place for an oral presentation by the insurer(s).

(c) An insurer or insurers must provide all relevant facts and circumstances concerning the relationship(s) between or among the affected insurers and the control factors in § 50.4(c)(4)(i) through (iv); and must explain in detail any basis for why the insurer believes that no controlling influence exists (if a presumption is being rebutted) in light of the particular facts and circumstances, as well as the Act's language, structure and purpose. Any confidential business or trade secret information submitted to Treasury should be clearly marked. Treasury will handle any subsequent request for information designated by an insurer as confidential business or trade secret information in accordance with Treasury's Freedom of Information Act regulations at 31 CFR part 1.

(d) Treasury will review and consider the insurer submission and other relevant facts and circumstances. Unless otherwise extended by Treasury, within 60 days after receipt of a complete submission, including any additional information requested by Treasury, and including any oral presentation, Treasury will issue a final determination of whether one insurer has a controlling influence over another insurer for purposes of the Program. The determination shall set forth Treasury's basis for its determination.

(Approved by the Office of Management & Budget under control number 1505–0190)

§ 50.8 Procedure for requesting general interpretations of statute.

Persons actually or potentially affected by the Act or regulations in this Part may request an interpretation of the Act or regulations by writing to the Terrorism Risk Insurance Program Office, Room 1410, Department of the Treasury, 1500 Pennsylvania Ave. NW., Washington, DC 20220, giving a detailed explanation of the facts and circumstances and the reason why an interpretation is needed. A requester should segregate and mark any confidential business or trade secret information clearly. Treasury in its discretion will provide written responses to requests for interpretation. Treasury reserves the right to decline to provide a response in any case. Except in the case of any confidential business or trade secret information, Treasury will make written requests for interpretations and responses publicly available at the Treasury Department Library, on the Treasury Web site, or through other means as soon as practicable after the response has been provided. Treasury will handle any subsequent request for information that had been designated by a requester as confidential business or trade secret information in accordance with Treasury's Freedom of Information Act regulations at 31 CFR part 1.

Subpart B—Disclosures as Conditions for Federal Payment

§ 50.10 General disclosure requirements.

(a) *Content of disclosure.* As a condition for Federal payments under section 103(b) of the Act, the Act requires that an insurer provide clear and conspicuous disclosure to the policyholder of:

(1) The premium charged for insured losses covered by the Program; and

(2) The Federal share of compensation for insured losses under the Program.

(b) *Form and timing of disclosure.* The disclosure required by the Act must be made on a separate line item in the policy, at the time of offer and of renewal of the policy.

§ 50.11 Definition.

For purposes of this Subpart, unless the context indicates otherwise, the term ''disclosure'' or ''disclosures'' refers to the disclosure described in section 103(b)(2) of the Act and § 50.10. The term ''cap disclosure'' refers to the disclosure required by section 103(b)(3) of the Act and § 50.15.

§ 50.12 Clear and conspicuous disclosure.

(a) *General.* Whether a disclosure is clear and conspicuous depends on the totality of the facts and circumstances of the disclosure. See § 50.16 for model forms.

(b) *Description of premium.* An insurer may describe the premium charged for insured losses covered by the Program as a portion or percentage of a policy premium, if consistent with standard business practice and provided that the amount of policy premium or the method of determining the policy premium is also stated. An insurer may not describe the premium in a manner that is misleading in the context of the Program, such as by characterizing the premium as a ''surcharge.''

(c) *Method of disclosure.* Subject to § 50.10(b), an insurer may provide disclosures using normal business practices, including forms and methods of communication used to communicate similar policyholder information to policyholders.

(d) *Use of producer.* If an insurer normally communicates with a policyholder through an insurance producer or other intermediary, an insurer may provide disclosures through such producer or other intermediary. If an insurer elects to make the disclosures through an insurance producer or other intermediary, the insurer remains responsible for ensuring that the disclosures are provided by the insurance producer or other intermediary to policyholders in accordance with the Act.

(e) *Demonstration of compliance.* An insurer may demonstrate that it has satisfied the requirement to provide clear and conspicuous disclosure as described in § 50.10 through use of appropriate systems and normal business practices that demonstrate a practice of compliance.

(f) *Certification of compliance.* An insurer must certify that it has complied with the requirement to provide disclosure to the policyholder on all policies that form the basis for any claim that is submitted by an insurer for Federal payment under the Program.

§ 50.13 Offer and renewal.

An insurer is deemed to be in compliance with the requirement of providing disclosure ''at the time of offer and of renewal of the policy'' under § 50.10(b) if the insurer makes the disclosure no later than the time the insurer first formally offers to provide insurance coverage or renew a policy for a current policyholder.

§ 50.14 Separate line item.

An insurer is deemed to be in compliance with the requirement of providing disclosure on a ''separate line item in the policy'' under § 50.10(b) if the insurer makes the disclosure:

(a) On the declarations page of the policy;

(b) Elsewhere within the policy itself; or

(c) In any rider or endorsement, or other document that is made a part of the policy.

§ 50.15 Cap disclosure.

(a) *General.* Under section 103(e)(2) of the Act, if the aggregate insured losses exceed $100,000,000,000 during any calendar year, the Secretary shall not make any payment for any portion of the amount of such losses that exceeds $100,000,000,000, and no insurer that has met its insurer deductible shall be liable for the payment of any portion of the amount of such losses that exceeds $100,000,000,000.

(b) *Other requirements.* As a condition for Federal payments under section 103(b) of the Act, an insurer must provide clear and conspicuous disclosure to the policyholder of the existence of the $100,000,000,000 cap under section 103(e)(2). The cap disclosure must be made at the time of offer, purchase, and renewal of the policy.

(c) *Offer, purchase, and renewal.* An insurer is deemed to be in compliance with the requirement of providing disclosure ''at the time of offer, purchase, and renewal of the policy'' under § 50.15(b) if the insurer:

(1) Makes the disclosure no later than the time the insurer first formally offers to provide insurance coverage or renew a policy for a current policyholder; and

(2) If terrorism risk coverage is purchased, the insurer makes clear and conspicuous reference back to that disclosure, as well as the final terms of terrorism insurance coverage, at the time the transaction is completed.

(d) *Other applicable rules.* The cap disclosure is covered by the rules in § 50.12(a), (c), (d), (e), and (f) (relating to clear and conspicuous disclosure).

§ 50.16 Use of model forms.

(a) *General.* An insurer that is required to make the disclosure under § 50.10(b) or § 50.15(b) is deemed to be in compliance with the disclosure requirements if the insurer uses NAIC Model Disclosure Form No. 1 or NAIC Model Disclosure Form No. 2, as appropriate.

(b) *Not exclusive means of compliance.* An insurer is not required to use NAIC Model Disclosure Form No. 1 or NAIC Model Disclosure Form No. 2 to satisfy the disclosure requirements. An insurer may use other means to comply with the disclosure requirements, as long as the disclosures comport with the requirements of the Act.

(c) *Definitions.* For purposes of this section, references to NAIC Model Disclosure Form No. 1 and NAIC Model Disclosure Form No. 2 refer to such forms as revised in January 2015, or as subsequently modified by the NAIC, provided Treasury has stated that usage by insurers of the subsequently modified forms is deemed to satisfy the disclosure requirements of the Act and the insurer uses the most current forms, so approved by Treasury, that are available at the time of disclosure. These forms may be found on the Treasury Web site at *https://www.treasury.gov/resource-center/fin-mkts/Pages/program.aspx.*

EFFECTIVE DATE NOTE: At 86 FR 30540, June 9, 2021, § 50.16 was amended by revising paragraph (c), effective July 12, 2021. For the convenience of the user, the revised text is set forth as follows:

§ 50.16 Use of model forms.

* * * * *

(c) *Definitions.* For purposes of this section, references to NAIC Model Disclosure Form No. 1 and NAIC Model Disclosure Form No. 2 refer to such forms as revised in March 2020, or as subsequently modified by the NAIC, provided Treasury has stated that usage by insurers of the subsequently modified forms is deemed to satisfy the disclosure requirements of the Act and the insurer uses the most current forms, so approved by Treasury, that are available at the time of disclosure. These forms may be found on the Treasury website at *https://home.treasury.gov/policy-issues/financial-markets-financial-institutions-and-fiscal-service/federal-insurance-office/terrorism-risk-insurance-program.*

* * * * *

§ 50.17 General disclosure requirements for State residual market insurance entities and State workers' compensation funds.

(a) *Residual market mechanism disclosure.* A state residual market insurance entity or state workers' compensation fund may provide the disclosures required by this subpart B to policyholders using normal business practices, including forms and methods of communication used to communicate similar information to policyholders. The disclosures may be made by the state residual market insurance entity or state workers' compensation fund itself, the individual insurers that participate in the state residual market insurance entity or state workers' compensation fund, or its servicing carriers. The ultimate responsibility for ensuring that the disclosure requirements have been met rests with the insurer filing a claim under the Program.

(b) *Other requirements.* Except as provided in this section, all other disclosure requirements set out in this subpart B apply to state residual insurance market entities and state workers' compensation funds.

Subpart C—Mandatory Availability

§ 50.20 General mandatory availability requirements.

(a) *General requirements.* Under section 103(c) of the Act, an insurer must:

(1) Make available, in all of its property and casualty insurance policies, coverage for insured losses; and

(2) Make available property and casualty insurance coverage for insured losses that does not differ materially from the terms, amounts, and other coverage limitations applicable to losses arising from events other than acts of terrorism.

(b) *Compliance through 2020.* Under section 108(a) of the Act, an insurer must comply with paragraphs (a)(1) and (2) of this section through calendar year 2020.

(c) *Beyond 2020.* Notwithstanding paragraph (a)(2) of this section and § 50.22(a), property and casualty insurance coverage for insured losses does not have to be made available beyond December 31, 2020, even if the policy period of insurance coverage for losses from events other than acts of terrorism extends beyond that date.

EFFECTIVE DATE NOTE: At 86 FR 30540, June 9, 2021, § 50.20 was amended by revising paragraphs (b) and (c), effective July 12, 2021. For the convenience of the user, the revised text is set forth as follows:

§ 50.20 General mandatory availability requirements.

* * * * *

(b) *Compliance through 2027.* Under section 108(a) of the Act, an insurer must comply with paragraphs (a)(1) and (2) of this section through calendar year 2027.

(c) *Beyond 2027.* Notwithstanding paragraph (a)(2) of this section and § 50.22(a), property and casualty insurance coverage for insured losses does not have to be made available beyond December 31, 2027, even if the policy period of insurance coverage for losses from events other than acts of terrorism extends beyond that date.

§ 50.21 Make available.

(a) *General.* The requirement to make available coverage as provided in § 50.20 applies at the time an insurer makes the initial offer of coverage as well as

at the time an insurer makes an initial offer of renewal of an existing policy.

(b) *Offer consistent with definition of act of terrorism.* An insurer must make available coverage for insured losses in a policy of property and casualty insurance consistent with the definition of an act of terrorism as defined in § 50.4(b).

(c) *Changes negotiated subsequent to initial offer.* If an insurer satisfies the requirement to make available coverage as described in § 50.20 by first making an offer with coverage for insured losses that does not differ materially from the terms, amounts, and other coverage limitations applicable to losses arising from events other than acts of terrorism, which the policyholder or prospective policyholder declines, the insurer may negotiate with the policyholder or prospective policyholder an option of partial coverage for insured losses at a lower amount of coverage if permitted by any applicable state law. An insurer is not required by the Act to offer partial coverage if the policyholder or prospective policyholder declines full coverage. See § 50.23.

(d) *Demonstrations of compliance.* If an insurer makes an offer of insurance but no contract of insurance is concluded, the insurer may demonstrate that it has satisfied the requirement to make available coverage as described in § 50.20 through use of appropriate systems and normal business practices that demonstrate a practice of compliance.

§ 50.22 No material difference from other coverage.

(a) *Terms, amounts, and other coverage limitations.* As provided in § 50.20(a)(2), an insurer must offer coverage for insured losses arising from an act of terrorism that does not differ materially from the terms, amounts, and other coverage limitations (including deductibles) applicable to losses arising from events other than acts of terrorism. For purposes of this requirement, ''terms'' excludes price.

(b) *Limitations on types of risk.* An insurer is not required to cover risks that it typically excludes or does not write to satisfy the requirement to make available coverage for losses resulting from an act of terrorism that does not differ materially from the terms, amounts, and other coverage limitations applicable to losses arising from events other than acts of terrorism. For example, if an insurer does not cover all types of risks, either because the insurer is outside of direct state regulatory oversight, or because a state permits certain exclusions for certain types of losses, such as nuclear, biological, or chemical events, then the insurer is not required to make such coverage available.

§ 50.23 Applicability of State law requirements.

(a) *General.* After satisfying the requirement to make available coverage for insured losses that does not differ materially from the terms, amounts, and other coverage limitations applicable to losses arising from events other than acts of terrorism, if coverage is rejected an insurer may then offer coverage that is on different terms, amounts, or coverage limitations, as long as such an offer does not violate any applicable state law requirements.

(b) *Examples.* (1) If an insurer subject to state regulation first makes available coverage in accordance with § 50.20 and the state has a requirement that an insurer offer full coverage without any exclusion, then the requirement would continue to apply and the insurer may not subsequently offer less than full coverage or coverage with exclusions.

(2) If an insurer subject to state regulation first makes available coverage in accordance with § 50.20 and the state permits certain exclusions or allows for other limitations, or an insurance policy is not governed by state law requirements, then the insurer may subsequently offer limited coverage or coverage with exclusions.

Subpart D—State Residual Market Insurance Entities; State Workers' Compensation Funds

§ 50.30 General participation requirements.

(a) *Insurers.* As defined in § 50.4(o), all state residual market insurance entities and state workers' compensation funds are insurers under the Program

even if such entities do not receive direct earned premiums.

(b) *Mandatory participation.* State residual market insurance entities and State workers' compensation funds are mandatory participants in the Program subject to the rules issued in this Subpart.

(c) *Identification.* Treasury maintains a list of state residual market insurance entities and state workers' compensation funds at *https://www.treasury.gov/resource-center/fin-mkts/Pages/program.aspx.* Procedures for providing comments and updates to that list are posted with the list.

EFFECTIVE DATE NOTE: At 86 FR 30540, June 9, 2021, § 50.30 was amended by revising paragraph (c), effective July 12, 2021. For the convenience of the user, the revised text is set forth as follows:

§ 50.30 General participation requirements.

* * * * *

(c) *Identification.* Treasury maintains a list of state residual market insurance entities and state workers' compensation funds at *https://home.treasury.gov/policy-issues/financial-markets-financial-institutions-and-fiscal-service/federal-insurance-office/terrorism-risk-insurance-program.* Procedures for providing comments and updates to that list are posted with the list.

§ 50.31 Entities that do not share profits and losses with private sector insurers.

(a) *Treatment.* A state residual market insurance entity or a state workers' compensation fund that does not share profits and losses with a private sector insurer is deemed to be a separate insurer under the Program.

(b) *Premium calculation.* A state residual market insurance entity or a state workers' compensation fund that is deemed to be a separate insurer should follow the guidelines specified in § 50.4(h)(1) or (2) for the purposes of calculating the appropriate measure of direct earned premium.

§ 50.32 Entities that share profits and losses with private sector insurers.

(a) *Treatment.* A State residual market insurance entity or a State workers' compensation fund that shares profits and losses with a private sector insurer is deemed not to be a separate insurer under the Program.

(b) *Premium and loss calculation.* A state residual market insurance entity or a State workers' compensation fund that is deemed not to be a separate insurer should continue to report, in accordance with normal business practices, to each participant insurer its share of premium income and insured losses, which shall then be included respectively in the participant insurer's direct earned premium or insured loss calculations.

§ 50.33 Allocation of premium income associated with entities that do share profits and losses with private sector insurers.

(a) *Servicing carriers.* For purposes of this subpart, a servicing carrier is an insurer that enters into an agreement to place and service insurance contracts for a state residual market insurance entity or a state workers' compensation fund and to cede premiums associated with such insurance contracts to the State residual market insurance entity or State workers' compensation fund. Premiums written by a servicing carrier on behalf of a state residual market insurance entity or State workers' compensation fund that are ceded to such an entity or fund shall not be included as direct earned premium (as described in § 50.4(h)(1) or (2)) of the servicing carrier.

(b) *Participant insurers.* For purposes of this Subpart, a participant insurer is an insurer that shares in the profits and losses of a state residual market insurance entity or a state workers' compensation fund. Premium income that is distributed to or assumed by participant insurers in a state residual market insurance entity or state workers' compensation fund (whether directly or as quota share insurers of risks written by servicing carriers), shall be included in direct earned premium (as described in § 50.4(h)(1) or (2)) of the participant insurer.

Subpart E [Reserved]

Subpart F—Data Collection

§ 50.50 General.

Treasury may request from insurers such data and information as may be reasonably required in support of Treasury's administration of the Program.

§ 50.51 Annual data reporting.

(a) *General.* No later than May 15 of each calendar year, all insurers shall provide specified data and information respecting their Program participation.

(b) *Scope.* Except as otherwise provided by Treasury, the information to be provided shall address: the lines of property and casualty insurance subject to the Program, the premiums earned for terrorism risk insurance within those lines and for those lines generally, the geographical location of exposures covered under terrorism risk insurance, the pricing of terrorism risk insurance, the take-up rate for terrorism risk insurance, the amount of private reinsurance obtained by participating insurers in connection with such policies, and other matters concerning the Program as may be identified by Treasury.

(c) *Method of reporting.* (1) Treasury will promulgate forms defining the specific data and information that each insurer must submit and make these forms available on its Web site. Treasury may adopt different data reporting forms for different types of insurers that participate in the Program, which modify the requested information by each different category of participating insurer based upon the manner and scope of the participation of those insurers in the Program. Each insurer shall submit the required data and information by electronic submission through the forms and data portal(s) identified on Treasury's Web site. All data and information provided as part of such electronic submission shall be certified by the insurer as a full and true statement of the information provided to the best of its knowledge, information and belief.

(2) The data and information required to be provided under this subsection may be modified annually by Treasury. Any modification shall be made during the prior calendar year, and Treasury shall provide insurers at least 90 days before requiring collection of any newly specified data or information.

(d) *Supplemental requests.* Treasury may issue supplemental requests, to some or all participating insurers, in connection with the annual data request provided for under this section, to the extent Treasury determines that it requires additional or clarifying information in order to analyze the effectiveness of the Program. Insurers shall respond to any such supplemental requests as may be made within the timeframe and in the manner specified by Treasury.

(e) *Small insurer exception.* The Secretary may exempt a small insurer that meets the definition in § 50.4(z) from any or all data calls under this section, or may modify the requests as applicable to such small insurer.

§ 50.52 Small insurer data.

(a) *General.* The Secretary may collect information relating to small insurers, as defined in § 50.4(z), in order to conduct a study of small insurers participating in the Program, and identify any competitive challenges small insurers face in the terrorism risk insurance marketplace.

(b) *Scope.* Information collected concerning small insurers may include information necessary for Treasury to identify:

(1) Changes to the market share, premium volume, and policyholder surplus of small insurers relative to large insurers;

(2) How the property and casualty insurance market for terrorism risk differs between small and large insurers, and whether such a difference exists within other perils;

(3) The impact on small insurers of the Program's mandatory availability requirement under section 103(c) of the Act;

(4) The effect on small insurers of increasing the trigger amount for the Program under section 103(e)(1)(B) of the Act;

(5) The availability and cost of private reinsurance for small insurers; and

(6) The impact that state workers compensation laws have on small insurers and workers compensation carriers in the terrorism risk insurance marketplace.

§ 50.53 Collection of claims data.

(a) *General*. Subsequent to any certification by the Secretary of an act of terrorism, insurers shall report to Treasury information respecting insured losses arising from the act of terrorism.

(b) *Contents of periodic reporting*. Reporting under this subsection shall be by a form prescribed by Treasury and made available on the Treasury Web site, which provides basic information about each claim established by an insurer that involves or potentially involves an insured loss. Information to be reported for any claims by or against a policyholder shall identify paid and reserved amounts associated with the claim. In the case of an affiliated group of insurers, the form required by this subsection shall be submitted by a single insurer designated within the affiliated group, which shall report on a consolidated basis. Data and information reported under this subsection will include:

(1) A listing of each claim by name of insured, catastrophe code, line of business, and in the case of an affiliated group of insurers, the particular insurer or insurers within the group associated with each claim;

(2) Amounts paid, both loss and loss adjustment expenses, in connection with the claim as of the effective date of the report; and

(3) Amounts reserved, both loss and loss adjustment expenses, in connection with the claim as of the effective date of the report.

(c) *Timing of reporting*. To the extent that an insurer has established one or more claims that it believes involve insured losses arising from an act of terrorism, the insurer shall submit its first report within 60 days of establishing the first of such claims. An updated report shall be submitted each month thereafter, reporting data as of the prior month, until all claims arising from the act of terrorism have been resolved.

(d) *Interrelationship with other reporting requirements*. The reporting requirements under this subsection are independent of the Initial Notice of Deductible Erosion, Initial Certification of Loss, and Supplementary Certifications of Loss requirements in subpart H.

(e) *Other sources of information*. Subsequent to any certification of an act of terrorism, Treasury may also seek information respecting loss estimates and projections from one or more organizations that are not participants in the Program, such as state insurance regulators, insurance modeling organizations, rating agencies, insurance brokers and producers, and insurance data aggregators. A data request may also be directed to insurers identified in connection with such inquiries. An insurer subject to such a data call shall respond to this request within the time frame specified in the request.

§ 50.54 Handling of data.

(a) *General*. All nonpublic information submitted to the Secretary under subparts F and G of this part shall be considered proprietary information and shall:

(1) Be handled and stored by Treasury in an appropriately secure manner;

(2) Be considered, where appropriate, to be trade secrets or commercial or financial information obtained from a person and privileged or confidential; and

(3) Not be publicly released in any unaggregated form in which a consumer, policyholder, or insurer is identifiable.

(b) *Use of insurance statistical aggregator*. To the extent Treasury utilizes an insurance statistical aggregator in connection with any data collection under subparts F and G, such insurance statistical aggregator shall keep any nonpublic information that it collects confidential, consistent with the requirements of this section.

(c) *Confidentiality*. (1) The submission of any non-publicly available data and information to the Secretary under subparts F and G of this part, and the sharing of any non-publicly available data with or by the Secretary among other Federal agencies, the state insurance regulatory authorities, or any

other entities shall not constitute a waiver of, or otherwise affect, any privilege or immunity arising under Federal or state law (including the rules of any Federal or state court) to which the data or information is otherwise subject.

(2) Any requirement under Federal or state law to the extent otherwise applicable, or any requirement pursuant to a written agreement in effect between the original source of any non-publicly available data or information and the source of such data or information to the Secretary, regarding privacy or confidentiality of any data or information in the possession of the source to the Secretary, shall continue to apply to such data or information after the data or information has been provided pursuant to this subpart.

(3) Any data or information obtained by the Secretary under subparts F or G of this part may be made available to state insurance regulatory authorities, individually or collectively through an information-sharing agreement that:

(i) Shall comply with applicable Federal law; and

(ii) Shall not constitute a waiver of, or otherwise affect, any privilege or immunity under Federal or state law (including any privilege referred to in paragraph (b)(1) of this section and the rules of any Federal or State court) to which the data or information is otherwise subject.

(4) Section 552 of title 5, United States Code, including any exceptions thereunder, shall apply to any data or information submitted under this Subpart by an insurer or affiliate of an insurer.

Subpart G—Certification

§ 50.60 Certification.

(a) *Certification decision.* The Secretary, in consultation with the Attorney General of the United States and the Secretary of Homeland Security, is responsible for determining whether to certify an act as an act of terrorism.

(b) *Timeline for eligibility.* An act is eligible for certification as an act of terrorism at the end of the following timeline:

(1) The Secretary commences review of whether an act satisfies the definition in § 50.4(b);

(2) Within 30 days of the Secretary commencing review, Treasury publishes the notice required by § 50.61(a). During such review, the schedule of public notifications in § 50.61(b) shall apply, as appropriate;

(3) The Secretary's review finds that the act satisfies the elements for certification under § 50.4(b)(1)(i) through (iv), and that it is not otherwise precluded from certification by § 50.4(b)(2); and

(4) Within 30 days or as soon as otherwise practicable after the review identified in paragraph (b)(3) of this section concludes that the act satisfies the necessary criteria, the Secretary consults with the Attorney General of the United States and the Secretary of Homeland Security pursuant to section 102(1)(A) of the Act.

(c) *Other consultation.* Nothing in this section shall prevent the Secretary from consulting and coordinating with the Attorney General of the United States, the Secretary of Homeland Security, or any other government official prior to the consultation identified in paragraph (b)(4) of this section.

(d) *Finality.* Any decision by the Secretary to certify, or determination not to certify, an act as an act of terrorism under this subpart shall be final, and shall not be subject to judicial review.

(e) *Nondelegation.* The Secretary may not delegate or designate to any other officer, employee, or person, the determination of whether to certify an act as an act of terrorism.

§ 50.61 Public communication.

(a) *Initial notification.* After the Secretary commences review of whether an act may satisfy the definition in § 50.4(b), Treasury shall publish a notice in the FEDERAL REGISTER within 30 days of the Secretary commencing review notifying the public that the act is under review for certification as an act of terrorism. Treasury may also announce that an act is not under review for certification.

(b) *Update notification.* Not later than 30 days following the publication of a

notice under paragraph (a) of this section that an act is under review for certification, and not later than every 60 days thereafter until the Secretary determines whether to certify an act as an act of terrorism, Treasury shall publish a notice in the FEDERAL REGISTER notifying the public whether the act is still under review for certification as an act of terrorism.

(c) *Contents of notification.* Nothing in this section shall require Treasury to provide any information other than whether the act is under review for certification as an act of terrorism (or is no longer under such review) or shall limit Treasury from providing further information of relevance.

(d) *Rules of construction.* Nothing in this section shall be construed to preclude the Secretary from certifying or determining not to certify an act as an act of terrorism before notifying the public that the act is under review for certification. If, in the discretion of the Secretary, circumstances relating to an act render timely notification under this section by Treasury impracticable, Treasury shall provide the notification as soon as practicable, in a manner the Secretary determines is appropriate.

(e) *Nonbinding decision.* A notification made under this section shall not be construed to be a final determination by the Secretary of whether to certify an act as an act of terrorism.

§ 50.62 Certification data collection.

(a) *General.* (1) The Secretary, when evaluating an act for certification as an act of terrorism, may at any time direct one or more insurers to submit information regarding projected and actual losses in connection with an act and any other information the Secretary determines appropriate. The information sought by the Secretary shall be specified in the data request, and any insurer subject to the data request shall respond to the request within the time frame specified by the Secretary at the time of the request. The data requested may include actual loss reserves established by insurers in connection with the act under consideration, loss estimates generated by insurers in connection with the act under consideration which have not yet been established as actual loss reserves, and information respecting an insurer's property and casualty exposures in a particular geographic area associated with the act under consideration.

(2) An insurer not required by Treasury to submit information under paragraph (a)(1) of this section may voluntarily submit information to the Secretary as specified in public notifications issued by Treasury.

(b) *Other sources of information.* The Secretary may request information with respect to loss estimates and likely affected insurers from organizations, including state insurance regulators, insurance modeling organizations, rating agencies, insurance brokers and producers, and insurance data aggregators.

§ 50.63 Notification of certification determination.

(a) *Public notification.* Not later than 5 business days after the Secretary determines whether to certify an act as an act of terrorism, Treasury shall publish a statement and submit a notice to the FEDERAL REGISTER notifying the public of the Secretary's decision.

(b) *Insurance supervisor notification.* Not later than 5 business days after the Secretary determines whether to certify an act as an act of terrorism, Treasury shall notify in writing any relevant supervisory officials of the Secretary's decision.

(c) *Congressional notification.* Not later than 5 business days after the Secretary determines whether to certify an act as an act of terrorism, Treasury shall notify in writing the President of the U.S. Senate and the Speaker of the U.S. House of Representatives of the Secretary's decision.

(d) *Rule of construction.* If, in the discretion of the Secretary, circumstances relating to an act render timely notification by Treasury under this section impracticable, Treasury shall provide the notification as soon as practicable, in a manner the Secretary determines is appropriate.

Subpart H—Claims Procedures

§ 50.70 Federal share of compensation.

(a) *General.* (1) Treasury will pay the Federal share of compensation for insured losses as provided in section 103 of the Act once a Certification of Loss required by § 50.73 is deemed sufficient. The Federal share of compensation under the Program shall be:

(i) 85 percent of that portion of the insurer's aggregate insured losses that exceeds its insurer deductible during calendar year 2015;

(ii) 84 percent of that portion of the insurer's aggregate insured losses that exceeds its insurer deductible during calendar year 2016;

(iii) 83 percent of that portion of the insurer's aggregate insured losses that exceeds its insurer deductible during calendar year 2017;

(iv) 82 percent of that portion of the insurer's aggregate insured losses that exceeds its insurer deductible during calendar year 2018;

(v) 81 percent of that portion of the insurer's aggregate insured losses that exceeds its insurer deductible during calendar year 2019; and

(vi) 80 percent of that portion of the insurer's aggregate insured losses that exceeds its insurer deductible during calendar year 2020 and any calendar year thereafter.

(2) The percentages in paragraph (a)(1) of this section are subject to any adjustments described in § 50.71 and to the cap of $100 billion as provided in section 103(e)(2) of the Act.

(b) *Program Trigger amounts.* Notwithstanding paragraph (a) of this section or anything in this subpart to the contrary, Federal compensation will not be paid by Treasury unless the aggregate industry insured losses resulting from one or more certified acts of terrorism exceed the following amounts:

(1) For insured losses resulting from acts of terrorism taking place in calendar year 2015: $100 million;

(2) For insured losses resulting from acts of terrorism taking place in calendar year 2016: $120 million;

(3) For insured losses resulting from acts of terrorism taking place in calendar year 2017: $140 million;

(4) For insured losses resulting from acts of terrorism taking place in calendar year 2018: $160 million;

(5) For insured losses resulting from acts of terrorism taking place in calendar year 2019: $180 million;

(6) For insured losses resulting from acts of terrorism taking place in calendar year 2020 and any calendar year thereafter: $200 million.

(c) *Conditions for payment of Federal share.* Subject to paragraph (d) of this section, Treasury shall pay the appropriate amount of the Federal share of compensation for an insured loss to an insurer upon a determination that:

(1) The insurer is an entity, including an affiliate thereof, that meets the requirements of § 50.4(o);

(2) The insurer's insured losses, as defined in § 50.4(n) and limited by paragraph (d) of this section (including the allocated dollar value of the insurer's proportionate share of insured losses from a state residual market insurance entity or a state workers' compensation fund as described in § 50.33), have exceeded its insurer deductible as defined in § 50.4(p);

(3) The insurer has paid or is prepared to pay an insured loss, based on a filed claim for the insured loss;

(4) Neither the insurer's claim for Federal payment nor any underlying claim for an insured loss is fraudulent, collusive, made in bad faith, dishonest or otherwise designed to circumvent the purposes of the Act and regulations;

(5) The insurer has provided a clear and conspicuous disclosure as required by §§ 50.10 through 50.14 and a cap disclosure as required by § 50.15;

(6) The insurer offered coverage for insured losses and the offer was accepted by the insured prior to the act which results in the insured loss;

(7) The insurer took all steps reasonably necessary to properly and carefully investigate the insured loss and otherwise processed the insured loss using practices appropriate for the business of insurance;

(8) The insured loss is within the scope of coverage issued by the insurer under the terms and conditions of one or more policies for commercial property and casualty insurance as defined in § 50.4(w); and

(9) The procedures specified in this Subpart have been followed and all conditions for payment have been met.

(d) *Adjustments.* Treasury may subsequently adjust, including requiring repayment of, any payment made under paragraph (c) of this section in accordance with its authority under the Act.

(e) *Suspension of payment for other insured losses.* Upon a determination by Treasury that an insurer has failed to meet any of the requirements for payment specified in paragraph (c) of this section for a particular insured loss, Treasury may suspend payment of the Federal share of compensation for all other insured losses of the insurer pending investigation and audit of the insurer's insured losses.

(f) *Aggregate industry losses.* Treasury will determine the amount of aggregate industry insured losses resulting from a certified act of terrorism. If aggregate industry insured losses in a calendar year resulting from one or more certified acts of terrorism exceed the applicable Program Trigger amounts specified in paragraph (b) of this section, Treasury will publish a document in the FEDERAL REGISTER of a Program Trigger Event.

§ 50.71 Adjustments to the Federal share of compensation.

(a) *Aggregate amount of insured losses.* The aggregate amount of insured losses of an insurer in a calendar year used to calculate the Federal share of compensation shall be reduced by any amounts recovered by the insurer as salvage or subrogation for its insured losses in the calendar year.

(b) *Amount of Federal share of compensation.* The Federal share of compensation shall be adjusted as follows:

(1) *No excess recoveries.* For any calendar year, the sum of the Federal share of compensation paid by Treasury to an insurer and the insurer's recoveries for insured losses from other sources shall not be greater than the insurer's aggregate amount of insured losses for acts of terrorism in that calendar year. Amounts recovered for insured losses in excess of an insurer's aggregate amount of insured losses for acts of terrorism in a calendar year shall be repaid to Treasury within 45 days after the end of the month in which total recoveries of the insurer, from all sources, become excess. For purposes of this paragraph, amounts recovered from a reinsurer pursuant to an agreement whereby the reinsurer's right to any excess recovery has priority over the rights of Treasury shall not be considered a recovery subject to repayment to Treasury.

(2) *Reduction of amount payable.* The Federal share of compensation for insured losses under the Program shall be reduced by the amount of other compensation provided by other Federal programs to an insured or a third party to the extent such other compensation duplicates the insurance indemnification for those insured losses.

(i) *Other Federal program compensation.* For purposes of this section, compensation provided by other Federal programs for insured losses means compensation that is provided by Federal programs established for the purpose of compensating persons for losses in the event of emergencies, disasters, acts of terrorism, or similar events. Compensation provided by Federal programs for insured losses excludes benefit or entitlement payments, such as those made under the Social Security Act, under laws administered by the Secretary of Veteran Affairs, railroad retirement benefit payments, and other similar types of benefit payments.

(ii) *Insurer due diligence.* With respect to any underlying claim for insured losses, each insurer shall inquire of all involved policyholders, insureds, and claimants whether the person receiving insurance proceeds for an insured loss has received, expects to receive, or is entitled to receive compensation from another Federal program for the insured loss, and if so, the source and the amount of the compensation received or expected. The response, source, and such amounts shall be reported with each underlying claim on the form specified in § 50.73(b)(1).

§ 50.72 Notice of deductible erosion.

Each insurer shall submit to Treasury a Notice on a form prescribed by Treasury whenever the insurer's aggregate insured losses (including reserves for ''incurred but not reported'' losses) within a calendar year exceed an

amount equal to 50 percent of the insurer's deductible as specified in § 50.4(p). Insurers are advised that the form for the Notice of Deductible Erosion will include an initial estimate of aggregate insured losses for the calendar year, the amount of the insurer deductible, and an estimate of the Federal share of compensation for the insurer's aggregate insured losses. In the case of an affiliated group of insurers, the Notice will include the name and address of a single designated insurer within the affiliated group that will serve as the single point of contact for the purpose of providing loss and compliance certifications as required in § 50.73 and for receiving, disbursing, and distributing payments of the Federal share of compensation in accordance with § 50.74. An insurer, at its option, may elect to include with its Notice of Deductible Erosion the certification of direct earned premium required by § 50.73(b)(3).

§ 50.73 Loss certifications.

(a) *General.* When an insurer has paid aggregate insured losses that exceed its insurer deductible for a calendar year, the insurer may make claim upon Treasury for the payment of the Federal share of compensation for its insured losses. The insurer shall file an Initial Certification of Loss, on a form prescribed by Treasury, and thereafter such Supplementary Certifications of Loss, on a form prescribed by Treasury, as may be necessary to receive payment for the Federal share of compensation for its insured losses.

(b) *Initial certification of loss.* An insurer shall use its best efforts to file with the Program the Initial Certification of Loss within 45 days following the last calendar day of the month when an insurer has paid aggregate insured losses that exceed its insurer deductible. The Initial Certification of Loss will include the following:

(1) Basic information, on a form prescribed by Treasury, about each insured loss paid (or to be paid pursuant to § 50.73(b)(2)(i)) by the insurer. The form will include:

(i) A listing of each insured loss paid (or to be paid pursuant to § 50.73(b)(2)(i)) by the insurer by catastrophe code and line of business;

(ii) The total amount of reinsurance recovered from other sources;

(iii) A calculation of the aggregate insured losses sustained by the insurer above its insurer deductible for the calendar year; and

(iv) The amount the insurer claims as the Federal share of compensation for its aggregate insured losses.

(2) A certification that the insurer is in compliance with the provisions of section 103(b) of the Act and this part, including certifications that:

(i) The underlying insured losses reported pursuant to § 50.73(b)(1) either: Have been paid by the insurer; or will be paid by the insurer upon receipt of an advance payment of the Federal share of compensation as soon as possible, consistent with the insurer's normal business practices, but not longer than five business days after receipt of the Federal share of compensation;

(ii) The underlying claims for insured losses were filed by persons who suffered an insured loss, or by persons acting on behalf of such persons;

(iii) The underlying claims for insured losses were processed in accordance with appropriate business practices and the procedures specified in this subpart;

(iv) The insurer has complied with the disclosure requirements of §§ 50.10 through 50.14, and the cap disclosure requirement of § 50.15, for each underlying insured loss that is included in the amount of the insurer's aggregate insured losses; and

(v) The insurer has complied with the mandatory availability requirements of subpart C of this part.

(3) A certification of the amount of the insurer's direct earned premium, together with the calculation of its insurer deductible (provided this certification was not submitted previously with the Notice of Deductible Erosion).

(4) A certification that the insurer will disburse payment of the Federal share of compensation in accordance with this Subpart.

(5) A certification that if Treasury has determined a *Pro Rata* Loss Percentage (PRLP) (see § 50.112), the insurer has complied with applying the PRLP to insured loss payments, where required.

(c) *Supplementary certifications of loss.* If the total amount of the Federal share of compensation due an insurer for insured losses under the Act has not been determined at the time an Initial Certification of Loss has been filed, the insurer shall file monthly, or on a schedule otherwise determined by Treasury, Supplementary Certifications of Loss updating the amount of the Federal share of compensation due for the insurer's insured losses. Supplementary Certifications of Loss will include the following:

(1) A form as described in § 50.73(b)(1); and

(2) A certification as described in § 50.73(b)(2).

(d) *Supplementary information.* In addition to the information required in paragraphs (b) and (c) of this section, Treasury may require such additional supporting documentation as required to ascertain the Federal share of compensation for the insured losses of any insurer.

(e) *State Residual Market Insurance Entities and State Workers' Compensation Funds.* A state residual market insurance entity or a state workers' compensation fund described in § 50.32 shall provide the Certifications of Loss described in § 50.73(b) and (c) for all of its insured losses to each participating insurer at the time it provides the allocated dollar value of the participating insurer's proportionate share of insured losses. In addition, at such time the state residual market insurance entity or state workers' compensation fund shall provide the certification described in § 50.73(b)(2) to Treasury. Participating insurers shall treat the allocated dollar value of their proportionate share of insured losses from a state residual market insurance entity or state workers' compensation fund as an insured loss for the purpose of their own reporting to Treasury in seeking the Federal share of compensation.

§ 50.74 Payment of Federal share of compensation.

(a) *Timing.* Treasury will promptly pay to an insurer the Federal share of compensation due the insurer for its insured losses. Payment shall be made in such installments and on such conditions as determined by the Treasury to be appropriate. Any overpayments by Treasury of the Federal share of compensation will be offset from future payments to the insurer or returned to Treasury within 45 days.

(b) *Payment process.* Payment of the Federal share of compensation for insured losses will be made to the insurer designated on the Notice of Deductible Erosion required by § 50.72. An insurer that requests payment of the Federal share of compensation for insured losses must receive payment through electronic funds transfer. The insurer must establish either an account for reimbursement as described in paragraph (c) of this section (if the insurer only seeks reimbursement) or a segregated account as described in paragraph (d) of this section (if the insurer seeks advance payments or a combination of advance payments and reimbursement). Applicable procedures will be posted at *https://www.treasury.gov/resource-center/fin-mkts/Pages/program.aspx* or otherwise will be made publicly available.

(c) *Account for reimbursement.* An insurer shall designate an account for the receipt of reimbursement of the Federal share of compensation at an institution eligible to receive payments through the Automated Clearing House (ACH) network.

(d) *Segregated account for advance payments.* An insurer that seeks advance payments of the Federal share of compensation as certified according to § 50.73(b)(2)(i) shall establish a segregated account into which Treasury will make advance payments as well as reimbursements to the insurer.

(1) *Definition of segregated account.* For purposes of this section, a segregated account is an interest-bearing separate account established by an insurer at a financial institution eligible to receive payments through the ACH network. Such an account is limited to the purposes of:

(i) Receiving payments of the Federal share of compensation;

(ii) Disbursing payments to insureds and claimants; and

(iii) Transferring payments to the insurer or affiliated insurers for insured losses reported as already paid.

(2) *Remittance of interest.* All interest earned on advance payments in the

segregated account must be remitted at least quarterly to Treasury's Bureau of the Fiscal Service or as otherwise prescribed in applicable procedures.

(e) *Denial or withholding of advance payment.* Treasury may deny or withhold advance payments of the Federal share of compensation to an insurer if Treasury determines that the insurer has not properly disbursed previous advances of the Federal share of compensation or otherwise has not complied with the requirements for advance payment as provided in this Subpart.

(f) *Affiliated group.* In the case of an affiliated group of insurers, Treasury will make payment of the Federal share of compensation for the insured losses of the affiliated group to the insurer designated in the Notice of Deductible Erosion to receive payment on behalf of the affiliated group. The designated insurer receiving payment from Treasury must distribute payment to affiliated insurers in a manner that ensures that each insurer in the affiliated group is compensated for its share of insured losses, taking into account a reasonable and fair allocation of the group deductible among affiliated insurers. Upon payment of the Federal share of compensation to the designated insurer, Treasury's payment obligation to the insurers in the affiliated group with respect to any insured losses covered is discharged to the extent of the payment.

EFFECTIVE DATE NOTE: At 86 FR 30540, June 9, 2021, § 50.74 was amended by revising paragraph (b), effective July 12, 2021. For the convenience of the user, the revised text is set forth as follows:

§ 50.74 Payment of Federal Share of Compensation.

* * * * *

(b) *Payment process.* Payment of the Federal Share of Compensation for insured losses will be made to the insurer designated on the Notice of Deductible Erosion required by § 50.72. An insurer that requests payment of the Federal Share of Compensation for insured losses must receive payment through electronic funds transfer. The insurer must establish either an account for reimbursement as described in paragraph (c) of this section (if the insurer only seeks reimbursement) or a segregated account as described in paragraph (d) of this section (if the insurer seeks advance payments or a combination of advance payments and reimbursement). Applicable procedures will be posted at *https://home.treasury.gov/policy-issues/financial-markets-financial-institutions-and-fiscal-service/federal-insurance-office/terrorism-risk-insurance-program* or otherwise will be made publicly available.

* * * * *

§ 50.75 Determination of affiliations.

For the purposes of this subpart, an insurer's affiliates for any calendar year shall be determined by the circumstances existing on the date of the act which is the Program Trigger Event for that calendar year.

§ 50.76 Final netting.

(a) *General.* Pursuant to section 103(e)(4) of the Act, the Secretary shall have sole discretion to determine the time at which claims relating to any insured loss or act of terrorism shall become final.

(b) *Final Netting Date.* The Secretary may determine a Final Netting Date for a calendar year, which for purposes of this part is the date on or before which an insurer must report to Treasury on the insurer's Certifications of Loss (both Initial Certification of Loss and any Supplemental Certifications of Loss) all insured losses that have been reported by its policyholders for the calendar year.

(1) *Criteria for Final Netting Date.* The establishment of a Final Netting Date will be based on factors and considerations including:

(i) Amounts of case reserves reported by insurers to Treasury for open underlying insured losses;

(ii) The rate at which claims for the Federal share of compensation for insured losses are being made by insurers to Treasury;

(iii) The rate at which new underlying insured losses are being added by insurers to their Supplementary Certifications of Loss and reported;

(iv) The predominant lines of business for which underlying insured losses are being reported;

(v) Tort and contract statutes of limitations relevant to insured losses and the manner in which they are being applied by the Federal courts;

(vi) Common business practices;

(vii) Issues that are delaying final resolution of insured losses;

(viii) The application of the liability limitations and procedures under the Support Anti-terrorism by Fostering Effective Technologies Act of 2002 (6 U.S.C. 441 *et seq.*) that may affect final resolution of insured losses;

(ix) Issues related to the cap on annual liability for insurer losses, including whether a projection that the cap on annual liability will be reached in connection with any calendar year indicates that no Final Netting Date should be set for that calendar year;

(x) Treasury's claims administration costs; and

(xi) [Reserved]

(xii) Such other factors as the Secretary considers appropriate to take into account.

(2) *Notice of Final Netting Date.* Treasury shall announce and publish in the FEDERAL REGISTER notice of a proposed Final Netting Date and its application to a specific calendar year, and will solicit comments from the public regarding the appropriateness of the proposed Final Netting Date. After receipt and evaluation of comments respecting its proposed Final Netting Date, Treasury will publish in the FEDERAL REGISTER a Final Netting Date, which is at least 180 days after the date of publication. The Secretary's determination of a Final Netting Date is final and not subject to judicial review.

(c) *Post-Final Netting Date claims.* After the Final Netting Date, insurers may only make further claims for the Federal share of compensation for insured losses by submission of Supplemental Certifications of Loss with updated information on underlying insured losses previously reported to Treasury. Such updated information may reflect a decision by a court of competent jurisdiction concerning a limitation of liability under the Support Anti-terrorism by Fostering Effective Technologies Act of 2002. In the case of workers' compensation losses, the insurer may provide updated information based on the number of workers' compensation claimants previously reported. An insurer may not report any new underlying insured losses, or increased workers' compensation loss amounts based on an increase in the number of workers' compensation claimants, to Treasury after a Final Netting Date, except as provided in this section.

(d) *Commutation.* A commutation is the payment by Treasury of a lump sum present value of future payments to an insurer in lieu of making payments in the future, as provided in this section.

(1) In lieu of continued submission of Supplemental Certifications of Loss after the Final Netting Date as provided in paragraph (c) of this section, Treasury may require, or consider an insurer's request for, a commutation of an insurer's future claims for the Federal share of compensation based on estimates for the underlying insured losses reported to Treasury on or before the Final Netting Date. The payment by Treasury of a final commuted amount to an insurer will discharge Treasury from all future liabilities to the insurer for the Federal share of compensation for insured losses for the applicable calendar year. In the case of an affiliated group of insurers, the requirements of §50.74(f) apply, and payment of the final commuted amount to the designated insurer of the affiliated group discharges Treasury's payment obligation to the insurers in the affiliated group for insured losses for the applicable calendar year.

(2) If future claims are to be commuted, Treasury may require additional information from the insurer, including an insurer's justification for a final payment amount with necessary actuarial factors and methodology, and pertinent information regarding the insurer's business relationships and other reinsurance recoverables. Insurers will be required to justify discount and other factors from which final payment amounts are derived. If Treasury notifies an insurer of a requirement to submit additional information to inform its commutation decision, the insurer will be provided (depending upon the complexity of the material sought) no less than 90 days from the date of notification to submit material required in the notice. If the insurer fails to provide the requested information, it will forfeit the right to future payments from Treasury. Treasury will evaluate such information in order to determine

a final payment amount or (if applicable) an amount to be repaid to Treasury. Treasury may determine that it will not consider commutation until it has completed an audit of an insurer's insured losses pursuant to the authority set forth in subpart I of these regulations.

(3) Payments of commuted amounts are not considered to be advance payments requiring a segregated account as described in § 50.74(d).

(4) Notwithstanding § 50.70(d), a payment by Treasury of a final commuted amount to an insurer is final unless:

(i) Treasury is put on notice that an insurer's claim was fraudulent or that other conditions for Federal payment were not met, in which case the insurer will be required to repay amounts that were not due; or

(ii) The exception in paragraph (e) of this section applies, in which case Treasury may make additional payments for insured losses, but only under the conditions described in paragraph (e).

(e) *Exception*. If within one year after the Final Netting Date, and regardless of commutation, an insurer has additional underlying reported insured losses that, in the absence of a Final Netting Date, would result in an increase of the Federal share of compensation to that insurer by 20% of the total amount already paid to that insurer, the insurer may request Treasury to allow those underlying insured losses to be submitted as part of a certification of loss. Under such circumstances and provided that all other conditions for payment have been met, Treasury may reopen or extend the insurer's claim for the Federal share of compensation for insured losses for the pertinent calendar year.

Subpart I—Audit and Investigative Procedures

§ 50.80 Audit authority.

The Secretary of the Treasury, or an authorized representative, shall have, upon reasonable notice, access to all books, documents, papers and records of an insurer that are pertinent to amounts paid to the insurer as the Federal share of compensation for insured losses, or pertinent to any Federal terrorism policy surcharge that is imposed pursuant to subpart J of this part, for the purposes of investigation, confirmation, audit, and examination.

§ 50.81 Recordkeeping.

(a) Each insurer that seeks payment of a Federal share of compensation under subpart H of this part shall retain such records as are necessary to fully disclose all material matters pertinent to insured losses and the Federal share of compensation sought under the Program, including, but not limited to, records regarding premiums and insured losses for all commercial property and casualty insurance issued by the insurer and information relating to any adjustment in the amount of the Federal share of compensation payable. Insurers shall maintain detailed records for not less than five (5) years from the termination dates of all reinsurance agreements involving property and casualty insurance subject to the Act. Records relating to premiums shall be retained and available for review for not less than three (3) years following the conclusion of the policy year. Records relating to underlying claims shall be retained for not less than five (5) years following the final adjustment of the claim.

(b) Each insurer that collects a Federal terrorism policy surcharge as required by subpart J of this part shall retain records related to such surcharge, including records of the property and casualty insurance premiums subject to the surcharge, the amount of the surcharge imposed on each policy, aggregate Federal terrorism policy surcharges collected, and aggregate Federal terrorism policy surcharges remitted to Treasury during each assessment period. Such records shall be retained and kept available for review for not less than three (3) years following the conclusion of the assessment period or settlement of accounts with Treasury, whichever is later.

§ 50.82 Civil penalties.

(a) *General*. The Secretary may assess a civil monetary penalty, in an amount not exceeding the amount specified under § 50.83, against any insurer that the Secretary determines, on the record after opportunity for a hearing:

(1) Has failed to charge, collect, or remit the Federal terrorism policy surcharge under subpart J;

(2) Has intentionally provided to Treasury erroneous information regarding premium or loss amounts;

(3) Submits to Treasury fraudulent claims under the Program for insured losses;

(4) Has failed to provide any disclosures or other information required by Treasury; or

(5) Has otherwise failed to comply with provisions of the Act or these regulations.

(b) *Recovery of amount in dispute*. A penalty under this section for any failure to pay, charge, collect, or remit amounts in accordance with the Act or under these regulations shall be in addition to any such amounts recovered by Treasury.

(c) *Procedure*. Treasury shall notify in writing any insurer that it believes has committed one or more of the acts identified in paragraph (a) of this section. In that notification, Treasury shall identify the act or acts that it believes has been violated, and its basis for that belief, and shall set a schedule for further proceedings which shall include:

(1) The opportunity for a written submission by the insurer that provides all relevant facts and circumstances concerning the alleged conduct, including any information that the insurer wishes Treasury to consider in connection with the alleged conduct; and

(2) A hearing on the record, unless waived by the insurer, during which Treasury and the insurer may present further information respecting the conduct in question.

(d) *Other remedies preserved*. Treasury's assessment and collection of a civil monetary penalty under this section shall be in addition and without prejudice to any other civil remedies or criminal penalties that may arise on account of the conduct in question under any other laws or regulations of the United States.

§ 50.83 Adjustment of civil monetary penalty amount.

(a) *Inflation Adjustment*. Any penalty under the Act and these regulations may not exceed the greater of $1,436,220 and, in the case of any failure to pay, charge, collect or remit amounts in accordance with the Act or these regulations such amount in dispute.

(b) *Annual adjustment*. The maximum penalty amount that may be assessed under this section will be adjusted in accordance with the Federal Civil Penalties Inflation Adjustment Act Improvements Act of 2015, 28 U.S.C. 2461 note, by January 15 of each year and the updated amount will be posted in the FEDERAL REGISTER and on the Treasury Web site at *https://www.treasury.gov/resource-center/fin-mkts/Pages/program.aspx*.

[81 FR 93765, Dec. 21, 2016, as amended at 86 FR 12539, Mar. 4, 2021]

EFFECTIVE DATE NOTE: At 86 FR 30540, June 9, 2021, § 50.83 was amended by revising paragraph (b), effective July 12, 2021. For the convenience of the user, the revised text is set forth as follows:

§ 50.83 Adjustment of civil monetary penalty amount.

* * * * *

(b) *Annual adjustment*. The maximum penalty amount that may be assessed under this section will be adjusted in accordance with the Federal Civil Penalties Inflation Adjustment Act Improvements Act of 2015, 28 U.S.C. 2461 note, by January 15 of each year and the updated amount will be posted in the FEDERAL REGISTER and on the Treasury website at *https://home.treasury.gov/policy-issues/financial-markets-financial-institutions-and-fiscal-service/federal-insurance-office/terrorism-risk-insurance-program*.

Subpart J—Recoupment and Surcharge Procedures

§ 50.90 Mandatory and discretionary recoupment.

(a) Pursuant to section 103(e) of the Act, the Secretary shall impose, and insurers shall collect, such Federal terrorism policy surcharges as needed to recover 140 percent of the mandatory recoupment amount for any calendar year.

(b) In the Secretary's discretion, the Secretary may recover any portion of the aggregate Federal share of compensation that exceeds the mandatory recoupment amount through a Federal terrorism policy surcharge based on

the factors set forth in section 103(e)(7)(D) of the Act.

(c) If the Secretary imposes a Federal terrorism policy surcharge as provided in paragraph (a) of this section, then the required amounts, based on the extent to which payments for the Federal share of compensation have been made by the collection deadlines in section 103(e)(7)(E) of the Act, shall be collected in accordance with such deadlines:

(1) For any act of terrorism that occurs on or before December 31, 2017, the Secretary shall collect all required amounts by September 30, 2019;

(2) For any act of terrorism that occurs between January 1 and December 31, 2018, the Secretary shall collect 35 percent of any required amounts by September 30, 2019, and the remainder by September 30, 2024; and

(3) For any act of terrorism that occurs on or after January 1, 2019, the Secretary shall collect all required amounts by September 30, 2024.

EFFECTIVE DATE NOTE: At 86 FR 30541, June 9, 2021, § 50.90 was amended by revising paragraph (c), effective July 12, 2021. For the convenience of the user, the revised text is set forth as follows:

§ 50.90 Mandatory and discretionary recoupment.

* * * * *

(c) If the Secretary imposes a federal terrorism policy surcharge as provided in paragraph (a) of this section, then the required amounts, based upon the extent to which payments for the Federal Share of Compensation have been made by the collection deadlines in section 103(e)(7)(E) of the Act, shall be collected in accordance with such deadlines:

(1) For any act of terrorism that occurs on or before December 31, 2022, the Secretary shall collect all required amounts by September 30, 2024;

(2) For any act of terrorism that occurs between January 1, 2023 and December 31, 2023, the Secretary shall collect 35% of any required amounts by September 30, 2024, and the remainder by September 30, 2029; and

(3) For any act of terrorism that occurs on or after January 1, 2024, the Secretary shall collect all required amounts by September 30, 2029.

§ 50.91 Determination of recoupment amounts.

(a) If payments for the Federal share of compensation have been made for a calendar year, and Treasury determines that insured loss information is sufficiently developed and credible to serve as a basis for calculating recoupment amounts, Treasury will make an initial determination of any mandatory or discretionary recoupment amounts for that calendar year.

(b)(1) Within 90 days after certification of an act of terrorism, the Secretary shall publish in the FEDERAL REGISTER an estimate of aggregate insured losses which shall be used as the basis for initially determining whether mandatory recoupment will be required.

(2) If at any time Treasury projects that payments for the Federal share of compensation will be made for a calendar year, and that in order to meet the collection timing requirements of section 103(e)(7)(E) of the Act it is necessary to use an estimate of such payments as a basis for calculating recoupment amounts, Treasury will make an initial determination of any mandatory recoupment amounts for that calendar year.

(c) Following the initial determination of recoupment amounts for a calendar year, Treasury will recalculate any mandatory or discretionary recoupment amount as necessary and appropriate, and at least annually, until a final recoupment amount for the calendar year is determined. Treasury will compare any recalculated recoupment amount to amounts already remitted and/or to be remitted to Treasury for a Federal terrorism policy surcharge previously established to determine whether any additional amount will be recouped by Treasury.

(d) For the purpose of determining initial or recalculated recoupment amounts, Treasury may issue a data call to insurers for insurer deductible and insured loss information by calendar year. Treasury's determination of the aggregate amount of insured losses from Program Trigger Events of all insurers for a calendar year will be

based on the amounts reported in response to a data call and any other information Treasury in its discretion considers appropriate. Submission of data in response to a data call shall be on a form promulgated by Treasury.

§ 50.92 Establishment of Federal terrorism policy surcharge.

(a) Treasury will establish the Federal terrorism policy surcharge based on the following factors and considerations:

(1) In the case of a mandatory recoupment amount, the requirement to collect 140 percent of that amount;

(2) The total dollar amount to be recouped as a percentage of the latest available annual aggregate industry direct written premium information;

(3) The adjustment factors for terrorism loss risk-spreading premiums described in section 103(e)(8)(D) of the Act;

(4) The annual 3 percent limitation on terrorism loss risk-spreading premiums collected on a discretionary basis as provided in section 103(e)(8)(C) of the Act;

(5) A preferred minimum initial assessment period of one full year and subsequent extension periods in full year increments;

(6) The collection timing requirements of section 103(e)(8)(E) of the Act;

(7) The likelihood that the amount of the Federal terrorism policy surcharge may result in the collection of an aggregate recoupment amount in excess of the planned recoupment amount; and

(8) Such other factors as the Secretary considers appropriate to take into account.

(b) The Federal terrorism policy surcharge shall be the obligation of the policyholder and is payable to the insurer with the premium for a property and casualty insurance policy in effect during the assessment period established by Treasury. See § 50.94(c).

§ 50.93 Notification of recoupment.

(a) Treasury will provide notifications of recoupment through publication of notices in the FEDERAL REGISTER or in another manner Treasury deems appropriate, based upon the circumstances of the certified act(s) of terrorism under consideration.

(b) Treasury will provide reasonable advance notice to insurers of any initial Federal terrorism policy surcharge effective date. This effective date shall be January 1 of the calendar year following publication of the notice, unless such date would not provide for sufficient notice of implementation while meeting the collection timing requirements of section 103(e)(8)(E) of the Act.

(c) Treasury will provide reasonable advance notice to insurers of any modification or cessation of the Federal terrorism policy surcharge.

(d) Treasury will provide notification to insurers annually as to the continuation of the Federal terrorism policy surcharge.

§ 50.94 Collecting the surcharge.

(a) Insurers shall collect a Federal terrorism policy surcharge from policyholders as required by Treasury.

(b) Policies subject to the Federal terrorism policy surcharge are those for which direct written premium is reported on commercial lines of business on the NAIC's Exhibit of Premiums and Losses of the NAIC Annual Statement (commonly known as Statutory Page 14) as provided in § 50.4(w)(1), or equivalently reported.

(c) For policies subject to the Federal terrorism policy surcharge, the surcharge shall be imposed and collected on a written premium basis for policies that become effective or renew during the assessment period. All new, renewal, mid-term, and audit premiums for a policy term are subject to the surcharge in effect on the policy term effective date. Notwithstanding this paragraph, if the premium for a policy term that would otherwise be subject to the surcharge is revised after the end of the reporting period described in § 50.95(e), then any additional premium attributable to such revision is not subject to the Surcharge. For purposes of this subpart:

(1) Written premium basis means the premium amount charged a policyholder by an insurer for property and casualty insurance, including all premiums, policy expense constants and fees defined as premium pursuant to

the Statements of Statutory Accounting Principles established by the NAIC, as adopted by the state for which the premium will be reported.

(2) In the case of a policy providing multiple insurance coverages, if an insurer cannot identify the premium amount charged a policyholder specifically for property and casualty insurance under the policy, then:

(i) If the insurer estimates that the portion of the premium amount charged for coverage other than property and casualty insurance is *de minimis* to the total premium for the policy, the insurer may impose and collect from the policyholder a surcharge amount based on the total premium for the policy, but

(ii) If the insurer estimates that the portion of the premium amount charged for coverage other than property and casualty insurance is not *de minimis*, the insurer shall impose and collect from the policyholder a Surcharge amount based on a reasonable estimate of the premium amount for the property and casualty insurance coverage under the policy.

(3) The Federal terrorism policy surcharge is not considered premium.

(d) A policyholder must pay the applicable Federal terrorism policy surcharge when due. The insurer shall have such rights and remedies to enforce the collection of the surcharge that are the equivalent to those that exist under applicable state or other law for nonpayment of premium.

(e) When an insurer returns an unearned premium, or otherwise refunds premium to a policyholder, it shall also return any Federal terrorism policy surcharge collected that is attributable to the refunded unearned premium. Notwithstanding this paragraph, if the written premium for a policy is revised and refunded after the end of the reporting period described in § 50.95(e), then the insurer is not required to refund any Surcharge that is attributable to the refunded premium.

(f) Notwithstanding paragraphs (a), (b), and (c) of this section, if the expense of collecting the Federal terrorism policy surcharge from all policyholders of an insurer during an assessment period exceeds the amount of the Surcharges anticipated to be collected, such insurer may satisfy its obligation to collect by omitting actual collection and instead remitting to Treasury the amount otherwise due.

(g) The Federal terrorism policy surcharge is repayment of Federal financial assistance in an amount required by law. No fee or commission shall be charged on the Federal terrorism policy surcharge.

§ 50.95 Remitting the surcharge.

(a) Each insurer shall report direct written premium and Federal terrorism policy surcharges to Treasury on a monthly and annual basis during the assessment period. Reporting will be on a form prescribed by Treasury and will be due according to the following schedule:

(1) *Monthly:* From the beginning of the assessment period through November, on the last business day of the calendar month following the month for which premium is reported, and

(2) *Annually:* March 1 for the prior calendar year.

(b) The monthly statements provided to Treasury will include the following:

(1) Cumulative calendar year direct written premium adjusted for premium not subject to the Federal terrorism policy surcharge, summarized by policy year.

(2) The aggregate Federal terrorism policy surcharge amount calculated by applying the established surcharge percentage to the insurer's adjusted direct written premium by policy year.

(3) Insurer certification of the submission.

(c) The annual statements to be provided to Treasury will include the following:

(1) Direct written premium, adjusted for premium not subject to the Federal terrorism policy surcharge, summarized by policy year and by commercial line of insurance as specified in § 50.4(w).

(2) The aggregate Federal terrorism policy surcharge amount calculated by applying the established surcharge percentage to the insurer's adjusted direct written premium by policy year.

(3) In the case of an insurer that has chosen not to collect the Federal terrorism policy surcharge from its policyholders as provided in § 50.94(f), a

certification that the expense of collecting the Surcharge during the assessment period would have exceeded the amount of the surcharges collected over the assessment period.

(4) Insurer certification of the submission.

(d) The calculated aggregate Federal terrorism policy surcharge amount, as described in paragraphs (b)(2) and (c)(2) of this section, shall be remitted to Treasury upon submission of each monthly and annual statement. Through its submitted statements, an insurer obtains credit for a refund of any Federal terrorism policy surcharge previously remitted to Treasury that was subsequently returned by the insurer to a policyholder as attributable to refunded premium under § 50.94(e). A negative calculated amount in a monthly or annual statement indicates payment from Treasury is due to the insurer.

(e) Reporting shall continue for the one-year period following the end of the assessment period established by Treasury, unless otherwise permitted by Treasury.

§ 50.96 Insurer responsibility.

Notwithstanding § 50.4(o), for purposes of the collection, reporting and remittance of Federal terrorism policy surcharges to Treasury, the definition of insurer shall not include any affiliate of the insurer.

Subpart K—Federal Cause of Action; Approval of Settlements

§ 50.100 Federal cause of action and remedy.

(a) *General*. If the Secretary certifies an act as an act of terrorism pursuant to subpart G of this part, there shall exist a Federal cause of action for property damage, personal injury, or death arising out of or resulting from such act of terrorism, pursuant to section 107 of the Act, which shall be the exclusive cause of action and remedy for claims for property damage, personal injury, or death arising out of or relating to such act of terrorism, except as provided in paragraph (d) of this section.

(b) *Jurisdiction*. For each determination described in paragraph (a) of this section, not later than 90 days after the Secretary certifies an act as an act of terrorism, the Judicial Panel on Multidistrict Litigation shall designate a single district court or, if necessary, multiple district courts of the United States that shall have original and exclusive jurisdiction over all actions for any claim (including any claim for loss of property, personal injury, or death) relating to or arising out of an act of terrorism subject to section 107 of the Act.

(c) *Effective period*. The exclusive Federal cause of action and remedy described in paragraph (a) of this section shall exist only for causes of action for property damage, personal injury, or death that arise out of or result from acts of terrorism during the effective period of the Program.

(d) *Rights not affected*. Nothing in section 107 of the Act or this subpart shall in any way:

(1) Limit the liability of any government, organization, or person who knowingly participates in, conspires to commit, aids and abets, or commits any act of terrorism;

(2) Affect any party's contractual right to arbitrate a dispute; or

(3) Affect any provision of the Air Transportation Safety and System Stabilization Act (Pub. L. 107–42; 49 U.S.C. 40101 note).

§ 50.101 State causes of action preempted.

All State causes of action of any kind for property damage, personal injury, or death arising out of or resulting from an act of terrorism that are otherwise available under state law are preempted, except that, pursuant to section 107(b) of the Act, nothing in this section shall limit in any way the liability of any government, organization, or person who knowingly participates in, conspires to commit, aids and abets, or commits the act of terrorism certified by the Secretary.

§ 50.102 Advance approval of settlements.

(a) *Mandatory submission of settlements for advance approval*. Pursuant to section 107(a)(6) of the Act, an insurer shall submit to Treasury for advance approval any proposed agreement to

settle or compromise any Federal cause of action for property damage, personal injury, or death, asserted by a third-party or parties against an insured, involving an insured loss, all or part of the payment of which the insurer intends to include in its aggregate insured losses for purposes of calculating the insurer deductible or the Federal share of compensation of its insured losses under the Program, when:

(1) Any portion of the proposed settlement amount that is attributable to an insured loss or losses involving personal injury or death in the aggregate is $2 million or more per third-party claimant, regardless of the number of causes of action or insured losses being settled; or

(2) Any portion of the proposed settlement amount that is attributable to an insured loss or losses involving property damage (including loss of use) in the aggregate is $10 million or more per third-party claimant, regardless of the number of causes of action or insured losses being settled.

(b) *Discretionary review of other settlements*. Notwithstanding paragraph (a) of this section, Treasury may require that an insurer submit for review and advance approval any proposed agreement to settle or compromise any Federal cause of action for property damage, personal injury, or death, asserted by a third-party or parties against an insured, involving an insured loss, all or part of the payment of which the insurer intends to include in its aggregate insured losses for purposes of calculating the insurer deductible or the Federal share of compensation of its insured losses where the settlement amounts are below the applicable monetary thresholds identified in paragraphs (a)(1) and (2) of this section.

(c) *Factors*. In determining whether to approve a proposed settlement, Treasury will consider the nature of the loss, the facts and circumstances surrounding the loss, and other factors such as whether:

(1) The proposed settlement compensates for a third-party's loss, the liability for which is an insured loss under the terms and conditions of the underlying commercial property and casualty insurance policy, as certified by the insurer pursuant to § 50.103(d)(2);

(2) Any amount of the proposed settlement is attributable to punitive or exemplary damages intended to punish or deter (whether or not specifically so described as such damages);

(3) The settlement amount offsets amounts received from the United States pursuant to any other Federal program;

(4) The settlement amount does not include any items such as fees and expenses of attorneys, experts, and other professionals that have caused the insured losses under the underlying commercial property and casualty insurance policy to be overstated; and

(5) Any other criteria that Treasury may consider appropriate, depending on the facts and circumstances surrounding the settlement, including the information contained in § 50.103.

(d) *Settlement without seeking advance approval or despite disapproval*. If an insurer settles a cause of action or agrees to the settlement of a cause of action without submitting the proposed settlement for Treasury's advance approval in accordance with paragraph (a) or (b) of this section, and in accordance with § 50.103 or despite Treasury's disapproval of the proposed settlement, the insurer will not be entitled to include the paid settlement amount (or portion of the settlement amount, to the extent partially disapproved) in its aggregate insured losses for purposes of calculating the Federal share of compensation of its insured losses, unless the insurer can demonstrate, to the satisfaction of Treasury, extenuating circumstances.

§ 50.103 Procedure for requesting approval of proposed settlements.

(a) *Submission of notice*. Insurers must request advance approval of a proposed settlement by submitting a notice of the proposed settlement and other required information in writing to the Terrorism Risk Insurance Program Office or its designated representative. The address where notices are to be submitted will be available at *https://www.treasury.gov/resource-center/fin-mkts/Pages/program.aspx* following any certification of an act of terrorism pursuant to section 102(1) of the Act.

(b) *Complete notice.* Treasury will review requests for advance approval and determine whether additional information is needed to complete the notice.

(c) *Treasury response or deemed approval.* Within 30 days after Treasury's receipt of a complete notice, or as extended in writing by Treasury, Treasury may issue a written response and indicate its partial or full approval or rejection of the proposed settlement. If Treasury does not issue a response within 30 days after Treasury's receipt of a complete notice, unless extended in writing by Treasury, the request for advance approval is deemed approved by Treasury. Any settlement is still subject to review under the claim procedures pursuant to § 50.80.

(d) *Notice format.* A notice of a proposed settlement should be entitled, ''Notice of Proposed Settlement—Request for Approval,'' and should provide the full name and address of the submitting insurer and the name, title, address, and telephone number of the designated contact person. An insurer must provide all relevant information, including the following, as applicable:

(1) A brief description of the claim against the insured, the amount of the claim, the operative policy terms, and defenses to coverage;

(2) A certification by the insurer that the settlement is for a third-party's loss, the liability for which is an insured loss under the terms and conditions of the underlying commercial property and casualty insurance policy;

(3) A brief description of all damages allegedly sustained and an itemized statement of all damages by category (*i.e.*, actual, economic and non-economic loss, punitive damages, etc.);

(4) A statement from the insurer or its attorney in support of the settlement;

(5) The total dollar amount of the proposed settlement and the amount of the proposed settlement which is an insured loss;

(6) Indication as to whether the settlement was negotiated by counsel;

(7) The amount to be paid that will compensate for any items such as fees and expenses of attorneys, experts, and other professionals for their services and expenses related to the insured loss and/or settlement and the net amount to be received by the third-party after such payment;

(8) The amount(s) received from the United States pursuant to any other Federal program(s) for compensation of insured losses related to an act of terrorism;

(9) The proposed terms of the written settlement agreement, including release language and subrogation terms;

(10) Other relevant agreements, including:

(i) Admissions of liability or insurance coverage;

(ii) Determinations of the number of occurrences under a commercial property and casualty insurance policy;

(iii) The allocation of paid amounts or amounts to be paid to certain policies, or to a specific policy, coverage and/or aggregate limits;

(iv) Any other agreement that may affect the payment or amount of the Federal share of compensation to be paid to the insurer; and

(v) Any other relevant agreement requested by Treasury.

(11) A statement indicating whether the proposed settlement has been approved by the Federal court or is subject to such approval and whether such approval is expected or likely; and

(12) Such other information that is related to the insured loss as may be requested by Treasury that it deems necessary to evaluate the proposed settlement.

EFFECTIVE DATE NOTE: At 86 FR 30541, June 9, 2021, § 50.103 was amended by revising paragraph (a), effective July 12, 2021. For the convenience of the user, the revised text is set forth as follows:

§ 50.103 Procedure for requesting approval of proposed settlements.

(a) *Submission of notice.* Insurers must request advance approval of a proposed settlement by submitting a notice of the proposed settlement and other required information in writing to the Terrorism Risk Insurance Program Office or its designated representative. The address where notices are to be submitted will be available at *https://home.treasury.gov/policy-issues/financial-markets-financial-institutions-and-fiscal-service/federal-insurance-office/terrorism-risk-insurance-program* following any certification of

an act of terrorism pursuant to section 102(1) of the Act.

* * * * *

§ 50.104 Subrogation.

An insurer shall not waive its rights of subrogation under its property and casualty insurance policy with respect to any losses the payment of which the insurer intends to include in its insurer deductible or the aggregate insured losses for purposes of calculating the Federal share of compensation of its insured losses and shall, unless upon request the United States agrees in writing to forbear from exercising such right, preserve the subrogation right of the United States as provided by section 107(c) of the Act by not taking any action that would prejudice the subrogation right of the United States.

Subpart L—Cap on Annual Liability

§ 50.110 Cap on annual liability.

Pursuant to section 103 of the Act, if the aggregate insured losses exceed $100,000,000,000 during a calendar year:

(a) The Secretary shall not make any payment for any portion of the amount of such losses that exceeds $100,000,000,000;

(b) An insurer that has met its insurer deductible shall not be liable for the payment of any portion of the amount of such losses that exceeds $100,000,000,000; and

(c) The Secretary shall determine the *pro rata* share of insured losses to be paid by each insurer that incurs insured losses under the Program.

§ 50.111 Notice to Congress.

Pursuant to section 103(e)(3) of the Act, the Secretary shall provide an initial notice to Congress within 15 days of the certification of an act of terrorism, stating whether the Secretary estimates that aggregate insured losses will exceed $100,000,000,000 for the calendar year in which the event occurs. Such initial estimate may be based on insured loss amounts as compiled by insurance industry statistical organizations, data previously collected by the Secretary, and any other information the Secretary in his or her discretion considers appropriate. The Secretary shall also notify Congress if estimated or actual aggregate insured losses exceed $100,000,000,000 during any calendar year.

§ 50.112 Determination of *pro rata* share.

(a) *Pro rata loss percentage (PRLP)* is the percentage determined by the Secretary to be applied by an insurer against the amount that would otherwise be paid by the insurer under the terms and conditions of an insurance policy providing property and casualty insurance under the Program if there were no cap on annual liability under section 103(e)(2)(A) of the Act.

(b) Except as provided in paragraph (e) of this section, if Treasury estimates that aggregate insured losses may exceed the cap on annual liability for a calendar year, then Treasury will determine a PRLP. The PRLP applies to insured loss payments by insurers for insured losses incurred in the subject calendar year, as specified in § 50.113, from the effective date of the PRLP, as established by Treasury, until such time as Treasury provides notice that the PRLP is revised. Treasury will determine the PRLP based on the following considerations:

(1) Estimates of insured losses from insurance industry statistical organizations;

(2) Any data calls issued by Treasury (see § 50.114);

(3) Expected reliability and accuracy of insured loss estimates and likelihood that insured loss estimates could increase;

(4) Estimates of insured losses and expenses not included in available statistical reporting;

(5) Such other factors as the Secretary considers important.

(c) Treasury shall provide notice of the determination of the PRLP through publication in the FEDERAL REGISTER, or in another manner Treasury deems appropriate, based upon the circumstances of the act of terrorism under consideration.

(d) As appropriate, Treasury will determine any revision to a PRLP based on the same considerations listed in paragraph (b) of this section, and will

provide notice for its application to insured loss payments.

(e) If Treasury estimates based on an initial act of terrorism or subsequent act of terrorism within a calendar year that aggregate insured losses may exceed the cap on annual liability, but an appropriate PRLP cannot yet be determined, Treasury will provide notification advising insurers of this circumstance and, after consulting with the relevant state authorities, may initiate the action described in either paragraph (e)(1) or (2) of this section.

(1) *Hiatus in payments.* Call a hiatus in insurer loss payments for insured losses of up to two weeks. In such a circumstance, Treasury will determine a PRLP as quickly as possible. The PRLP, as later determined, will be effective retroactively as of the start of the hiatus. Any insured losses submitted in support of an insurer's claim for the Federal share of compensation will be reviewed for the insurer's compliance with *pro rata* payments in accordance with the effective date of the PRLP.

(2) *Determine an interim PRLP.* (i) An interim PRLP is an amount determined without the availability of information necessary for consideration of all factors listed in § 50.112(b). It is a conservatively low percentage amount determined in order to facilitate initial partial claim payments by insurers after an act of terrorism and prior to the time that information becomes available to determine a PRLP based on consideration of the factors listed in § 50.112(b).

(ii) In such a circumstance, Treasury will determine a PRLP to replace the interim PRLP as quickly as possible. The PRLP, as later determined, will be effective retroactively as of the effective date of the interim PRLP. Any insured losses submitted in support of an insurer's claim for the Federal share of compensation will be reviewed for the insurer's compliance with *pro rata* payments in accordance with the effective date of the interim PRLP, or as later replaced by the PRLP as appropriate.

§ 50.113 Application of *pro rata* share.

An insurer shall apply the PRLP to determine the *pro rata* share of each insured loss to be paid by the insurer on all insured losses in the absence of an agreement on a complete and final settlement as evidenced by a signed settlement agreement or other means reviewable by a third party as of the effective date established by Treasury. Payments based on the application of the PRLP and determination of the *pro rata* share satisfy the insurer's liability for payment under the Program. Application of the PRLP and the determination of the *pro rata* share are the exclusive means for calculating the amount of insured losses for Program purposes. The *pro rata* share is subject to the following:

(a) The *pro rata* share is determined based on the estimated or actual final claim settlement amount that would otherwise be paid.

(b) *All policies.* If partial payments have already been made as of the effective date of the PRLP, then the *pro rata* share for that loss is the greater of the amount already paid as of the effective date of the PRLP or the amount computed by applying the PRLP to the estimated or actual final claim settlement amount that would otherwise be paid.

(c) *Certain workers' compensation insurance policies.* If an insurer's payments under a workers' compensation policy cumulatively exceed the amount computed by applying the PRLP to the estimated or actual final claim settlement amount that would otherwise be paid because such estimated or actual final settlement amount is reduced from a previous estimate, then the insurer may request a review and adjustment by Treasury in the calculation of the Federal share of compensation. In requesting such a review, the insurer must submit information to supplement its Certification of Loss demonstrating a reasonable estimate invalidated by unexpected conditions differing from prior assumptions including, but not limited to, an explanation and the basis for the prior assumptions.

(d) If an insurer has not yet made payments in excess of its insurer deductible, the rules in this paragraph apply.

(1) If the insurer estimates that it will exceed its insurer deductible making payments based on the application

of the PRLP to its insured losses, then the insurer shall apply the PRLP as of the effective date specified in § 50.112(b).

(2)(i) If the insurer estimates that it will not exceed its insurer deductible making payments based on the application of the PRLP to its insured losses, then the insurer may make payments on the same basis as prior to the effective date of the PRLP. The insurer may also make payments on the basis of applying some other *pro rata* amount it determines that is greater than the PRLP, where the insurer estimates that application of such other *pro rata* amount will result in it not exceeding its insurer deductible. The insurer remains liable for losses in accordance with § 50.115(c).

(ii) If an insurer estimates that it will not exceed its insurer deductible and has made payments on the basis provided in paragraph (d)(2)(i) of this section, but thereafter reaches its insurer deductible, then the insurer shall apply the PRLP to any remaining insured losses. When such an insurer submits a claim for the Federal share of compensation, the amount of the insurer's losses will be deemed to be the amount it would have paid if it had applied the PRLP as of the effective date, and the Federal share of compensation will be calculated on that amount. However, an insurer may request an exception if it can demonstrate that its estimate was invalidated as a result of insured losses from a subsequent act of terrorism.

§ 50.114 Data call authority.

For the purpose of determining initial or recalculated PRLPs, Treasury may issue a data call to insurers for insured loss information, seeking information in addition to any information provided to Treasury under subparts F and H of this part.

§ 50.115 Final amount.

(a) Treasury shall determine if, as a final proration, remaining insured loss payments, as well as adjustments to previous insured loss payments, can be made by insurers based on an adjusted PLRP, and aggregate insured losses still remain within the cap on annual liability. In such a circumstance, Treasury will notify insurers as to the final PRLP and its application to insured losses.

(b) If paragraph (a) of this section applies, Treasury may require, as part of the insurer submission for the Federal share of compensation for insured losses, a supplementary explanation regarding how additional payments will be provided on previously settled insured losses.

(c) An insurer that has prorated its insured losses, but that has not met its insurer deductible, remains liable for loss payments that in the aggregate bring the insurer's total insured loss payments up to an amount equal to the lesser of its insured losses without proration or its insurer deductible.

Subtitle B—Regulations Relating to Money and Finance

CHAPTER I—MONETARY OFFICES, DEPARTMENT OF THE TREASURY

EDITORIAL NOTE: For a document summarizing part 103's removal and distribution into 31 CFR chapter X, see 75 FR 65812, Oct. 26, 2010.

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PARTS 51–55 [RESERVED]

PART 56—DOMESTIC GOLD AND SILVER OPERATIONS SALE OF SILVER

Sec.
56.1 Conditions upon which silver will be sold.
56.2 Sales price.

AUTHORITY: Sec. 209, 79 Stat. 257; 31 U.S.C. 405a–1.

§ 56.1 Conditions upon which silver will be sold.

The General Services Administration, as agent for the Treasury Department, will conduct periodic sales of silver as agreed upon between GSA and the Treasury Department. Sales will be under competitive bidding procedures established by agreement between GSA and the Treasury Department. Details of the bidding and selling procedures are obtainable by telephone or by writing to General Services Administration, Property Management and Disposal Service, Industry Materials Division, Metals Project, Washington, DC 20405.

[32 FR 13380, Sept. 22, 1967]

§ 56.2 Sales price.

Sales of silver will be at prices offered through the competitive bidding procedures referred to in § 56.1, and accepted by the GSA.

[32 FR 13380, Sept. 22, 1967]

PART 82—5-CENT AND ONE-CENT COIN REGULATIONS

Sec.
82.1 Prohibitions.
82.2 Exceptions.
82.3 Definitions.
82.4 Penalties.

AUTHORITY: 31 U.S.C. 5111(d).

SOURCE: 72 FR 61055, Oct. 29, 2007, unless otherwise noted.

§ 82.1 Prohibitions.

Except as specifically authorized by the Secretary of the Treasury (or designee) or as otherwise provided in this part, no person shall export, melt, or treat:

(a) Any 5-cent coin of the United States; or

(b) Any one-cent coin of the United States.

§ 82.2 Exceptions.

(a) The prohibition contained in § 82.1 against the exportation of 5-cent coins and one-cent coins of the United States shall not apply to:

(1) The exportation in any one shipment of 5-cent coins and one-cent coins having an aggregate face value of not more than $100 that are to be legitimately used as money or for numismatic purposes. Nothing in this paragraph shall be construed to authorize export for the purpose of sale or resale of coins for melting or treatment by any person.

(2) The exportation of 5-cent coins and one-cent coins carried on an individual, or in the personal effects of an individual, departing from a place subject to the jurisdiction of the United States, when the aggregate face value is not more than $5, or when the aggregate face value is not more than $25 and it is clear that the purpose for exporting such coins is for legitimate personal numismatic, amusement, or recreational use.

(b) The prohibition contained in § 82.1 against the treatment of 5-cent coins and one-cent coins shall not apply to the treatment of these coins for educational, amusement, novelty, jewelry, and similar purposes as long as the volumes treated and the nature of the treatment makes it clear that such treatment is not intended as a means by which to profit solely from the value of the metal content of the coins.

(c) The prohibition contained in § 82.1 against the exportation, melting, or treatment of 5-cent and one-cent coins of the United States shall not apply to coins exported, melted, or treated incidental to the recycling of other materials so long as—

(1) Such 5-cent and one-cent coins were not added to the other materials for their metallurgical value;

(2) The volumes of the 5-cent coins and one-cent coins, relative to the volumes of the other materials recycled, makes it clear that the presence of such coins is merely incidental; and

(3) The separation of the 5-cent and one-cent coins from the other materials would be impracticable or cost prohibitive.

(d) The prohibition contained in § 82.1 against the exportation, melting, or treatment of 5-cent coins shall not apply to 5-cent coins inscribed with the years 1942, 1943, 1944, or 1945 that are composed of an alloy comprising copper, silver and manganese.

(e) The prohibition contained in § 82.1 against the exportation of 5-cent coins and one-cent coins shall not apply to 5-cent coins and one-cent coins exported by a Federal Reserve Bank or a domestic depository institution, or to a foreign central bank, when the exportation of such 5-cent coins and one-cent coins is for use as circulating money.

(f)(1) The prohibition contained in § 82.1 against exportation, melting, or treatment of 5-cent coins and one-cent coins of the United States shall not apply to coins exported, melted, or treated under a written license issued by the Secretary of the Treasury (or designee).

(2) Applications for licenses should be transmitted to the Director, United States Mint, 801 9th Street, NW., Washington, DC 20220.

§ 82.3 Definitions.

(a) *5-cent coin of the United States* means a 5-cent coin minted and issued by the Secretary of the Treasury pursuant to 31 U.S.C. 5112(a)(5).

(b) *One-cent coin of the United States* means a one-cent coin minted and issued by the Secretary of the Treasury pursuant to 31 U.S.C. 5112(a)(6).

(c) *Export* means to remove, send, ship, or carry, or to take any action with the intent to facilitate a person's removing, sending, shipping, or carrying, from the United States or any place subject to the jurisdiction thereof, to any place outside of the United States or to any place not subject to the jurisdiction thereof.

(d) *Person* means any individual, partnership, association, corporation, or other organization, but does not include an agency of the Government of the United States.

(e) *Treat* or *treatment* means to smelt, refine, or otherwise treat by heating, or by a chemical, electrical, or mechanical process.

§ 82.4 Penalties.

(a) Any person who exports, melts, or treats 5-cent coins or one-cent coins of the United States in violation of § 82.1 shall be subject to the penalties specified in 31 U.S.C. 5111(d), including a fine of not more than $10,000 and/or imprisonment of not more than 5 years.

(b) In addition to the penalties prescribed by 31 U.S.C. 5111(d), a person violating the prohibitions of this part may be subject to other penalties provided by law, including 18 U.S.C. 1001(a).

PART 91—REGULATIONS GOVERNING CONDUCT IN OR ON THE BUREAU OF THE MINT BUILDINGS AND GROUNDS

Sec.

91.1 Authority.
91.2 Applicability.
91.3 Recording presence.
91.4 Preservation of property.
91.5 Compliance with signs and directions.
91.6 Nuisances.
91.7 Gambling.
91.8 Alcoholic beverages, narcotics, hallucinogenic and dangerous drugs.
91.9 Soliciting, vending, debt collection, and distribution of handbills.
91.10 Photographs.
91.11 Dogs and other animals.
91.12 Vehicular and pedestrian traffic.
91.13 Weapons and explosives.
91.14 Penalties and other law.

AUTHORITY: 5 U.S.C. 301, by delegation from the Administrator of General Services, 35 FR 14426, and Treasury Department Order 177–25 (Revision 2), 38 FR 21947.

SOURCE: 34 FR 503, Jan. 14, 1969, unless otherwise noted.

§ 91.1 Authority.

The regulations in this part governing conduct in and on the Bureau of the Mint buildings and grounds located as follows: U.S. Mint, Colfax, and Delaware Streets, Denver, Colorado; U.S. Bullion Depository, Fort Knox, Kentucky; U.S. Assay Office, 32 Old Slip New York, New York; U.S. Mint, 5th and Arch Streets, Philadelphia, Pennsylvania; U.S. Assay Office, 155 Hermann Street, and the Old U.S. Mint

Building, 88 Fifth Street, San Francisco, California; and U.S. Bullion Depository, West Point, New York; are promulgated pursuant to the authority vested in the Secretary of the Treasury, including 5 U.S.C. 301, and that vested in him by delegation from the Administrator of General Services, 38 FR 20650 (1973), and in accordance with the authority vested in the Director of the Mint by Treasury Department Order No. 177–25 Revision 2), dated August 8, 1973, 38 FR 21947 (1973).

[38 FR 24897, Sept. 11, 1973]

§91.2 Applicability.

The regulations in this part apply to the buildings and grounds of the Bureau of the Mint located as follows: U.S. Mint, Colfax and Delaware Streets, Denver, Colorado; U.S. Bullion Depository, Fort Knox, Kentucky; U.S. Assay Office, 32 Old Slip, New York, New York; U.S. Mint, Fifth and Arch Streets, Philadelphia, Pennsylvania; U.S. Assay Office, 155 Hermann Street, and the Old U.S. Mint Building, 88 Fifth Street, San Francisco, California; and U.S. Bullion Depository, West Point, New York; and to all persons entering in or on such property. Unless otherwise stated herein, the Bureau of the Mint buildings and grounds shall be referred to in these regulations as the ''property''.

[38 FR 24897, Sept. 11, 1973]

§91.3 Recording presence.

Except as otherwise ordered, the property shall be closed to the public during other than normal working hours. The property shall also be closed to the public when, in the opinion of the senior supervising official of any Bureau of the Mint establishment covered by these regulations, or his delegate, an emergency situation exists, and at such other times as may be necessary for the orderly conduct of the Government's business. Admission to the property during periods when such property is closed to the public will be limited to authorized individuals who will be required to sign the register and/or display identification documents when requested by the guard.

§91.4 Preservation of property.

It shall be unlawful for any person without proper authority to wilfully destroy, damage, deface, or remove property or any part thereof or any furnishings therein.

§91.5 Compliance with signs and directions.

Persons in and on the property shall comply with the instructions of uniformed Bureau of the Mint guards (U.S. Special Policemen), other authorized officials, and official signs of a prohibitory or directory nature.

§91.6 Nuisances.

The use of loud, abusive, or profane language, unwarranted loitering, unauthorized assembly, the creation of any hazard to persons or things, improper disposal of rubbish, spitting, prurient prying, the commission of any obscene or indecent act, or any other disorderly conduct on the property is prohibited. The throwing of any articles of any kind in, upon, or from the property and climbing upon any part thereof, is prohibited. The entry, without specific permission, upon any part of the property to which the public does not customarily have access, is prohibited.

§91.7 Gambling.

(a) Participating in games for money or other property, the operation of gambling devices, the conduct of a lottery or pool, the selling or purchasing of numbers tickets, or any other gambling in or on the property, is prohibited.

(b) Possession in or on the property of any numbers slip or ticket, record, notation, receipt, or other writing of a type ordinarily used in any illegal form of gambling such as a tip sheet or dream book, unless explained to the satisfaction of the head of the bureau or his delegate, shall be prima facie evidence that there is participation in an illegal form of gambling in or on such property.

[34 FR 503, Jan. 14, 1969, as amended at 36 FR 3523, Feb. 26, 1971]

§ 91.8 Alcoholic beverages, narcotics, hallucinogenic and dangerous drugs.

Entering or being on the property, or operating a motor vehicle thereon by a person under the influence of alcoholic beverages, narcotics, hallucinogenic or dangerous drugs is prohibited. The use of any narcotic, hallucinogenic or dangerous drug in or on the property is prohibited. The use of alcoholic beverages in or on the property is prohibited except on occasions and on property upon which the Director of the Mint has for appropriate official uses granted and exemption permit in writing.

[38 FR 24898, Sept. 11, 1973]

§ 91.9 Soliciting, vending, debt collection, and distribution of handbills.

The unauthorized soliciting of alms and contributions, the commercial soliciting and vending of all kinds, the display or distribution of commercial advertising, or the collecting of private debts, in or on the property, is prohibited. This rule does not apply to Bureau of the Mint concessions or notices posted by authorized employees on the bulletin boards. Distribution of material such as pamphlets, handbills, and flyers is prohibited without prior approval from the Director of the Mint, or the delegate of the Director.

§ 91.10 Photographs.

The taking of photographs on the property is prohibited, without the written permission of the Director of the Mint.

§ 91.11 Dogs and other animals.

Dogs and other animals, except seeing-eye dogs, shall not be brought upon the property for other than official purposes.

§ 91.12 Vehicular and pedestrian traffic.

(a) Drivers of all vehicles in or on the property shall drive in a careful and safe manner at all times and shall comply with the signals and directions of guards and all posted traffic signs.

(b) The blocking of entrances, driveways, walks, loading platforms, or fire hydrants in or on the property is prohibited.

(c) Parking in or on the property is not allowed without a permit or specific authority. Parking without authority, parking in unauthorized locations or in locations reserved for other persons or continuously in excess of 8 hours without permission, or contrary to the direction of a uniformed Bureau of the Mint guard, or of posted signs, is prohibited.

(d) This paragraph may be supplemented from time to time with the approval of the Director of the Mint, or the delegate of the Director, by the issuance and posting of such specific traffic directives as may be required and when so issued and posted such directives shall have the same force and effect as if made a part hereof.

§ 91.13 Weapons and explosives.

No person while on the property shall carry firearms, other dangerous or deadly weapons, or explosives, either openly or concealed, except for official purposes.

§ 91.14 Penalties and other law.

Whoever shall be found guilty of violating any of the regulations in this part while on the property is subject to a fine of not more than $50, or imprisonment of not more than 30 days, or both (40 U.S.C. 318c). Nothing contained in the regulations in this part shall be construed to abrogate any other Federal laws or regulations or those of any State or municipality applicable to the property referred to in § 91.2 and governed by the regulations in this part.

PART 92—UNITED STATES MINT OPERATIONS AND PROCEDURES

Subpart A—Numismatic Operations

Sec.
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AUTHORITY: 5 U.S.C. 301, 31 U.S.C. 321 and 333.

SOURCE: 47 FR 56353, Dec. 16, 1982, unless otherwise noted.

Subpart A—Numismatic Operations

§92.1 Manufacture of medals.

With the approval of the Director of the Mint, dies for medals of a national character designated by Congress may be executed at the Philadelphia Mint, and struck in such field office of the Mints and Assay Offices as the Director shall designate.

§92.2 Sale of "list" medals.

Medals on the regular Mint list, when available, are sold to the public at a charge sufficient to cover their cost, and to include mailing cost when mailed. Copies of the list of medals available for sale and their selling prices may be obtained from the Director of the Mint, Washington, DC.

§92.3 Manufacture and sale of "proof" coins.

''Proof'' coins, *i.e.*, coins prepared from blanks specially polished and struck, are made as authorized by the Director of the Mint and are sold at a price sufficient to cover their face value plus the additional expense of their manufacture and sale. Their manufacture and issuance are contingent upon the demands of regular operations. Information concerning availability and price may be obtained from the Director of the Mint, Treasury Department, Washington, DC 20220.

§92.4 Uncirculated Mint Sets.

Uncirculated Mint Sets, *i.e.*, specially packaged coin sets containing one coin of each denomination struck at the Mints at Philadelphia and Denver, and the Assay Office at San Francisco, will be made as authorized by the Director of the Mint and will be sold at a price sufficient to cover their face value plus the additional expense of their processing and sale. Their manufacture and issuance are contingent upon demands of regular operations. Information concerning availability and price may be obtained from the Director of the Mint, Treasury Department, Washington, DC 20220.

Subpart B—Availability of Records

§92.5 Procedure governing availability of Bureau of the Mint records.

(a) *Regulations of the Office of the Secretary adopted.* The regulations on the Disclosure of Records of the Office of the Secretary and other bureaus and offices of the Department issued under 5 U.S.C. 301 and 552 and published as part 1 of this title, 32 FR No. 127, July 1, 1967, except for §1.7 of this title entitled ''Appeal,'' shall govern the availability of Bureau of the Mint records.

(b) *Determination of availability.* The Director of the Mint delegates authority to the following Mint officials to determine, in accordance with part 1 of this title, which of the records or information requested is available, subject to the appeal provided in §92.6: The Deputy Director of the Mint, Division Heads in the Office of the Director, and the Superintendent or Officer in Charge of the field office where the record is located.

(c) *Requests for identifiable records.* A written request for an identifiable record shall be addressed to the Director of the Mint, Washington, DC 20220. A request presented in person shall be made in the public reading room of the Treasury Department, 15th Street and Pennsylvania Avenue, NW, Washington, DC, or in such other office designated by the Director of the Mint.

§92.6 Appeal.

Any person denied access to records requested under §92.5 may file an appeal to the Director of the Mint within 30 days after notification of such denial. The appeal shall provide the name

and address of the appellant, the identification of the record denied, and the date of the original request and its denial.

Subpart C—Assessment of Civil Penalties for Misuse of Words, Letters, Symbols, or Emblems of the United States Mint

SOURCE: 72 FR 60776, Oct. 26, 2007, unless otherwise noted.

§ 92.11 Purpose.

(a) The procedures in this subpart implement the provisions of 31 U.S.C. 333(c), which authorize the Secretary of the Treasury to assess a civil penalty against any person who has misused the words, titles, abbreviations, initials, symbols, emblems, seals, or badges of the United States Mint in violation of 31 U.S.C. 333(a).

(b) The procedures in this subpart do not apply to the extent that the Secretary of the Treasury, the Director of the United States Mint, or their authorized designees have specifically granted to the person express permission, in writing, to manufacture, produce, sell, possess, or use the words, titles, abbreviations, initials, symbols, emblems, seals, or badges in a contract, agreement, license, letter, memorandum, or similar document.

(c) The procedures in this subpart are limited to actions initiated by the United States Mint to enforce the provisions of 31 U.S.C. 333. The procedures herein do not affect the provisions of 31 CFR part 27. Therefore, this subpart shall not be construed as the exclusive means for the Secretary of the Treasury to enforce 31 U.S.C. 333 insofar as a covered misuse affects the United States Mint.

§ 92.12 Definitions.

(a) *Assessing official* means the Director of the United States Mint or his designee.

(b) *Examining official* means an employee of the United States Mint appointed by the Director of the United States Mint (or an employee of the Treasury Department appointed by the Director of the United States Mint with the concurrence of the head of that employee's organization), to administer the procedures in this subpart in a particular case and to propose findings and recommendations in that case to the assessing official. The examining official must be:

(1) An employee of the Treasury Department in the grade of GS–15 or higher; and

(2) Capable of examining the matter without actual or apparent conflict of interest.

(c) *Broadcast* or *telecast* means widespread dissemination by electronic transmission or method, whether audio and/or visual.

(d) *Civil penalty* means a civil monetary penalty

(e) *Date of offense* means the later of:

(1) The date that the misuse occurred;

(2) The date that the misuse had the effect of conveying the false impression that the activity was associated with or approved, endorsed, sponsored or authorized by the United States Mint or its officers or employees; or

(3) If the violation is a continuing one, the date on which the misuse of the words, titles, abbreviations, initials, symbols, emblems, seals, or badges protected by 31 U.S.C. 333 or the procedures in this subpart last occurred.

(f) *Days* means calendar days, unless otherwise stated.

(g) *Person* means an individual, partnership, association, corporation, company, business, firm, manufacturer, or any other organization, entity, or institution.

(h) *Respondent* means a person named in an Initial Notice of Assessment.

(i) *Symbol* means any design or graphic used by the United States Mint or the Treasury Department to represent themselves or their products. A design or graphic may include

(1) A trademark, designation of origin, or mark of identification, or

(2) A stylized depiction comprising letters, words, or numbers.

§ 92.13 Assessment of civil penalties.

(a) *General rule*. The assessing official may impose a civil penalty on any person when the following two conditions are met:

(1) That person uses in connection with, or as a part of, any advertisement, solicitation, business activity, or product, whether alone or with other words, letters, symbols, or emblems—

(i) The words ''Department of the Treasury,'' ''United States Mint,'' or ''U.S. Mint'';

(ii) The titles ''Secretary of the Treasury,'' ''Treasurer of the United States,'' ''Director of the United States Mint,'' or ''Director of the U.S. Mint'';

(iii) The abbreviations or initials of any entity or title referred to in paragraph (a)(1)(i) or (a)(1)(ii) of this section;

(iv) Any symbol, emblem, seal, or badge of an entity referred to in paragraph (a)(1)(i) of this section (including the design of any envelope, stationery, or identification card used by such an entity); or

(v) Any colorable imitation of any such words, titles, abbreviations, initials, symbols, emblems, seals, or badges; and

(2) That person's use is in a manner that could reasonably be interpreted or construed as conveying the false impression that such advertisement, solicitation, business activity, or product is in any manner approved, endorsed, sponsored, authorized by, or associated with the United States Mint, or any officer, or employee thereof.

(b) *Disclaimers*. Any determination of whether a person has violated the provisions of paragraph (a) of this section shall be made without regard to any use of a disclaimer of affiliation with the United States Government or any particular agency or instrumentality thereof.

(c) *Civil penalty*. The assessing official may impose a civil penalty on any person who violates the provisions of paragraph (a) of this section. The amount of a civil penalty shall not exceed $5,000 for each and every use of any material in violation of paragraph (a) of this section, except that such penalty shall not exceed $25,000 for each and every use if such use is in a broadcast or telecast.

(d) *Time limitations*. (1) Civil penalties imposed under the procedures in this subpart must be assessed before the end of the three-year period beginning on the date of offense.

(2) The assessing official may commence a civil action to recover or enforce any civil penalty imposed in a Final Notice of Assessment issued pursuant to §92.17 at any time before the end of the two-year period beginning on the date of the Final Notice of Assessment. If judicial review of the Final Notice of Assessment is sought, the two-year period begins to run from the date that a final and unappealable court order is issued.

(e) *Criminal Proceeding*. No civil penalty may be imposed under the procedures in this subpart with respect to any violation of paragraph (a) of this section after a criminal proceeding on the same violation has been commenced by indictment or information under 31 U.S.C. 333(d).

§92.14 Initiation of action.

(a) When an employee of the United States Mint learns of or discovers a potential violation of 31 U.S.C. 333 or this subpart, he or she will refer the matter, with all available evidence, to the assessing official.

(b) The assessing official will consider relevant factors when determining whether to initiate an action to impose a civil penalty under the procedures in this subpart. Those factors may include, but are not limited to, the following:

(1) The scope of the misuse;

(2) The purpose and/or nature of the misuse;

(3) The extent of the harm caused by the misuse;

(4) The circumstances of the misuse;

(5) The commercial benefit intended to be derived from the misuse; and

(6) The repeated nature of the misuse.

(c) If the assessing official decides to initiate an action to impose a civil penalty under the procedures in this subpart, he or she will, in writing:

(1) Appoint an examining official; and

(2) Delegate to the examining official the authority to prepare, sign, and serve an Initial Notice of Assessment on behalf of the assessing official.

§92.15 Initial notice of assessment.

The examining official shall review all immediately available evidence on

the matter; determine a proposed civil penalty based on the factors listed under § 92.16(d)(2)(iii); and prepare and serve an Initial Notice of Assessment by United States mail or other means upon the person believed to be in violation of § 92.13 and otherwise subject to a civil penalty. The notice shall provide the name and telephone number of the examining official, who can provide information concerning the notice and the procedures in this subpart. The notice shall include the following:

(a) A specific reference to the provisions of § 92.13 violated;

(b) A concise statement of the facts that support the conclusion that such a violation occurred;

(c) The amount of the civil penalty proposed and the maximum amount of the potential civil penalty that the assessing official could impose;

(d) A notice informing the person alleged to be in violation of § 92.13 that he or she:

(1) May, within 30 days of the date of the notice, pay the proposed civil penalty, thereby waiving the right to make a written response under § 92.16 and to seek judicial review under § 92.18:

(i) By electronic funds transfer (EFT) in accordance with instructions provided by the examining official in the Initial Notice of Assessment; or

(ii) By means other than EFT only with the written approval of the assessing official;

(2) May make a written response in accordance with § 92.16 within 30 days of the date of the notice addressing, as appropriate:

(i) Why a civil penalty should not be imposed; and

(ii) Why a civil penalty should be in a lesser amount than proposed.

(3) May be represented by an attorney or other representative, provided that a designation of representative signed by the person alleged to be in violation is received by the examining official; and

(4) May request, within 20 days of the date of the notice, a copy of or opportunity to review any documents and/or other evidence that the United States Mint compiled and relied on in determining to issue the notice (the assessing official reserves the right to assert privileges available under law and may decline to disclose certain documents and/or other evidence protected by such privileges; however, any documents or other evidence withheld from disclosure shall be expunged from the record and shall not be considered by the examining and assessing officials in arriving at their respective recommendations and decisions); and

(e) An advisement of the following:

(1) If no written response is received within the time allowed in § 92.16(b), a Final Notice of Assessment may be issued without a presentation by the person;

(2) If a written response has been made and the examining official deems it necessary, the examining official may request, orally or in writing, additional information from the respondent;

(3) A Final Notice of Assessment may be issued in accordance with § 92.17 requiring that the proposed civil penalty be paid;

(4) A Final Notice of Assessment is subject to judicial review in accordance with 5 U.S.C. 701 *et seq.;* and

(5) All submissions sent in response to the Initial Notice of Assessment must be transmitted to the address specified in the notice and include the name, address, and telephone number of the respondent.

§ 92.16 Written response.

(a) *Form and contents.* (1) The written response submitted by a person pursuant to § 92.15(d)(2) must provide the following:

(i) A reference to and specific identification of the Initial Notice of Assessment involved;

(ii) The full name of the person against whom the Initial Notice of Assessment has been made;

(iii) If the respondent is not a natural person, the name and title of the officer authorized to act on behalf of the respondent; and

(iv) If a representative of the person named in the Initial Notice of Assessment is filing the written response, a copy of the duly executed designation as representative.

(2) The written response must admit or deny each violation of § 92.13 set

forth in the Initial Notice of Assessment. Any violation not specifically denied will be presumed to be admitted. Where a violation is denied, the respondent shall specifically set forth the legal or factual basis upon which the allegation is denied. If the basis of the written response is that the respondent is not the person responsible for the alleged violation, the written response must set forth sufficient information to allow the examining and assessing officials to determine the truth of such an assertion. The written response should include any and all documents and other information that the respondent believes should be a part of the administrative record on the matter.

(b) *Time*. (1) Except as provided in paragraph (b)(2) of this section, any written response made under this section must be submitted not later than 30 days after the date of the Initial Notice of Assessment.

(2) If a request for documents or other evidence is made pursuant to §92.15(d)(4), the written response must be submitted not later than 20 days after the date of the United States Mint's response to the request.

(3)(i) In computing the number of days allowed for filing a written response under this paragraph, the first day counted is the day after the date of the Initial Notice of Assessment is issued. If the last date on which the response is required to be filed by this paragraph is a Saturday, Sunday or Federal holiday, the response will be due on the next business day after that date.

(ii) If a response is transmitted by United States mail, it will be deemed timely filed if postmarked on or before the due date.

(4) The examining official may extend the period for making a written response under paragraphs (b)(1) and (b)(2) of this section for up to ten days for good cause shown. Requests for extensions beyond ten days must be approved by the assessing official and must be based on good cause shown. Generally, failure to obtain representation in a timely manner will not be considered good cause.

(c) *Filing*. The response may be sent by personal delivery, United States mail or commercial delivery. A written response transmitted by means other than United States mail will be considered filed on the date received at the address specified in the Initial Notice of Assessment.

(d) *Review and Recommendation*. The examining official will fully consider the facts and arguments submitted by the respondent in the written response, any other documents filed by the respondent pursuant to this subpart, and the evidence in the United States Mint's record on the matter. If the respondent waives the right to submit a written response in accordance with §92.15(d)(1), or declines to submit a written response by the end of the 30-day response period, the examining official will fully consider the evidence in the United States Mint's record on the matter.

(1) In fully considering the matter, the examining official will not consider any evidence introduced into the record by the United States Mint after the date of the Initial Notice of Assessment unless and until the respondent has been notified that such additional evidence will be considered, and has had an opportunity to request, review and comment on such evidence.

(2) The examining official will prepare a concise report, addressed to the assessing official, which will contain the following:

(i) The entire administrative record on the matter, including all information provided in or with a written response timely filed by the respondent and any additional information provided pursuant to §92.15(e)(2), as well as all evidence upon which the Initial Notice of Assessment was based, and any additional evidence as provided for in §92.16(d)(1).

(ii) A finding, based on the preponderance of the evidence, as to each alleged violation specified in the Initial Notice of Assessment;

(iii) For each violation that the examining official determines to have occurred, a recommendation as to the appropriate amount of a civil penalty to be imposed which, upon additional consideration of the evidence, may be the same as, more than, or less than the amount initially proposed by the examining official pursuant to §92.15. In

making this recommendation, the examining official will consider all relevant factors including, but not limited to, the following:

(A) The scope of the misuse;

(B) The purpose and/or nature of the misuse;

(C) The extent of the harm caused by the misuse;

(D) The circumstances of the misuse;

(E) The commercial benefit intended to be derived from the misuse; and

(F) The repeated nature of the misuse.

(iv) If the examining official determines that a violation has occurred, a proposed Final Notice of Assessment that incorporates his or her findings and recommendations.

(v) Any additional information or considerations that the assessing officer should consider in a decision whether to issue a Final Notice of Assessment under § 92.17.

§ 92.17 Final action.

(a) In making a final determination whether to impose a penalty, the assessing official shall take into consideration the entire report prepared by the examining official. Although the assessing official should accord appropriate weight to the findings and recommendations of the examining official, the assessing official is not bound by them. The assessing official may approve, disapprove, modify, or substitute any or all of the examining official's findings and recommendations if, in his or her judgment, the evidence in the record supports such a decision. The assessing official will determine whether:

(1) The facts warrant a conclusion that no violation has occurred; or

(2)(i) The facts warrant a conclusion that one or more violations have occurred; and

(ii) The facts and violations found justify the conclusion that a civil penalty should be imposed.

(b) If the assessing official determines that no violation has occurred, the official shall promptly send a letter indicating that determination to the person served with an Initial Notice of Assessment and to any designated representative of such person.

(c) If the assessing official determines that a violation has occurred:

(1) The assessing official shall issue a Final Notice of Assessment to the person served with an Initial Notice of Assessment and to any designated representative of such person.

(2) The assessing official may, in his or her discretion:

(i) Impose a civil penalty;

(ii) Not impose a civil penalty; or

(iii) Impose a civil penalty and suspend the payment of all or some of the civil penalty, conditioned on the violator's future compliance with 31 U.S.C. 333.

(3) If a civil penalty is imposed under § 92.17(c)(2)(i) or (iii), the assessing official shall determine the appropriate amount of the penalty in accordance with 31 U.S.C. 333(c)(2). In determining the amount of a civil penalty, the assessing official will consider relevant factors including, but not limited to, the following:

(i) The scope of the misuse;

(ii) The purpose and/or nature of the misuse;

(iii) The extent of the harm caused by the misuse;

(iv) The circumstances of the misuse;

(v) The commercial benefit intended to be derived from the misuse; and

(vi) The repeated nature of the misuse.

(4) The Final Notice of Assessment shall:

(i) Include the following:

(A) A specific reference to each provision of § 92.13 found to have been violated;

(B) A concise statement of the facts supporting a conclusion that each violation has occurred;

(C) An analysis of how the facts and each violation justifies the conclusion that a civil penalty should be imposed; and

(D) The amount of each civil penalty imposed and a statement as to how the amount of each penalty was determined; and

(ii) Inform the person of the following:

(A) Payment of a civil penalty imposed by the Final Notice of Assessment must be made within 30 days of the date of the notice;

(B) Payment of a civil penalty imposed by the Final Notice of Assessment shall be paid by EFT in accordance with instructions provided in the notice, unless the assessing official has given written approval to have payment made by other means;

(C) If payment of a civil penalty imposed by the Final Notice of Assessment has been suspended on the condition that the person comply in the future with 31 U.S.C. 333 and this subpart, the failure by the person to so comply will make the civil penalty payable on demand;

(D) If a civil penalty is not paid within 30 days of the date of the Final Notice of Assessment (or on demand under paragraph (c)(3)(ii)(D) of this section), a civil action to collect the penalty or enforce compliance may be commenced at any time within two years of the date of the Final Notice of Assessment; and

(E) Any civil penalty imposed by the Final Notice of Assessment may be subject to judicial review in accordance with 5 U.S.C. 701 *et seq*.

§ 92.18 Judicial review.

A Final Notice of Assessment issued under the procedures in this subpart may be subject to judicial review pursuant to 5 U.S.C. 701 *et seq*.

PART 100—EXCHANGE OF PAPER CURRENCY AND COIN

Sec.

100.2 Scope of regulations; transactions effected through Federal Reserve banks and branches; distribution of coin and currencies.

Subpart A—In General

100.3 Lawfully held coins and currencies in general.
100.4 Gold coin and gold certificates in general.

Subpart B—Request for Examination of Mutilated Currency for Possible Redemption

100.5 Mutilated paper currency.
100.6 Destroyed paper currency.
100.7 Treasury's redemption process.
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Subpart C—Request for Examination of Coin for Possible Redemption

100.10 Request for examination of uncurrent coin for possible redemption.
100.11 Request for examination of bent or partial coin for possible redemption.
100.12 Exchange of fused or mixed coin.
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Subpart D—Other Information

100.16 Exchange of paper and coin to be handled through Federal Reserve banks and branches.
100.17 Location of Federal Reserve banks and branches.
100.18 Counterfeit notes to be marked; ''redemption'' of notes wrongfully so marked.
100.19 Disposition of counterfeit notes and coins.

AUTHORITY: 31 U.S.C. 321.

SOURCE: 47 FR 32044, July 23, 1982, unless otherwise noted.

§ 100.2 Scope of regulations; transactions effected through Federal Reserve banks and branches; distribution of coin and currencies.

(a) The regulations in this part govern the exchange of the coin and paper currency of the United States (including national bank notes and Federal Reserve bank notes in process of retirement and Federal Reserve notes). Under authorization in the Act approved May 29, 1920, 41 Stat. 655 (31 U.S.C. 476), the Secretary of the Treasury transferred to the Federal Reserve banks and branches the duties and functions performed by the former Assistant Treasurers of the United States in connection with the exchange of paper currency and coin of the United States. Except for the duties in this respect to be performed by the Treasurer of the United States and the Director of the Mint, as may be indicated from time to time by the Secretary of the Treasury, exchanges of the paper currency and coin of the United States and the distribution and replacement thereof will, so far as practicable, be effected through the Federal Reserve banks and branches. The Federal Reserve banks and branches are authorized to distribute available supplies of coin and currency to depository institutions, as that term is defined in section 103 of the Monetary Control Act of 1980 (Pub. L. 96–221). As authorized by

section 107 of the Act, transportation of coin and currency and coin wrapping services will be provided according to a schedule of fees established by the Board of Governors of the Federal Reserve System. Inquiries by depository institutions regarding distribution and related services should be addressed to the Federal Reserve bank of the district where the institution is located.

(b) The Department of the Treasury has authorized amendments to this part by the following bureaus and offices:

(1) This section—Office of the Secretary.

(2) Subpart A—Office of the Secretary.

(3) Subpart B—Bureau of Engraving and Printing.

(4) Subpart C—United States Mint.

(5) Subpart D—Office of the Secretary.

[47 FR 32044, July 23, 1982, as amended at 82 FR 60310, Dec. 20, 2017]

Subpart A—In General

§ 100.3 Lawfully held coin and currencies in general.

The official agencies of the Department of the Treasury will continue to exchange lawfully held coins and currencies of the United States, dollar for dollar, for other coins and currencies which may be lawfully acquired and are legal tender for public and private debts. Paper currency of the United States which has been falsely altered and coins altered to render them for use as other denominations will not be redeemed since such currency and coins are subject to forfeiture under Title 18, United States Code, section 492. Persons receiving such currency and coins should notify immediately the nearest local office of the U.S. Secret Service of the Department of the Treasury, and hold the same pending advice from the Service.

§ 100.4 Gold coin and gold certificates in general.

Gold coins, and gold certificates of the type issued before January 30, 1934, are exchangeable, as provided in this part, into other currency or coin which may be lawfully issued.

Subpart B—Request for Examination of Mutilated Currency for Possible Redemption

SOURCE: 79 FR 30725, May 29, 2014, unless otherwise noted.

§ 100.5 Mutilated paper currency.

(a) *General.* Lawfully held mutilated paper currency of the United States may be submitted for examination in accord with the provisions in this subpart. Such currency may be redeemed at face amount if sufficient remnants of any relevant security feature and clearly more than one-half of the original note remains. Fragments of such mutilated currency which are not clearly more than one-half of the original whole note or are lacking sufficient remnants of any relevant security feature will be redeemed at face value only if the Director, Bureau of Engraving and Printing, Department of the Treasury, is satisfied that the missing portions have been totally destroyed. The Director's judgment shall be based on such evidence of total destruction as is necessary and shall be final. Any submission under this subpart shall be deemed an acceptance of all provisions contained herein.

(b) *Definitions.* The following definitions are used in this subpart:

Mutilated currency is currency which has been damaged to the extent that:

(i) One-half or less of the original note remains; or

(ii) Its condition is such that its value is questionable and the currency must be forwarded to the Department of the Treasury for the examination by trained experts before any redemption is made.

Unfit currency is currency which is unfit for further circulation because of its physical condition such as torn, dirty, limp, worn or defaced. Unfit currency should not be forwarded to the Department of the Treasury, but may be exchanged at commercial banks.

§ 100.6 Destroyed paper currency.

No relief will be granted on account of lawfully held paper currency which has been totally destroyed.

§ 100.7 Treasury's redemption process.

(a) Lawful holders of mutilated currency may receive a redemption at full value when:

(1) Clearly more than 50% of a note identifiable as United States currency is present along with sufficient remnants of any relevant security feature; or

(2) Fifty percent or less of a note identifiable as United States currency is present and the method of mutilation and supporting evidence demonstrate to the satisfaction of the Treasury that the missing portions have been totally destroyed.

(b) No redemption will be made when:

(1) A submission, or any portion thereof, demonstrates a pattern of intentional mutilation or an attempt to defraud the United States. In such instances, the entire submission will be destroyed or retained as evidence.

(2) A submission appears to be part of, or intended to further, any criminal scheme. In such instances, the entire submission will be destroyed or retained as evidence.

(3) A submission contains a material misrepresentation of facts.

(4) Fragments and remnants presented are not identifiable as United States currency; or

(5) Fragments and remnants presented which represent 50% or less of a note are identifiable as United States currency but the method of destruction and supporting evidence do not satisfy the Treasury that the missing portion has been totally destroyed.

(c) Lawfully held mutilated currency in a submission that also contains counterfeit currency may be destroyed or retained as evidence, at the discretion of the Director of the Bureau of Engraving and Printing.

(d) All cases will be handled under proper procedures to safeguard the funds and interests of the submitter of lawfully held mutilated currency. In some cases, the amount redeemed will be less than the amount estimated by the submitter. In other cases, the amount redeemed may be greater. The amount redeemed will be determined by an examination made by trained mutilated currency examiners and governed by the above criteria.

(e) The Director of the Bureau of Engraving and Printing shall have final authority with respect to redemptions of mutilated currency submissions.

(f) All submissions for review shall include an estimate of the value of the currency and an explanation of how it came to be mutilated. The submission should also contain the bank account number and routing number for an account of a United States bank since all redemptions of $500 or more shall be made through Electronic Funds Transfer (EFT).

§ 100.8 Packaging and shipping of mutilated currency.

Mutilated currency examiners are best able to determine the value of the currency when it has been carefully packed and boxed as described below. As a result, failure to follow the directions in this section may result in a denial of redemption:

(a) Regardless of the condition of the currency, do not disturb the fragments more than is absolutely necessary.

(b) If the currency is brittle or inclined to fall apart, pack it carefully in cotton and box it as found, without disturbing the fragments, if possible.

(c) If the currency was in a purse, box, or other container when mutilated, it should be left therein, if possible, in order to prevent further deterioration of the fragments or from their being lost.

(d) If it is absolutely necessary to remove the fragments from the container, send the container with the currency and any other contents found, except as noted in paragraph (g) of this section.

(e) If the currency was flat when mutilated, do not roll, fold, laminate, tape, glue or in any other way alter the currency in an attempt to preserve it.

(f) If the currency was in a roll when mutilated, do not attempt to unroll or straighten.

(g) If coin or any other metal is mixed with the currency, remove carefully. Do not send coin or other metal in the same package with mutilated paper currency, as the metal will break up the currency. Coin should be exchanged in accordance with subpart C of this part.

(h) Mutilated currency shipments must be addressed as follows:

(1) USPS Delivery—Department of the Treasury, Bureau of Engraving and Printing, MCD/OFM, Room 344A, Post Office Box 37048, Washington, DC 20013.

(2) Non Postal Courier (FEDEX/UPS)—Department of the Treasury, Bureau of Engraving and Printing, MCD/OFM, Room 344–A, 14th & C Streets SW., Washington, DC 20228.

§ 100.9 Notices.

(a) The Director may provide information pertaining to any mutilated currency submission to law enforcement officials or other third parties for purposes of investigation of related criminal activity or for purposes of seeking a civil judgment.

(b) Whoever mutilates currency with the intent to render it unfit to be reissued may be fined and/or imprisoned. 18 U.S.C. 333.

(c) Whoever intentionally files a false claim seeking reimbursement for mutilated currency may be held criminally liable under a number of statutes including 18 U.S.C. 287 and 18 U.S.C. 1341 and may be held civilly liable under 31 U.S.C. 3729, *et seq*.

Subpart C—Request for Examination of Coin for Possible Redemption

SOURCE: 82 FR 60311, Dec. 20, 2017, unless otherwise noted.

§ 100.10 Request for examination of uncurrent coin for possible redemption.

(a) *Definition*. Uncurrent coins are whole U.S. coins which are merely worn or reduced in weight by natural abrasion yet are readily and clearly recognizable as to genuineness and denomination and which are machine countable.

(b) *Redemption process*. The United States Mint will not accept uncurrent coins for redemption. Members of the public wishing to redeem lawfully held uncurrent coins must deposit the uncurrent coins with a bank or other financial institution that will accept them, or with a depository institution that has established a direct customer relationship with a Federal Reserve Bank. A Federal Reserve Bank will redeem uncurrent coins, based on the policies described in the Federal Reserve's Operating Circular 2.

(c) *Criteria for acceptance*. Depository institutions that redeem uncurrent coins must sort the coins by denomination into packages in accordance with the Federal Reserve's Operating Circular 2. The Federal Reserve Banks have the right to reject any shipment containing objects that are not U.S. coins or any contaminant that could render the uncurrent coins unsuitable for coinage metal.

(d) *Redemption sites*. The Federal Reserve Banks and branches listed in § 100.17 are the only authorized redemption sites at which a depository institution that has established a direct customer relationship with a Federal Reserve Bank may redeem uncurrent coins.

§ 100.11 Request for examination of bent or partial coin for possible redemption.

(a) *General*. Lawfully held bent or partial coins of the United States may be submitted to the United States Mint for examination in accordance with the provisions in this subpart. Any submission under this subpart shall be deemed an acceptance of all provisions of this subpart.

(b) *Definitions*. (1) Bent coins are U.S. coins which are bent or deformed so as to preclude normal machine counting but which are readily and clearly identifiable as to genuineness and denomination.

(2) Partial coins are U.S. coins which are not whole; partial coins must be readily and clearly identifiable as to genuineness and denomination.

(3) Participants are individuals or businesses that submit coins through the redemption process.

(c) *Redemption process*. (1) Depending on submission amount and frequency, participants may be subject to a certification process by the United States Mint. The established annual weight threshold and details about the participant certification process will be published on the United States Mint's website. If certification is required, it must be done prior to submission.

(2) All submissions for review shall include an estimate of the value of the coins and an explanation of how the submission came to be bent or partial. The submission should also contain the bank account number and routing number for a checking or savings account at a bank or other financial institution (such as a mutual fund, brokerage firm, or credit union) in the United States.

(3) Participants may be required to provide documentation for how the participant came into custody of the bent or partial coins.

(4) The United States Mint reserves the right to test samples from any submission to authenticate the material. The size of the sample will be limited to the amount necessary for authentication. Testing may result in partial or complete destruction of the sample.

(5) The United States Mint reserves the right to conduct site visits for participants over a certain volume threshold to verify information provided to the United States Mint.

(6) No redemption will be made when:

(i) A submission, or any portion of a submission, demonstrates a pattern of intentional mutilation or an attempt to defraud the United States;

(ii) A submission appears to be part of, or intended to further, any criminal activity;

(iii) A submission contains a material misrepresentation of facts;

(iv) Material presented is not identifiable as United States coins. In such instances, the participant will be notified to retrieve the entire submission, at the participant's sole expense, within 30 days. If the submission is not retrieved in a timely manner, the entire submission will be treated as voluntarily abandoned property, pursuant to 41 CFR 102–41.80, and will be retained or disposed of by the United States Mint;

(v) A submission contains any contaminant that could render the coins unsuitable for coinage metal. In such instances, the participant will be notified to retrieve the entire submission, at the participant's sole expense, within 30 days. If the submission is not retrieved in a timely manner, the entire submission will be treated as voluntarily abandoned property, pursuant to 41 CFR 102–41.80, and will be retained or disposed of by the United States Mint; or

(vi) A submission contains more than a nominal amount of uncurrent coins. In such instances, the participant may be notified to retrieve the entire submission, at the participant's sole expense, within 30 days. If the submission is not retrieved in a timely manner, the entire submission will be treated as voluntarily abandoned property, pursuant to 41 CFR 102–41.80, and will be retained or disposed of by the United States Mint.

(7) The Director of the United States Mint, or designee, shall have final authority with respect to all aspects of redemptions of bent or partial coin submissions.

(d) *Redemption rates*—(1) *Generally*. Participants shall separate bent or partial coins by the denomination categories listed below in lots of at least one pound for each denomination category. The United States Mint will redeem bent or partial coins on the basis of their weight and denomination at the following rates:

(i) One-Cent Coins: $1.4585 per pound.

(ii) 5-Cent Coins: $4.5359 per pound.

(iii) Dime, Quarter-Dollar, and Half-Dollar Coins: $20.00 per pound.

(iv) $1 Coins: $20.00 per pound.

(2) *Exceptions*. (i) The United States Mint will redeem one-cent coins inscribed with a year after 1982 at the rate set forth at paragraph (d)(1)(i) of this section unless such one-cent coins are presented unmixed from one-cent coins inscribed with a year before 1983. The United States Mint will redeem unmixed one-cent coins inscribed with a year after 1982 at a rate of $1.8100 per pound.

(ii) The United States Mint will redeem $1 coins inscribed with a year after 1978 at the rate set forth at paragraph (d)(1)(iv) of this section unless such $1 coins are presented unmixed from $1 coins inscribed with a year before 1979. The United States Mint will redeem unmixed $1 coins inscribed with a year after 1978 at a rate of $56.00 per pound.

(e) *Redemption sites*. Coins are shipped at the sender's risk of loss and expense.

(1) Bent and partial coins submitted in quantities less than or equal to a threshold established annually will be

redeemed only at the United States Mint at Philadelphia, P.O. Box 400, Philadelphia, PA 19105.

(2) Bent and partial coins submitted in quantities greater than a threshold established annually should be scheduled with the United States Mint to be sent directly to the authorized recycler(s) of the United States Mint.

§ 100.12 Exchange of fused or mixed coin.

(a) *Definitions.* (1) Fused coins are U.S. coins which are melted to the extent that they are bonded together.

(2) Mixed coins are U.S. coins of several alloy categories which are presented together, but are readily and clearly identifiable as U.S. coins.

(b) *Fused and mixed coins.* The United States Mint will not accept fused coins for redemption. The United States Mint will not accept mixed coins for redemption, except as provided for in § 100.11(d)(2).

§ 100.13 Notices.

(a) Additional information and procedures about the United States Mint's redemption of bent or partial coins can be found on the United States Mint's website.

(b) Criminal penalties connected with the defacement or mutilation of U.S. coins are provided in 18 U.S.C. 331.

(c) The Director of the United States Mint may provide information pertaining to any bent or partial coin submissions to law enforcement officials or other third parties for purposes of investigating related criminal activity or for purposes of seeking a civil judgment.

(d) Whoever intentionally files a false claim seeking reimbursement for uncurrent, bent or partial coins may be held criminally liable under a number of statutes including 18 U.S.C. 287 and 18 U.S.C. 1341 and may be held civilly liable under 31 U.S.C. 3729, *et seq.*

Subpart D—Other Information

§ 100.16 Exchange of paper and coin to be handled through Federal Reserve banks and branches.

Other than as provided in this document all transactions including the exchange of paper currency and coin shall be handled through the Federal Reserve banks and branches.

§ 100.17 Location of Federal Reserve banks and branches.

Federal Reserve Bank and Address

Boston—600 Atlantic Avenue, Boston, MA 02106
New York—33 Liberty Street (Federal Reserve P.O. Station), New York, NY 10045
Buffalo Branch—160 Delaware Avenue (P.O. Box 961), Buffalo, NY 14240
Philadelphia—Ten Independence Mall (P.O. Box 66), Philadelphia, PA 19105
Cleveland—1455 East Sixth Street (P.O. Box 6387), Cleveland, OH 44101
Cincinnati Branch—150 East Fourth Street (P.O. Box 999), Cincinnati, OH 45201
Pittsburgh Branch—717 Grant Street (P.O. Box 867), Pittsburgh, PA 15230
Richmond—701 East Byrd Avenue (P.O. Box 27622), Richmond, VA 23261
Baltimore Branch—114–120 East Lexington Street (P.O. Box 1378), Baltimore, MD 21203
Charlotte Branch—530 East Trade Street (P.O. Box 30248), Charlotte, NC 28230
Atlanta—104 Marietta Street, NW., Atlanta, GA 30303
Birmingham Branch—1801 Fifth Avenue, North (P.O. Box 830447), Birmingham, AL 35283–0447
Jacksonville Branch—800 Water Street (P.O. Box 929) Jacksonville, FL 32231–0044
Miami Branch—9100 NW., 36th Street (P.O. Box 520847), Miami, FL 33152
Nashville Branch—301 Eighth Avenue, North, Nashville, TN 37203
New Orleans Branch—525 St. Charles Avenue (P.O. Box 61630), New Orleans, LA 70161
Chicago—230 South LaSalle Street (P.O. Box 834), Chicago, IL 60690
Detroit Branch—160 Fort Street, West (P.O. Box 1059), Detroit, MI 48231
St. Louis—411 Locust Street (P.O. Box 442), St. Louis, MO 63166
Little Rock Branch—325 West Capitol Avenue (P.O. Box 1261), Little Rock, AR 72203
Louisville Branch—410 South Fifth Street (P.O. Box 32710), Louisville, KY 40232
Memphis Branch—200 North Main Street (P.O. Box 407), Memphis, TN 38101
Minneapolis—250 Marquette Avenue, Minneapolis, MN 55480
Helena Branch—400 North Park Avenue, Helena, MT 59601
Kansas City—925 Grand Avenue (Federal Reserve Station), Kansas City, MO 64198
Denver Branch—1020 16th Street (P.O. Box 5228, Terminal Annex), Denver, CO 80217
Oklahoma City Branch—226 Dean A. McGee Street (P.O. Box 25129), Oklahoma City, OK 73125
Omaha Branch—2201 Farnam Street (P.O. Box 3958), Omaha, NB 68103
Dallas—400 South Akard Street (Station K), Dallas, TX 75222

El Paso Branch—301 East Main Street (P.O. Box 100), El Paso, TX 79999
Houston Branch—1701 San Jacinto Street (P.O. Box 2578), Houston, TX 77001
San Antonio Branch—126 East Nueva Street (P.O. Box 1471), San Antonio, TX 78295
San Francisco—400 Sansome Street (P.O. Box 7702), San Francisco, CA 94120
Los Angeles Branch—950 South Grand Avenue (Terminal Annex, P.O. Box 2077), Los Angeles CA 90051
Portland Branch—915 SW Stark Street (P.O. Box 3436), Portland, OR 97208
Salt Lake City Branch—120 South State Street (P.O. Box 30780), Salt Lake City, UT 84125
Seattle Branch—1015 Second Avenue (P.O. Box 3567), Seattle, WA 98124

[47 FR 32044, July 23, 1982, as amended at 56 FR 10170, Mar. 11, 1991]

§ 100.18 Counterfeit notes to be marked; "redemption" of notes wrongfully so marked.

The Act of June 30, 1876 (19 Stat. 4; 31 U.S.C. 424), provides that all U.S. Officers charged with the receipt or disbursement of public moneys, and all officers of national banks, shall stamp or write in plain letters the word ''counterfeit,'' ''altered,'' or ''worthless'' upon all fraudulent notes issued in the form of, and intended to circulate as money, which shall be presented at their places of business; and if such officers shall wrongfully stamp any genuine note of the United States, or of the national bank, they shall, upon presentation, ''redeem'' such notes at the face amount thereof.

§ 100.19 Disposition of counterfeit notes and coins.

All counterfeit notes and coin found in remittances are cancelled and delivered to the U.S. Secret Service of the Department of the Treasury or to the nearest local office of that Service, a receipt for the same being forwarded to the sender. Communications with respect thereto should be addressed to the Director, U.S. Secret Service, Department of the Treasury, Washington, DC 20223.

PART 101—MITIGATION OF FORFEITURE OF COUNTERFEIT GOLD COINS

Sec.
101.1 Purpose and scope.
101.2 Petitions for mitigation.
101.3 Petitions reviewed by Assistant Secretary, Enforcement, Operations, Tariff Affairs.
101.4 Extraction of gold bullion from the counterfeit coins.
101.5 Payment of smelting costs.
101.6 Return of the bullion.
101.7 Exceptions.
101.8 Discretion of the Secretary.

AUTHORITY: 18 U.S.C. 492.

SOURCE: 42 FR 1472, Jan. 7, 1977, unless otherwise noted.

§ 101.1 Purpose and scope.

The purpose of this part is to establish a policy whereby certain purchasers or holders of gold coins who have forfeited them to the United States because they were counterfeit may, in the discretion of the Secretary of the Treasury, recover the gold bullion from the coins. This part sets forth the procedures to be followed in implementing this policy.

§ 101.2 Petitions for mitigation.

(a) *Who may file.* Any person may petition the Secretary of the Treasury for return of the gold bullion of counterfeit gold coins forfeited to the United States, if:

(1) The petitioner innocently purchased or received the coins and held them without the knowledge that they were counterfeit; and,

(2) The petitioner voluntarily submitted the coins to the Treasury Department for a determination of whether they were legitimate or counterfeit; and,

(3) The coins were determined to be counterfeit and were seized by the Treasury Department and forfeited to the United States.

(b) *To whom addressed.* Petitions for mitigation of the forfeiture of counterfeit gold coins should be addressed to the Assistant Secretary, Enforcement, Operations, Tariff Affairs, Department of Treasury, 15th and Pennsylvania Avenue, NW., Washington, DC 20220.

(c) *Form.* The petition need not be in any particular form, but must be under oath, and set forth at least the following:

(1) The full name and address of the petitioner;

(2) A description of the coin or coins involved;

(3) The name and address of the person from whom the coins were received or purchased by the petitioner;

(4) The date and place where they were voluntarily submitted for examination;

(5) Any other circumstances relied upon by the petitioner to justify the mitigation;

(6) A statement that the petitioner purchased or received and held the coins without the knowledge that they were counterfeit.

§ 101.3 Petitions reviewed by Assistant Secretary, Enforcement, Operations, Tariff Affairs.

(a) The Assistant Secretary will receive and review all petitions for mitigation of the forfeiture of counterfeit gold coins. He shall conduct such further investigation, and may request such further information from the petitioner as he deems necessary. Petitions will be approved if the Assistant Secretary determines that:

(1) The gold coins have not been previously disposed of by normal procedures;

(2) The petitioner was an innocent purchaser or holder of the gold coins and is not under investigation in connection with the coins at the time of submission or thereafter;

(3) The coins are not needed and will not be needed in the future in any investigation or as evidence in legal proceedings; and

(4) Mitigation of the forfeiture is in the best interest of the Government.

§ 101.4 Extraction of gold bullion from the counterfeit coins.

If the petition is approved, the Assistant Secretary shall then forward the gold coins to the Bureau of the Mint where, if economically feasible, the gold bullion will be extracted from the counterfeit coins. The Bureau of the Mint will then return the bullion to the Assistant Secretary.

§ 101.5 Payment of smelting costs.

The petitioner shall be required to pay all reasonable costs incurred in extracting the bullion from the counterfeit coins, as shall be determined by the Assistant Secretary. Payment must be made prior to the return of the gold bullion to the petitioner.

§ 101.6 Return of the bullion.

After receiving the gold bullion from the Bureau of the Mint, the Assistant Secretary shall notify the petitioner that his petition has been approved and that payment of the smelting costs in an amount set forth in such notice must be made prior to the return of the bullion.

§ 101.7 Exceptions.

The provisions of this part shall not apply where the cost of smelting the gold coins exceeds the value of the gold bullion to be returned.

§ 101.8 Discretion of the Secretary.

The Secretary of the Treasury retains complete discretion to deny any claim of any petitioner when the Secretary believes it is not in the best interest of the Government to return the bullion to the petitioner or when the Secretary is not convinced that the petitoner was an innocent purchaser or holder without knowledge that the gold coins were counterfeit.

PART 123 [RESERVED]

PART 128—REPORTING OF INTERNATIONAL CAPITAL AND FOREIGN-CURRENCY TRANSACTIONS AND POSITIONS

Subpart A—General Information

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APPENDIX A TO PART 128—DETERMINATION MADE BY NATIONAL ADVISORY COUNCIL PURSUANT TO SECTION 2(a) AND (b) OF E.O. 10033

AUTHORITY: 22 U.S.C. 286f and 3101 *et seq.;* 31 U.S.C. 5315 and 5321.

SOURCE: 58 FR 58495, Nov. 2, 1993, unless otherwise noted.

Subpart A—General Information

§ 128.1 General reporting requirements.

(a) *International capital transactions and positions.* (1) In order to implement the International Investment and Trade in Services Survey Act, as amended (22 U.S.C. 3101 *et seq.*); and E.O. 11961, and to obtain information requested by the International Monetary Fund under the articles of agreement of the Fund pursuant to section 8(a) of the Bretton Woods Agreements Act (22 U.S.C. 286f) and E.O. 10033, persons subject to the jurisdiction of the United States are required to report information pertaining to—

(i) United States claims on, and liabilities to, foreigners;

(ii) Transactions in securities and other financial assets with foreigners; and

(iii) The monetary reserves of the United States.

(2) Data pertaining to direct investment transactions are not required to be reported under this part.

(3) Reports shall be made in such manner and at such intervals as specified by the Secretary of the Treasury. See subpart B of this part for additional requirements concerning these reports.

(b) *Foreign currency positions.* (1) In order to provide data on the nature and source of flows of mobile capital, including transactions by large United States business enterprises (as determined by the Secretary) and their foreign affiliates as required by 31 U.S.C. 5315, persons subject to the jurisdiction of the United States are required to report information pertaining to—

(i) Transactions in foreign exchange;

(ii) Transfers of credit that are, in whole or part, denominated in a foreign currency; and

(iii) The creation or acquisition of claims that reference transactions, holdings, or evaluations of foreign exchange.

(2) Reports shall be made in such manner and at such intervals as specified by the Secretary. See subpart C of this part for additional requirements concerning these reports.

(c) *Notice of reports.* Notice of reports required by this part, specification of persons required to file report, and forms to be used to file reports will be published in the FEDERAL REGISTER. Persons currently required to file reports shall continue to file such reports using existing Treasury International Capital Forms BL–1/BL–1(SA), BL–2/BL–2(SA), BL–3, BC/BC(SA), BQ–1, BQ–2, CM, CQ–1, CQ–2, S, and existing Treasury Foreign Currency Forms FC–1, FC–2, FC–3, and FC–4 until further notice is published in the FEDERAL REGISTER.

§ 128.2 Manner of reporting.

(a) *Methods of reporting*—(1) *Prescribed forms.* (i) Except as provided in § 128.2(a)(2), reports required by this part shall be made on forms prescribed by the Secretary. The forms and accompanying instructions will be published in accordance with § 128.1(c).

(ii) Copies of forms and instructions prescribed by the Secretary for reporting under this Part may be obtained from any Federal Reserve Bank, or from the Office of the Assistant Secretary (Economic Policy), Department of the Treasury, Washington, DC 20220.

(2) *Alternative methods of reporting.* In lieu of reporting on forms prescribed by the Secretary pursuant to this part, reports may be filed on magnetic tape or other media acceptable to, and approved in writing by, the Federal Reserve district bank with which the report is filed, or by the Assistant Secretary (Economic Policy) in the case of a special exception filing pursuant to § 128.2(b)(3). The Secretary may require that magnetic tape or other machine-readable media, or other rapid means of communication be used for filing special survey reports under subpart B or C of this part.

(b) *Filing of periodic reports*—(1) *Banks and other depository institutions, International Banking Facilities, and bank holding companies.* Except as provided in § 128.2(b)(3), each bank, depository

institution, International Banking Facility, and bank holding company in the United States required to file periodic reports under subpart B or C of this part shall file such reports with the Federal Reserve bank of the district in which such bank, depository institution, International Banking Facility or bank holding company has its principal place of business in the United States.

(2) *Nonbanking enterprises and other persons.* Except as provided in § 128.2(b)(3), nonbanking enterprises and other persons in the United States required to file periodic reports under subpart B or C of this part shall file such reports with the Federal Reserve Bank of New York.

(3) *Special exceptions.* If a respondent described in § 128.2(b)(1) or (2) is unable to file with a Federal Reserve district bank, such respondent shall file periodic reports with the Office of the Assistant Secretary (Economic Policy), Department of the Treasury, Washington, DC 20220, or as otherwise provided in the instructions to the periodic report forms.

(c) *Filing of special survey reports.* All respondents required to file special survey reports under subpart B or C of this part file such reports as provided in § 128.2(b) unless otherwise provided in the instructions to the special survey reports.

§ 128.3 Use of information reported.

(a) Except for use in violation and enforcement proceedings pursuant to the International Investment and Trade in Services Survey Act, 22 U.S.C. 3101 *et seq.*, information submitted by any individual respondent on reports required under subpart B of this part may be used only for analytical and statistical purposes within the United States Government and will not be disclosed publicly by the Department of the Treasury, or by any other Federal agency or Federal Reserve district bank having access to the information as provided herein. Aggregate data derived from these forms may be published or otherwise publicly disclosed only in a manner which will not reveal the amounts reported by any individual respondent. The Department may furnish information from these forms to the Federal Reserve Board and to Federal agencies to the extent permitted by applicable law.

(b) The information submitted by any individual respondent on reports required under subpart C of this part will not be disclosed publicly. Aggregated data may be published or disclosed only in a manner which will not reveal the information reported by any individual respondent. The Department may furnish to Federal agencies, the Board of Governors of the Federal Reserve System, and to Federal Reserve district banks data reported pursuant to subpart C of this part to the extent permitted by applicable law.

§ 128.4 Penalties.

(a) Whoever fails to file a report required by subpart B of this part shall be subject to a civil penalty of not less than $2,500 and not more than $25,000

(b) Whoever willfully fails to file a report required by subpart B of this part may be criminally prosecuted and upon conviction fined not more than $10,000 and, if an individual (including any officer, director, employee, or agent of any corporation who knowingly participates in such violation), may be imprisoned for not more than one year, or both.

(c) Whoever fails to file a report required by subpart C of this part shall be subject to a civil penalty of not more than $10,000.

§ 128.5 Recordkeeping requirements.

Banks, other depository institutions, International Banking Facilities, bank holding companies, brokers and dealers, and nonbanking enterprises subject to the jurisdiction of the United States shall maintain all information necessary to make a complete report pursuant to this Part for not less than three years from the date such report is required to be filed or was filed, whichever is later, or for such shorter period as may be specified in the instructions to the applicable report form.

(Approved by the Office of Management and Budget under control number 1505–0149)

Subpart B—Reports on International Capital Transactions and Positions

§ 128.11 Purpose of reports.

Reports on international capital transactions and positions provide timely and reliable information on international portfolio capital movements by U.S. persons. This information is needed for preparation of the capital accounts of the United States balance of payments and the international investment position of the United States.

§ 128.12 Periodic reports.

(a) *International capital positions.* (1) Banks and other depository institutions, International Banking Facilities, bank holding companies, and brokers and dealers in the United States shall file monthly, quarterly and semiannual reports with respect to specified claims and liabilities positions with foreigners held for their own account and for the accounts of their customers.

(2) Nonbanking enterprises in the United States not described in § 128.12(a)(1) shall file monthly and quarterly reports with respect to deposits and certificates of deposit with banks outside the United States and specified claims and liabilities positions with unaffiliated foreigners.

(b) *Transactions in certain domestic and foreign long-term securities.* Banks and nonbanking enterprises in the United States shall file monthly reports on their transactions in domestic and foreign long-term securities or other financial assets with foreign residents.

(c) *Notice of periodic reports.* Notice of periodic reports will be published in accordance with § 128.1(c).

§ 128.13 Special survey reports.

The Secretary may prescribe special survey reports at such times as the Secretary determines there is a need for detailed information on the aggregate data derived from current periodic reports or to provide additional qualitative information with respect to such data. Notice of special survey reports will be published in accordance with § 128.1(c).

Subpart C—Reports on Foreign Currency Positions

§ 128.21 Purpose of reports.

Reports by respondents on foreign currency positions provide data on the nature and source of flows of mobile capital, including transactions by large United States business enterprises (as determined by the Secretary) and their foreign affiliates as required by 31 U.S.C. 5315.

§ 128.22 Periodic reports.

Respondents shall file reports weekly, monthly and quarterly on the value of such items as outstanding foreign exchange contracts, dealing positions, derivative foreign currency instruments, and other assets and liabilities denominated in the currencies specified on the forms. Notice of periodic reports will be published in accordance with § 128.1(c).

§ 128.23 Special survey reports.

The Secretary may prescribe special survey reports with respect to foreign exchange positions and related information at such times as the Secretary determines that there is a need for prompt or expanded information on current conditions in the foreign exchange markets. Notice of special survey reports will be published in accordance with § 128.1(c).

APPENDIX A TO PART 128—DETERMINATION MADE BY NATIONAL ADVISORY COUNCIL PURSUANT TO SECTION 2 (a) AND (b) OF E.O. 10033

I. Determination of the National Advisory Council pursuant to E.O. 10033

In an action dated September 7, 1965, the National Advisory Council on International Monetary and Financial Problems made the following determination pursuant to section 2(a) of E.O. 10033 of February 8, 1949.

Action 65 (E.O.)–49. The National Advisory Council, having consulted with the Director of the Bureau of the Budget, determines the current information with respect to international capital movements, derived from data on U.S. liabilities to and claims on foreigners and transactions in securities with

foreigners, and current information with respect to U.S. gold holdings, foreign-currency holdings, and dollar liabilities to foreigners, are essential in order that the United States may comply with official requests of the International Monetary Fund for information with respect to the U.S. balance of payments and monetary reserves.

Action No. 320, March 17, 1949 is superseded by this determination and is hereby revoked.

II. Designation of the Treasury Department by the Director of the Bureau of the Budget pursuant to section 2(b) of E.O. 10033.

On December 1, 1965, the Treasury Department was designated, pursuant to section 2(b) of E.O. 10033 of February 8, 1949, to collect information for the International Monetary Fund under the National Advisory Council determination of September 7, 1965. The letter containing the designation reads as follows:

December 1, 1965.

Hon. Henry H. Fowler,
Secretary of the Treasury, Washington, DC 20220.

Dear Mr. Secretary: On September 7, 1965, the National Advisory Council after consultation with this Bureau in accordance with section 2(a) of Executive Order 10033, made the following determination (Action 65 (E.O.)–49:

''The National Advisory Council, having consulted with the Director of the Bureau of the Budget, determines that current information with respect to international capital movements, derived from data on U.S. liabilities to claims on foreigners and transactions in securities with foreigners, and current information with respect to U.S. gold holdings, foreign-currency holdings, and dollar liabilities to foreigners, are essential in order that the United States may comply with official requests of the International Monetary Fund for information with respect to the U.S. balance of payments and monetary reserves.''

It is hereby determined pursuant to section 2(b) of Executive Order 10033, that the Treasury Department shall collect information pertaining to capital movements between the United States and foreign countries and pertaining to the monetary reserves of the United States, except information pertaining to direct-investment transactions, U.S. Government foreign lending operations, and claims and liabilities of U.S. Government agencies (other than public debt obligations), which is collected by the Department of Commerce.

This letter supersedes the earlier determination as to the responsibilities of the Treasury Department in this area, dated April 21, 1949, as amended May 4, 1950.

Sincerely yours,

Raymond T. Bowman,
Assistant Director for Statistical Standards.

PART 129—PORTFOLIO INVESTMENT SURVEY REPORTING

Sec.
129.1 Purpose.
129.2 Definitions.
129.3 Reporting requirements.
129.4 Recordkeeping requirements.
129.5 Confidentiality.
129.6 Penalties specified by law.

AUTHORITY: 22 U.S.C. 3101 *et seq.;* E.O. 11961, 42 FR 4321, 3 CFR, 1977 Comp., p. 86.

SOURCE: 58 FR 30707, May 27, 1993, unless otherwise noted.

§ 129.1 Purpose.

The purpose of this part is to provide general information on portfolio investment survey data collection programs and analyses under the International Investment and Trade in Services Survey Act ((formerly the International Investment Survey Act of 1976) (the ''Act'')). The purpose of the Act is to provide for the collection of comprehensive and reliable information concerning international investment, including portfolio investment. The Act specifies that regular data collection programs and surveys specified by the Act or deemed necessary by the Secretary of the Treasury shall be conducted to secure information on international capital flows and other information related to international portfolio investment, including information that may be necessary for computing and analyzing the United States balance of payments.

§ 129.2 Definitions.

For purposes of the Act and for reporting requirements under this Part:

(a) *United States,* when used in a geographic sense, means the several States, the District of Columbia, the Commonwealth of Puerto Rico, and the territories and possessions of the United States.

(b) *Foreign,* when used in a geographic sense, means that which is situated outside the United States or which belongs to or is characteristic of a country other than the United States.

(c) *Person* means any individual, branch, partnership, associated group, association, estate, trust, corporation, or other organization (whether or not organized under the laws of any State), and any government (including a foreign government, the United States Government, a State or local government, and any agency, corporation, financial institution, or other entity or instrumentality thereof, including a government-sponsored agency).

(d) *United States person* means any person resident in the United States or subject to the jurisdiction of the United States.

(e) *Foreign person* means any person resident outside the United States or subject to the jurisdiction of a country other than the United States.

(f) *Foreign parent* means any foreign person who owns or controls, directly or indirectly, 10 percent or more of the voting securities of an incorporated United States business enterprise, or an equivalent interest in an unincorporated United States business enterprise.

(g) *Reporter* means a United States person required to file a report.

(h) *Foreign official institution* means central governments of foreign countries and their possessions, including recognized central banks of issue.

§ 129.3 Reporting requirements.

(a) Notice of specific reporting requirements, including who is required to report, the information to be reported, the manner of reporting, and the time and place of filing reports, will be published by the Secretary of the Treasury in the FEDERAL REGISTER prior to the implementation of each survey or study.

(b) Written responses are required from all reporters.

(c) Information required from reporters shall be furnished under oath.

§ 129.4 Recordkeeping requirement.

Reporters shall maintain all information used in preparing a report under this part for the period specified in the notice published by the Secretary of the Treasury pursuant to section 129.3, and shall make this information available for review and inspection at the request of the Department of the Treasury.

§ 129.5 Confidentiality.

(a) Information collected pursuant to the Act will be kept in confidence.

(b) Access to information collected pursuant to the Act shall be available only to officials and employees (including consultants and contractors and their employees) designated by the Secretary of the Treasury to perform functions under the Act.

(c) Nothing in this part shall be construed to require any Federal agency to disclose information otherwise protected by law.

(d) No person can compel the submission or disclosure of reports, or constituent parts thereof, or copies of such reports or constituents parts thereof, prepared pursuant to this part, without the prior written consent of the person who maintained or who furnished the report and the customer of the person who furnished the report, where the information supplied is identifiable as being derived from the records of the customer. As required by the Act, any published reports issued by the Treasury based upon information pursuant to this part will only contain data aggregated in such a way that neither the person supplying the information nor the investor can be identified.

§ 129.6 Penalties specified by law.

Reporters are advised that the Act provides the following penalties:

(a) *Civil Penalties.* Whoever fails to furnish any information required under the Act, whether required to be furnished in the form of a report or otherwise, or to comply with any other rule, regulation, order, or instruction promulgated under the Act, shall be subject to a civil penalty of not less than $2,500 and not more than $25,000.

(b) *Criminal Penalties.* Whoever willfully violates any rule, regulation, order, or instruction promulgated under the Act, upon conviction, shall be fined not more than $10,000 and, if an individual, may be imprisoned for not more than one year, or both, and any officer, director, employee, or agent of

any corporation who knowingly participates in such violation, upon conviction, may be punished by a like fine, imprisonment or both.

PARTS 130–131 [RESERVED]

PART 132—PROHIBITION ON FUNDING OF UNLAWFUL INTERNET GAMBLING

Sec.

132.1 Authority, purpose, and incorporation by reference.
132.2 Definitions.
132.3 Designated payment systems.
132.4 Exemptions.
132.5 Policies and procedures required.
132.6 Non-exclusive examples of policies and procedures.
132.7 Regulatory enforcement.
APPENDIX A TO PART 132—MODEL NOTICE

AUTHORITY: 31 U.S.C. 321 and 5364.

SOURCE: 73 FR 69405, Nov. 18, 2008, unless otherwise noted.

§ 132.1 Authority, purpose, collection of information, and incorporation by reference.

(a) *Authority*. This part is issued jointly by the Board of Governors of the Federal Reserve System (Board) and the Secretary of the Department of the Treasury (Treasury) under section 802 of the Unlawful Internet Gambling Enforcement Act of 2006 (Act) (enacted as Title VIII of the Security and Accountability For Every Port Act of 2006, Pub. L. No. 109–347, 120 Stat. 1884, and codified at 31 U.S.C. 5361–5367). The Act states that none of its provisions shall be construed as altering, limiting, or extending any Federal or State law or Tribal-State compact prohibiting, permitting, or regulating gambling within the United States. *See* 31 U.S.C. 5361(b). In addition, the Act states that its provisions are not intended to change which activities related to horseracing may or may not be allowed under Federal law, are not intended to change the existing relationship between the Interstate Horseracing Act of 1978 (IHA) (15 U.S.C. 3001 *et seq.*) and other Federal statutes in effect on October 13, 2006, the date of the Act's enactment, and are not intended to resolve any existing disagreements over how to interpret the relationship between the IHA and other Federal statutes. *See* 31 U.S.C. 5362(10)(D)(iii). This part is intended to be consistent with these provisions.

(b) *Purpose*. The purpose of this part is to issue implementing regulations as required by the Act. The part sets out necessary definitions, designates payment systems subject to the requirements of this part, exempts certain participants in designated payment systems from certain requirements of this part, provides nonexclusive examples of policies and procedures reasonably designed to identify and block, or otherwise prevent and prohibit, restricted transactions, and sets out the Federal entities that have exclusive regulatory enforcement authority with respect to the designated payments systems and non-exempt participants therein.

(c) *Collection of information*. The Office of Management and Budget (OMB) has approved the collection of information requirements in this part for the Department of the Treasury and assigned OMB control number 1505–0204. The Board has approved the collection of information requirements in this part under the authority delegated to the Board by OMB, and assigned OMB control number 7100–0317.

(d) *Incorporation by reference—relevant definitions from ACH rules*. (1) This part incorporates by reference the relevant definitions of ACH terms as published in the ''2008 ACH Rules: A Complete Guide to Rules & Regulations Governing the ACH Network'' (the ''ACH Rules''). The Director of the Federal Register approves this incorporation by reference in accordance with 5 U.S.C. 552(a) and 1 CFR part 51. Copies of the ''2008 ACH Rules'' are available from the National Automated Clearing House Association, Suite 100, 13450 Sunrise Valley Drive, Herndon, Virginia 20171, *http://nacha.org*, (703) 561–1100. Copies also are available for public inspection at the Department of Treasury Library, Room 1428, Main Treasury Building, 1500 Pennsylvania Avenue, NW., Washington, DC 20220, and the National Archives and Records Administration (NARA). Before visiting the Treasury library, you must call (202) 622–0990 for an appointment. For information on the availability of

this material at NARA, call (202) 741–6030, or go to: *http://www.archives.gov/federal_register/code_of_federal_regulations/ibr_locations.html 20002*.

(2) Any amendment to definitions of the relevant ACH terms in the ACH Rules shall not apply to this part unless the Treasury and the Board jointly accept such amendment by publishing notice of acceptance of the amendment to this part in the FEDERAL REGISTER. An amendment to the definition of a relevant ACH term in the ACH Rules that is accepted by the Treasury and the Board shall apply to this part on the effective date of the rulemaking specified by the Treasury and the Board in the joint FEDERAL REGISTER notice expressly accepting such amendment.

§ 132.2 Definitions.

The following definitions apply solely for purposes of this part:

(a) *Actual knowledge* with respect to a transaction or commercial customer means when a particular fact with respect to that transaction or commercial customer is known by or brought to the attention of:

(1) An individual in the organization responsible for the organization's compliance function with respect to that transaction or commercial customer; or

(2) An officer of the organization.

(b) *Automated clearing house system* or *ACH system* means a funds transfer system, primarily governed by the ACH Rules, which provides for the clearing and settlement of batched electronic entries for participating financial institutions. When referring to ACH systems, the terms in this regulation (such as ''originating depository financial institution,'' ''operator,'' ''originating gateway operator,'' ''receiving depository financial institution,'' ''receiving gateway operator,'' and ''third-party sender'') are defined as those terms are defined in the ACH Rules.

(c) *Bet or wager*. (1) Means the staking or risking by any person of something of value upon the outcome of a contest of others, a sporting event, or a game subject to chance, upon an agreement or understanding that the person or another person will receive something of value in the event of a certain outcome;

(2) Includes the purchase of a chance or opportunity to win a lottery or other prize (which opportunity to win is predominantly subject to chance);

(3) Includes any scheme of a type described in 28 U.S.C. 3702;

(4) Includes any instructions or information pertaining to the establishment or movement of funds by the bettor or customer in, to, or from an account with the business of betting or wagering (which does not include the activities of a financial transaction provider, or any interactive computer service or telecommunications service); and

(5) Does not include—

(i) Any activity governed by the securities laws (as that term is defined in section 3(a)(47) of the Securities Exchange Act of 1934 (15 U.S.C. 78c(a)(47)) for the purchase or sale of securities (as that term is defined in section 3(a)(10) of that act (15 U.S.C. 78c(a)(10));

(ii) Any transaction conducted on or subject to the rules of a registered entity or exempt board of trade under the Commodity Exchange Act (7 U.S.C. 1 *et seq.*);

(iii) Any over-the-counter derivative instrument;

(iv) Any other transaction that—

(A) Is excluded or exempt from regulation under the Commodity Exchange Act (7 U.S.C. 1 *et seq.*); or

(B) Is exempt from State gaming or bucket shop laws under section 12(e) of the Commodity Exchange Act (7 U.S.C. 16(e)) or section 28(a) of the Securities Exchange Act of 1934 (15 U.S.C. 78bb(a));

(v) Any contract of indemnity or guarantee;

(vi) Any contract for insurance;

(vii) Any deposit or other transaction with an insured depository institution;

(viii) Participation in any game or contest in which participants do not stake or risk anything of value other than—

(A) Personal efforts of the participants in playing the game or contest or obtaining access to the Internet; or

(B) Points or credits that the sponsor of the game or contest provides to participants free of charge and that can be used or redeemed only for participation

in games or contests offered by the sponsor; or

(ix) Participation in any fantasy or simulation sports game or educational game or contest in which (if the game or contest involves a team or teams) no fantasy or simulation sports team is based on the current membership of an actual team that is a member of an amateur or professional sports organization (as those terms are defined in 28 U.S.C. 3701) and that meets the following conditions:

(A) All prizes and awards offered to winning participants are established and made known to the participants in advance of the game or contest and their value is not determined by the number of participants or the amount of any fees paid by those participants.

(B) All winning outcomes reflect the relative knowledge and skill of the participants and are determined predominantly by accumulated statistical results of the performance of individuals (athletes in the case of sports events) in multiple real-world sporting or other events.

(C) No winning outcome is based—

(*1*) On the score, point-spread, or any performance or performances of any single real-world team or any combination of such teams, or

(*2*) Solely on any single performance of an individual athlete in any single real-world sporting or other event.

(d) *Block* means to reject a particular transaction before or during processing, but it does not require freezing or otherwise prohibiting subsequent transfers or transactions regarding the proceeds or account.

(e) *Card issuer* means any person who issues a credit card, debit card, prepaid card, or stored value card, or the agent of such person with respect to such card.

(f) *Card system* means a system for authorizing, clearing and settling transactions in which credit cards, debit cards, pre-paid cards, or stored value cards (such cards being issued or authorized by the operator of the system), are used to purchase goods or services or to obtain a cash advance. The term includes systems both in which the merchant acquirer, card issuer, and system operator are separate entities and in which more than one of these roles are performed by the same entity.

(g) *Check clearing house* means an association of banks or other payors that regularly exchange checks for collection or return.

(h) *Check collection system* means an interbank system for collecting, presenting, returning, and settling for checks or intrabank system for settling for checks deposited in and drawn on the same bank. When referring to check collection systems, the terms in this regulation (such as ''paying bank,'' ''collecting bank,'' ''depositary bank,'' ''returning bank,'' and ''check'') are defined as those terms are defined in 12 CFR 229.2. For purposes of this part, ''check'' also includes an electronic representation of a check that a bank agrees to handle as a check.

(i) *Commercial customer* means a person that is not a consumer and that contracts with a non-exempt participant in a designated payment system to receive, or otherwise accesses, payment transaction services through that non-exempt participant.

(j) *Consumer* means a natural person.

(k) *Designated payment system* means a system listed in § 132.3.

(l) *Electronic fund transfer* has the same meaning given the term in section 903 of the Electronic Fund Transfer Act (15 U.S.C. 1693a), except that such term includes transfers that would otherwise be excluded under section 903(6)(E) of that act (15 U.S.C. 1693a(6)(E)), and includes any funds transfer covered by Article 4A of the Uniform Commercial Code, as in effect in any State.

(m) *Financial institution* means a State or national bank, a State or Federal savings and loan association, a mutual savings bank, a State or Federal credit union, or any other person that, directly or indirectly, holds an account belonging to a consumer. The term does not include a casino, sports book, or other business at or through which bets or wagers may be placed or received.

(n) *Financial transaction provider* means a creditor, credit card issuer, financial institution, operator of a terminal at which an electronic fund transfer may be initiated, money

transmitting business, or international, national, regional, or local payment network utilized to effect a credit transaction, electronic fund transfer, stored value product transaction, or money transmitting service, or a participant in such network, or other participant in a designated payment system.

(o) *Foreign banking office* means:

(1) Any non-U.S. office of a financial institution; and

(2) Any non-U.S. office of a foreign bank as described in 12 U.S.C. 3101(7).

(p) *Interactive computer service* means any information service, system, or access software provider that provides or enables computer access by multiple users to a computer server, including specifically a service or system that provides access to the Internet and such systems operated or services offered by libraries or educational institutions.

(q) *Internet* means the international computer network of interoperable packet switched data networks.

(r) *Internet gambling business* means the business of placing, receiving or otherwise knowingly transmitting a bet or wager by any means which involves the use, at least in part, of the Internet, but does not include the performance of the customary activities of a financial transaction provider, or any interactive computer service or telecommunications service.

(s) *Intrastate transaction* means placing, receiving, or otherwise transmitting a bet or wager where—

(1) The bet or wager is initiated and received or otherwise made exclusively within a single State;

(2) The bet or wager and the method by which the bet or wager is initiated and received or otherwise made is expressly authorized by and placed in accordance with the laws of such State, and the State law or regulations include—

(i) Age and location verification requirements reasonably designed to block access to minors and persons located out of such State; and

(ii) Appropriate data security standards to prevent unauthorized access by any person whose age and current location has not been verified in accordance with such State's law or regulations; and

(3) The bet or wager does not violate any provision of—

(i) The Interstate Horseracing Act of 1978 (15 U.S.C. 3001 *et seq.*);

(ii) 28 U.S.C. chapter 178 (professional and amateur sports protection);

(iii) The Gambling Devices Transportation Act (15 U.S.C. 1171 *et seq.*); or

(iv) The Indian Gaming Regulatory Act (25 U.S.C. 2701 *et seq.*).

(t) *Intratribal transaction* means placing, receiving or otherwise transmitting a bet or wager where—

(1) The bet or wager is initiated and received or otherwise made exclusively—

(i) Within the Indian lands of a single Indian tribe (as such terms are defined under the Indian Gaming Regulatory Act (25 U.S.C. 2703)); or

(ii) Between the Indian lands of two or more Indian tribes to the extent that intertribal gaming is authorized by the Indian Gaming Regulatory Act (25 U.S.C. 2701 *et seq.*);

(2) The bet or wager and the method by which the bet or wager is initiated and received or otherwise made is expressly authorized by and complies with the requirements of—

(i) The applicable tribal ordinance or resolution approved by the Chairman of the National Indian Gaming Commission; and

(ii) With respect to class III gaming, the applicable Tribal-State compact;

(3) The applicable tribal ordinance or resolution or Tribal-State compact includes—

(i) Age and location verification requirements reasonably designed to block access to minors and persons located out of the applicable Tribal lands; and

(ii) Appropriate data security standards to prevent unauthorized access by any person whose age and current location has not been verified in accordance with the applicable tribal ordinance or resolution or Tribal-State Compact; and

(4) The bet or wager does not violate any provision of—

(i) The Interstate Horseracing Act of 1978 (15 U.S.C. 3001 *et seq.*);

(ii) 28 U.S.C. chapter 178 (professional and amateur sports protection);

(iii) The Gambling Devices Transportation Act (15 U.S.C. 1171 *et seq.*); or

(iv) The Indian Gaming Regulatory Act (25 U.S.C. 2701 *et seq.*).

(u) *Money transmitting business* has the meaning given the term in 31 U.S.C. 5330(d)(1) (determined without regard to any regulations prescribed by the Secretary of the Treasury thereunder).

(v) *Operator* of a designated payment system means an entity that provides centralized clearing and delivery services between participants in the designated payment system and maintains the operational framework for the system. In the case of an automated clearinghouse system, the term ''operator'' has the same meaning as provided in the ACH Rules.

(w) *Participant in a designated payment system* means an operator of a designated payment system, a financial transaction provider that is a member of, or has contracted for financial transaction services with, or is otherwise participating in, a designated payment system, or a third-party processor. This term does not include a customer of the financial transaction provider, unless the customer is also a financial transaction provider otherwise participating in the designated payment system on its own behalf.

(x) *Reasoned legal opinion* means a written expression of professional judgment by a State-licensed attorney that addresses the facts of a particular client's business and the legality of the client's provision of its services to relevant customers in the relevant jurisdictions under applicable federal and State law, and, in the case of intratribal transactions, applicable tribal ordinances, tribal resolutions, and Tribal-State compacts. A written legal opinion will not be considered ''reasoned'' if it does nothing more than recite the facts and express a conclusion.

(y) *Restricted transaction* means any of the following transactions or transmittals involving any credit, funds, instrument, or proceeds that the Act prohibits any person engaged in the business of betting or wagering (which does not include the activities of a financial transaction provider, or any interactive computer service or telecommunications service) from knowingly accepting, in connection with the participation of another person in unlawful Internet gambling—

(1) Credit, or the proceeds of credit, extended to or on behalf of such other person (including credit extended through the use of a credit card);

(2) An electronic fund transfer, or funds transmitted by or through a money transmitting business, or the proceeds of an electronic fund transfer or money transmitting service, from or on behalf of such other person; or

(3) Any check, draft, or similar instrument that is drawn by or on behalf of such other person and is drawn on or payable at or through any financial institution.

(z) *State* means any State of the United States, the District of Columbia, or any commonwealth, territory, or other possession of the United States, including the Commonwealth of Puerto Rico, the Commonwealth of the Northern Mariana Islands, American Samoa, Guam, and the Virgin Islands.

(aa) *Third-party processor* means a service provider that—

(1) In the case of a debit transaction payment, such as an ACH debit entry or card system transaction, has a direct relationship with the commercial customer that is initiating the debit transfer transaction and acts as an intermediary between the commercial customer and the first depository institution to handle the transaction;

(2) In the case of a credit transaction payment, such as an ACH credit entry, has a direct relationship with the commercial customer that is to receive the proceeds of the credit transfer and acts as an intermediary between the commercial customer and the last depository institution to handle the transaction; and

(3) In the case of a cross-border ACH debit or check collection transaction, is the first service provider located within the United States to receive the ACH debit instructions or check for collection.

(bb) *Unlawful Internet gambling* means to place, receive, or otherwise knowingly transmit a bet or wager by any means which involves the use, at least in part, of the Internet where such bet

or wager is unlawful under any applicable Federal or State law in the State or Tribal lands in which the bet or wager is initiated, received, or otherwise made. The term does not include placing, receiving, or otherwise transmitting a bet or wager that is excluded from the definition of this term by the Act as an intrastate transaction or an intra-tribal transaction, and does not include any activity that is allowed under the Interstate Horseracing Act of 1978 (15 U.S.C. 3001 *et seq.; see* § 132.1(a)). The intermediate routing of electronic data shall not determine the location or locations in which a bet or wager is initiated, received, or otherwise made.

(cc) *Wire transfer system* means a system through which an unconditional order to a bank to pay a fixed or determinable amount of money to a beneficiary upon receipt, or on a day stated in the order, is transmitted by electronic or other means through the network, between banks, or on the books of a bank. When referring to wire transfer systems, the terms in this regulation (such as ''bank,'' ''originator's bank,'' ''beneficiary's bank,'' and ''intermediary bank'') are defined as those terms are defined in 12 CFR part 210, appendix B.

§ 132.3 Designated payment systems.

The following payment systems could be used by participants in connection with, or to facilitate, a restricted transaction:

(a) Automated clearing house systems;

(b) Card systems;

(c) Check collection systems;

(d) Money transmitting businesses solely to the extent they

(1) Engage in the transmission of funds, which does not include check cashing, currency exchange, or the issuance or redemption of money orders, travelers' checks, and other similar instruments; and

(2) Permit customers to initiate transmission of funds transactions remotely from a location other than a physical office of the money transmitting business; and

(e) Wire transfer systems.

§ 132.4 Exemptions.

(a) *Automated clearing house systems.* The participants processing a particular transaction through an automated clearing house system are exempt from this regulation's requirements for establishing written policies and procedures reasonably designed to prevent or prohibit restricted transactions with respect to that transaction, except for—

(1) The receiving depository financial institution and any third-party processor receiving the transaction on behalf of the receiver in an ACH credit transaction;

(2) The originating depository financial institution and any third-party processor initiating the transaction on behalf of the originator in an ACH debit transaction; and

(3) The receiving gateway operator and any third-party processor that receives instructions for an ACH debit transaction directly from a foreign sender (which could include a foreign banking office, a foreign third-party processor, or a foreign originating gateway operator).

(b) *Check collection systems.* The participants in a particular check collection through a check collection system are exempt from this regulation's requirements for establishing written policies and procedures reasonably designed to prevent or prohibit restricted transactions with respect to that check collection, except for the depositary bank.

(c) *Money transmitting businesses.* The participants in a money transmitting business are exempt from this regulation's requirements for establishing written policies and procedures reasonably designed to prevent or prohibit restricted transactions, except for the operator.

(d) *Wire transfer systems.* The participants in a particular wire transfer through a wire transfer system are exempt from this regulation's requirements for establishing written policies and procedures reasonably designed to prevent or prohibit restricted transactions with respect to that transaction, except for the beneficiary's bank.

§ 132.5 Policies and procedures required.

(a) All non-exempt participants in designated payment systems shall establish and implement written policies and procedures reasonably designed to identify and block or otherwise prevent or prohibit restricted transactions.

(b) A non-exempt financial transaction provider participant in a designated payment system shall be considered to be in compliance with the requirements of paragraph (a) of this section if—

(1) It relies on and complies with the written policies and procedures of the designated payment system that are reasonably designed to—

(i) Identify and block restricted transactions; or

(ii) Otherwise prevent or prohibit the acceptance of the products or services of the designated payment system or participant in connection with restricted transactions; and

(2) Such policies and procedures of the designated payment system comply with the requirements of this part.

(c) For purposes of paragraph (b)(2) in this section, a participant in a designated payment system may rely on a written statement or notice by the operator of that designated payment system to its participants that states that the operator has designed or structured the system's policies and procedures for identifying and blocking or otherwise preventing or prohibiting restricted transactions to comply with the requirements of this part as conclusive evidence that the system's policies and procedures comply with the requirements of this part, unless the participant is notified otherwise by its Federal functional regulator or, in the case of participants that are not directly supervised by a Federal functional regulator, the Federal Trade Commission.

(d) As provided in the Act, a person that identifies and blocks a transaction, prevents or prohibits the acceptance of its products or services in connection with a transaction, or otherwise refuses to honor a transaction, shall not be liable to any party for such action if—

(1) The transaction is a restricted transaction;

(2) Such person reasonably believes the transaction to be a restricted transaction; or

(3) The person is a participant in a designated payment system and blocks or otherwise prevents the transaction in reliance on the policies and procedures of the designated payment system in an effort to comply with this regulation.

(e) Nothing in this part requires or is intended to suggest that designated payment systems or participants therein must or should block or otherwise prevent or prohibit any transaction in connection with any activity that is excluded from the definition of ''unlawful Internet gambling'' in the Act as an intrastate transaction, an intratribal transaction, or a transaction in connection with any activity that is allowed under the Interstate Horseracing Act of 1978 (15 U.S.C. 3001 *et seq.;* see § 132.1(a)).

(f) Nothing in this part modifies any requirement imposed on a participant by other applicable law or regulation to file a suspicious activity report to the appropriate authorities.

(g) The requirement of this part to establish and implement written policies and procedures applies only to the U.S. offices of participants in designated payment systems.

§ 132.6 Non-exclusive examples of policies and procedures.

(a) *In general.* The examples of policies and procedures to identify and block or otherwise prevent or prohibit restricted transactions set out in this section are non-exclusive. In establishing and implementing written policies and procedures to identify and block or otherwise prevent or prohibit restricted transactions, a non-exempt participant in a designated payment system is permitted to design and implement policies and procedures tailored to its business that may be different than the examples provided in this section. In addition, non-exempt participants may use different policies and procedures with respect to different business lines or different parts of the organization.

(b) *Due diligence*. If a non-exempt participant in a designated payment system establishes and implements procedures for due diligence of its commercial customer accounts or commercial customer relationships in order to comply, in whole or in part, with the requirements of this regulation, those due diligence procedures will be deemed to be reasonably designed to identify and block or otherwise prevent or prohibit restricted transactions if the procedures include the steps set out in paragraphs (b)(1), (b)(2), and (b)(3) of this section and subject to paragraph (b)(4) of this section.

(1) At the establishment of the account or relationship, the participant conducts due diligence of a commercial customer and its activities commensurate with the participant's judgment of the risk of restricted transactions presented by the customer's business.

(2) Based on its due diligence, the participant makes a determination regarding the risk the commercial customer presents of engaging in an Internet gambling business and follows either paragraph (b)(2)(i) or (b)(2)(ii) of this section.

(i) The participant determines that the commercial customer presents a minimal risk of engaging in an Internet gambling business.

(ii) The participant cannot determine that the commercial customer presents a minimal risk of engaging in an Internet gambling business, in which case it obtains the documentation in either paragraph (b)(2)(ii)(A) or (b)(2)(ii)(B) of this section—

(A) Certification from the commercial customer that it does not engage in an Internet gambling business; or

(B) If the commercial customer does engage in an Internet gambling business, each of the following—

(*1*) Evidence of legal authority to engage in the Internet gambling business, such as—

(*i*) A copy of the commercial customer's license that expressly authorizes the customer to engage in the Internet gambling business issued by the appropriate State or Tribal authority or, if the commercial customer does not have such a license, a reasoned legal opinion that demonstrates that the commercial customer's Internet gambling business does not involve restricted transactions; and

(*ii*) A written commitment by the commercial customer to notify the participant of any changes in its legal authority to engage in its Internet gambling business.

(*2*) A third-party certification that the commercial customer's systems for engaging in the Internet gambling business are reasonably designed to ensure that the commercial customer's Internet gambling business will remain within the licensed or otherwise lawful limits, including with respect to age and location verification.

(3) The participant notifies all of its commercial customers, through provisions in the account or commercial customer relationship agreement or otherwise, that restricted transactions are prohibited from being processed through the account or relationship.

(4) With respect to the determination in paragraph (b)(2)(i) of this section, participants may deem the following commercial customers to present a minimal risk of engaging in an Internet gambling business—

(i) An entity that is directly supervised by a Federal functional regulator as set out in § 132.7(a); or

(ii) An agency, department, or division of the Federal government or a State government.

(c) *Automated clearing house system examples*. (1) The policies and procedures of the originating depository financial institution and any third party processor in an ACH debit transaction, and the receiving depository financial institution and any third party processor in an ACH credit transaction, are deemed to be reasonably designed to identify and block or otherwise prevent or prohibit restricted transactions if they—

(i) Address methods to conduct due diligence in establishing a commercial customer account or relationship as set out in § 132.6(b);

(ii) Address methods to conduct due diligence as set out in § 132.6(b)(2)(ii)(B) in the event that the participant has actual knowledge that an existing commercial customer of the participant engages in an Internet gambling business; and

(iii) Include procedures to be followed with respect to a commercial customer if the originating depository financial institution or third-party processor has actual knowledge that its commercial customer has originated restricted transactions as ACH debit transactions or if the receiving depository financial institution or third-party processor has actual knowledge that its commercial customer has received restricted transactions as ACH credit transactions, such as procedures that address—

(A) The circumstances under which the commercial customer should not be allowed to originate ACH debit transactions or receive ACH credit transactions; and

(B) The circumstances under which the account should be closed.

(2) The policies and procedures of a receiving gateway operator and third-party processor that receives instructions to originate an ACH debit transaction directly from a foreign sender are deemed to be reasonably designed to prevent or prohibit restricted transactions if they include procedures to be followed with respect to a foreign sender if the receiving gateway operator or third-party processor has actual knowledge, obtained through notification by a government entity, such as law enforcement or a regulatory agency, that such instructions included instructions for restricted transactions. Such procedures may address sending notification to the foreign sender, such as in the form of the notice contained in appendix A to this part.

(d) *Card system examples.* The policies and procedures of a card system operator, a merchant acquirer, third-party processor, or a card issuer, are deemed to be reasonably designed to identify and block or otherwise prevent or prohibit restricted transactions, if the policies and procedures—

(1) Provide for either—

(i) Methods to conduct due diligence—

(A) In establishing a commercial customer account or relationship as set out in §132.6(b); and

(B) As set out in §132.6(b)(2)(ii)(B) in the event that the participant has actual knowledge that an existing commercial customer of the participant engages in an Internet gambling business; or

(ii) Implementation of a code system, such as transaction codes and merchant/business category codes, that are required to accompany the authorization request for a transaction, including—

(A) The operational functionality to enable the card system operator or the card issuer to reasonably identify and deny authorization for a transaction that the coding procedure indicates may be a restricted transaction; and

(B) Procedures for ongoing monitoring or testing by the card system operator to detect potential restricted transactions, including—

(*1*) Conducting testing to ascertain whether transaction authorization requests are coded correctly; and

(*2*) Monitoring and analyzing payment patterns to detect suspicious payment volumes from a merchant customer; and

(2) For the card system operator, merchant acquirer, or third-party processor, include procedures to be followed when the participant has actual knowledge that a merchant has received restricted transactions through the card system, such as—

(i) The circumstances under which the access to the card system for the merchant, merchant acquirer, or third-party processor should be denied; and

(ii) The circumstances under which the merchant account should be closed.

(e) *Check collection system examples.* (1) The policies and procedures of a depositary bank are deemed to be reasonably designed to identify and block or otherwise prevent or prohibit restricted transactions, if they—

(i) Address methods for the depositary bank to conduct due diligence in establishing a commercial customer account or relationship as set out in §132.6(b);

(ii) Address methods for the depositary bank to conduct due diligence as set out in §132.6(b)(2)(ii)(B) in the event that the depositary bank has actual knowledge that an existing commercial customer engages in an Internet gambling business; and

(iii) Include procedures to be followed if the depositary bank has actual knowledge that a commercial customer

of the depositary bank has deposited checks that are restricted transactions, such as procedures that address—

(A) The circumstances under which check collection services for the customer should be denied; and

(B) The circumstances under which the account should be closed.

(2) The policies and procedures of a depositary bank that receives checks for collection from a foreign banking office are deemed to be reasonably designed to identify and block or otherwise prevent or prohibit restricted transactions if they include procedures to be followed by the depositary bank when it has actual knowledge, obtained through notification by a government entity, such as law enforcement or a regulatory agency, that a foreign banking office has sent checks to the depositary bank that are restricted transactions. Such procedures may address sending notification to the foreign banking office, such as in the form of the notice contained in the appendix to this part.

(f) *Money transmitting business examples*. The policies and procedures of an operator of a money transmitting business are deemed to be reasonably designed to identify and block or otherwise prevent or prohibit restricted transactions if they—

(1) Address methods for the operator to conduct due diligence in establishing a commercial customer relationship as set out in § 132.6(b);

(2) Address methods for the operator to conduct due diligence as set out in § 132.6(b)(2)(ii)(B) in the event that the operator has actual knowledge that an existing commercial customer engages in an Internet gambling business;

(3) Include procedures regarding ongoing monitoring or testing by the operator to detect potential restricted transactions, such as monitoring and analyzing payment patterns to detect suspicious payment volumes to any recipient; and

(4) Include procedures when the operator has actual knowledge that a commercial customer of the operator has received restricted transactions through the money transmitting business, that address—

(i) The circumstances under which money transmitting services should be denied to that commercial customer; and

(ii) The circumstances under which the commercial customer account should be closed.

(g) *Wire transfer system examples*. The policies and procedures of the beneficiary's bank in a wire transfer are deemed to be reasonably designed to identify and block or otherwise prevent or prohibit restricted transactions if they—

(1) Address methods for the beneficiary's bank to conduct due diligence in establishing a commercial customer account as set out in § 132.6(b);

(2) Address methods for the beneficiary's bank to conduct due diligence as set out in § 132.6(b)(2)(ii)(B) in the event that the beneficiary's bank has actual knowledge that an existing commercial customer of the bank engages in an Internet gambling business;

(3) Include procedures to be followed if the beneficiary's bank obtains actual knowledge that a commercial customer of the bank has received restricted transactions through the wire transfer system, such as procedures that address

(i) The circumstances under which the beneficiary bank should deny wire transfer services to the commercial customer; and

(ii) The circumstances under which the commercial customer account should be closed.

§ 132.7 Regulatory enforcement.

The requirements under this part are subject to the exclusive regulatory enforcement of—

(a) The Federal functional regulators, with respect to the designated payment systems and participants therein that are subject to the respective jurisdiction of such regulators under section 505(a) of the Gramm-Leach-Bliley Act (15 U.S.C. 6805(a)) and section 5g of the Commodity Exchange Act (7 U.S.C. 7b–2); and

(b) The Federal Trade Commission, with respect to designated payment systems and participants therein not otherwise subject to the jurisdiction of

any Federal functional regulators (including the Commission) as described in paragraph (a) of this section.

APPENDIX A TO PART 132—MODEL NOTICE

[Date]
[Name of foreign sender or foreign banking office]
[Address]
Re: *U.S. Unlawful Internet Gambling Enforcement Act Notice*

Dear [Name of foreign counterparty]:

On [date], U.S. government officials informed us that your institution processed payments through our facilities for Internet gambling transactions restricted by U.S. law on [dates, recipients, and other relevant information if available].

We provide this notice to comply with U.S. Government regulations implementing the Unlawful Internet Gambling Enforcement Act of 2006 (Act), a U.S. federal law. Our policies and procedures established in accordance with those regulations provide that we will notify a foreign counterparty if we learn that the counterparty has processed payments through our facilities for Internet gambling transactions restricted by the Act. This notice ensures that you are aware that we have received information that your institution has processed payments for Internet gambling restricted by the Act.

The Act is codified in subchapter IV, chapter 53, title 31 of the U.S. Code (31 U.S.C. 5361 *et seq.*). Implementing regulations that duplicate one another can be found at part 233 of title 12 of the U.S. Code of Federal Regulations (12 CFR part 233) and part 132 of title 31 of the U.S. Code of Federal Regulations (31 CFR part 132).

PARTS 133–147 [RESERVED]

PART 148—QUALIFIED FINANCIAL CONTRACTS RECORDKEEPING RELATED TO THE FDIC ORDERLY LIQUIDATION AUTHORITY

Sec.
148.1 Scope, purpose, effective date, and compliance dates.
148.2 Definitions.
148.3 Form, availability and maintenance of records.
148.4 Content of records.
APPENDIX A TO PART 148—FILE STRUCTURE FOR QUALIFIED FINANCIAL CONTRACT RECORDS

AUTHORITY: 31 U.S.C. 321(b) and 12 U.S.C. 5390(c)(8)(H).

SOURCE: 81 FR 75658, Oct. 31, 2016, unless otherwise noted.

§ 148.1 Scope, purpose, effective date, and compliance dates.

(a) *Scope*. This part applies to each financial company that is a records entity and, with respect to § 148.3(a), a top-tier financial company of a corporate group as defined in § 148.2.

(b) *Purpose*. This part establishes recordkeeping requirements with respect to QFCs of records entities in order to assist the Federal Deposit Insurance Corporation (''FDIC'') as receiver for a covered financial company (as defined in 12 U.S.C. 5381(a)(8)) in being able to exercise its rights and fulfill its obligations under 12 U.S.C. 5390(c)(8), (9), or (10).

(c) *Effective Date*. This part shall become effective December 30, 2016.

(d) *Compliance*—(1) *Initial compliance dates*. (i) A records entity subject to this part on the effective date must comply with § 148.3(a)(2) on the date that is 90 days after the effective date and with all other applicable requirements of this part on:

(A) March 31, 2019 for a records entity that:

(*1*) Has total assets equal to or greater than $1 trillion; or

(*2*) Is a member of the corporate group of any such records entity described in paragraph (d)(1)(i)(A)(1) of this section;

(B) June 30, 2019 for any records entity that is not subject to the compliance date set forth in paragraph (d)(1)(i)(A) of this section and:

(*1*) Has total assets equal to or greater than $500 billion; or

(*2*) Is a member of the corporate group of any such records entity described in paragraph (d)(1)(i)(B)(1) of this section; and

(C) June 30, 2020 for any records entity that is not subject to the compliance dates set forth in paragraph (d)(1)(i)(A) or (B) of this section and:

(*1*) Has total assets equal to or greater than $250 billion; or

(*2*) Is a member of the corporate group of any such records entity described in paragraph (d)(1)(i)(C)(1) of this section; and

(D) June 30, 2021 for any records entity that is not subject to the compliance dates set forth in paragraph (d)(1)(i)(A), (B), or (C) of this section.

(ii) A financial company that becomes a records entity after the effective date must comply with § 148.3(a)(2) within 90 days of becoming a records entity and with all other applicable requirements of this part within 540 days of becoming a records entity or within the remainder of the applicable period provided under paragraph (d)(1)(i) of this section, whichever period is longer.

(2) *Subsequent compliance dates*. If a financial company that at one time met the definition of records entity later ceases to meet the definition of records entity and thereafter, on any subsequent date, again meets the definition of a records entity, such financial company must comply with all applicable requirements of this part within 365 days after such subsequent date, or within the remainder of the applicable period provided under paragraph (d)(1)(i) of this section, whichever period is longer.

(3) *Extensions of time to comply*. The Secretary, in consultation with the FDIC, may grant one or more extensions of time for compliance with this part. A records entity may request an extension of time by submitting a written request to the Department of the Treasury and the FDIC at least 30 days prior to the deadline for its compliance provided under paragraph (d)(1) of this section. The written request for an extension must contain:

(i) A statement of the reasons why the records entity cannot comply by the deadline; and

(ii) A plan for achieving compliance during the requested extension period.

(4) *Compliance by top-tier financial company*. A top-tier financial company must comply with § 148.3(a)(1)(ii) on the same date as the date on which the records entity members of the corporate group of which it is the top-tier financial company are required to comply with this part.

[81 FR 75658, Oct. 31, 2016, as amended at 83 FR 17621, Apr. 23, 2018]

§ 148.2 Definitions.

For purposes of this part:

(a) *Affiliate* means any entity that controls, is controlled by, or is under common control with another entity.

(b) *Control*. An entity ''controls'' another entity if:

(1) The entity directly or indirectly or acting through one or more other persons owns, controls, or has the power to vote 25 percent or more of any class of voting securities of the other entity;

(2) The entity controls in any manner the election of a majority of the directors or trustees of the other entity; or

(3) The Board of Governors of the Federal Reserve System has determined, after notice and opportunity for hearing in accordance with 12 CFR 225.31, that the entity directly or indirectly exercises a controlling influence over the management or policies of the other entity.

(c) *Corporate group* means an entity and all affiliates of that entity.

(d) *Counterparty* means any natural person or entity (or separate foreign branch or division of any entity) that is a party to a QFC with a records entity.

(e) *Derivative liabilities* means the fair value of derivative instruments in a negative position as of the end of the most recent fiscal year end, as recognized and measured in accordance with U.S. generally accepted accounting principles or other applicable accounting standards. Such value shall be adjusted for the effects of master netting agreements and cash collateral held with the same counterparty on a net basis to the extent such adjustments are reflected on the audited consolidated statement of financial condition of the applicable financial company filed with its primary financial regulatory agency or agencies or, for financial companies not required to file such statements, on the consolidated balance sheet of the financial company prepared in accordance with U.S. generally accepted accounting principles or other applicable accounting standards.

(f) *Excluded entity* means:

(1) An insured depository institution as defined in 12 U.S.C. 1813(c)(2);

(2) A subsidiary of an insured depository institution that is not:

(i) A functionally regulated subsidiary as defined in 12 U.S.C. 1844(c)(5);

(ii) A security-based swap dealer as defined in 15 U.S.C. 78c(a)(71); or

(iii) A major security-based swap participant as defined in 15 U.S.C. 78c(a)(67); or

(3) An insurance company.

(g) *Financial company* has the meaning set forth in 12 U.S.C. 5381(a)(11).

(h) *Insurance company* means:

(1) An insurance company as defined in 12 U.S.C. 5381(a)(13); and

(2) A mutual insurance holding company that meets the conditions set forth in 12 CFR 380.11 for being treated as an insurance company for the purpose of section 203(e) of the Dodd-Frank Act, 12 U.S.C. 5383(e).

(i) *Legal Entity Identifier* or *LEI* for an entity shall mean the global legal entity identifier maintained for such entity by a utility accredited by the Global LEI Foundation or by a utility endorsed by the Regulatory Oversight Committee. As used in this definition:

(1) Regulatory Oversight Committee means the Regulatory Oversight Committee (of the Global LEI System), whose charter was set forth by the Finance Ministers and Central Bank Governors of the Group of Twenty and the Financial Stability Board, or any successor thereof; and

(2) Global LEI Foundation means the not-for-profit organization organized under Swiss law by the Financial Stability Board in 2014, or any successor thereof.

(j) *Parent entity* with respect to an entity is an entity that controls that entity.

(k) *Position* means an individual transaction under or evidenced by a QFC and includes the rights and obligations of a party to an individual transaction under or evidenced by a QFC.

(l) *Primary financial regulatory agency* means:

(1) With respect to any financial company, the primary financial regulatory agency as specified for such financial company in subparagraphs (A), (B), (C), and (E) of 12 U.S.C. 5301(12); and

(2) With respect to a financial market utility that is subject to a designation pursuant to 12 U.S.C. 5463 for which there is no primary financial regulatory agency under § 148.2(l)(1), the Supervisory Agency for that financial market utility as defined in 12 U.S.C. 5462(8).

(m) *Qualified financial contract* or *QFC* means any qualified financial contract defined in 12 U.S.C. 5390(c)(8)(D), including without limitation, any ''swap'' defined in section 1a(47) of the Commodity Exchange Act (7 U.S.C. 1a(47)) and in any rules or regulations issued by the Commodity Futures Trading Commission pursuant to such section; any ''security-based swap'' defined in section 3(a) of the Securities Exchange Act of 1934 (15 U.S.C. 78c(a)) and in any rules or regulations issued by the Securities and Exchange Commission pursuant to such section; and any securities contract, commodity contract, forward contract, repurchase agreement, swap agreement, and any similar agreement that the FDIC determines by regulation, resolution, or order to be a qualified financial contract as provided in 12 U.S.C. 5390(c)(8)(D).

(n) *Records entity*—

(1) Records entity means any financial company that:

(i) Is not an excluded entity as defined in § 148.2(f);

(ii) Is a party to an open QFC; and

(iii) (A) Is subject to a determination that the company shall be subject to Federal Reserve supervision and enhanced prudential standards pursuant to 12 U.S.C. 5323;

(B) Is subject to a designation as, or as likely to become, systemically important pursuant to 12 U.S.C. 5463;

(C) Is identified as a global systemically important bank holding company pursuant to 12 CFR part 217;

(D)(*1*) Has total assets on a consolidated basis equal to or greater than $50 billion; and

(*2*) On a consolidated basis has:

(*i*) Total gross notional derivatives outstanding equal to or greater than $250 billion; or

(*ii*) Derivative liabilities equal to or greater than $3.5 billion; or

(E)(*1*) Is a member of a corporate group in which at least one financial company meets the criteria under one or more of paragraphs (n)(1)(iii)(A), (B), (C), or (D) of this section; and

(*2*)(*i*) Consolidates, is consolidated by, or is consolidated with such financial company on financial statements prepared in accordance with U.S. generally accepted accounting principles or other applicable accounting standards; or

(*ii*) For financial companies not subject to such principles or standards, would consolidate, be consolidated by, or be consolidated with such financial company if such principles or standards applied.

(2) A financial company that qualifies as a records entity pursuant to paragraph (n)(1)(iii)(D) will remain a records entity until one year after it ceases to meet the criteria set forth in paragraph (n)(1)(iii)(D) of this section.

(o) *Secretary* means the Secretary of the Treasury or the Secretary's designee.

(p) *Subsidiary* means any company that is controlled by another company.

(q) *Top-tier financial company* means a financial company that is a member of a corporate group consisting of multiple records entities and that is not itself controlled by another financial company.

(r) *Total assets* means the total assets reported on the audited consolidated statement of financial condition of the applicable financial company for the most recent year end filed with its primary financial regulatory agency or agencies or, for financial companies not required to file such statements, the total assets shown on the consolidated balance sheet of the financial company for the most recent fiscal year end as prepared in accordance with U.S. generally accepted accounting principles or other applicable accounting standards.

(s) *Total gross notional derivatives outstanding* means the gross notional value of all derivative instruments that are outstanding as of the most recent fiscal year end, as recognized and measured in accordance with U.S. generally accepted accounting principles or other applicable accounting standards.

§ 148.3 Form, availability and maintenance of records.

(a) *Form and availability*—(1) *Electronic records.* (i) Except to the extent of any relevant exemption provided under paragraph (c) of this section, a records entity is required to maintain the records described in § 148.4 in electronic form and, as applicable, in the format set forth in the tables in the appendix to this part.

(ii) A top-tier financial company must be capable of generating a single, compiled set of the records required to be maintained by § 148.4(a)–(h), in a format that allows for aggregation and disaggregation of such data by records entity and counterparty, for all records entities in its corporate group that are consolidated by or consolidated with such top-tier financial company on financial statements prepared in accordance with U.S. generally accepted accounting principles or other applicable accounting standards or, for financial companies not subject to such principles or standards, that would be consolidated by or consolidated with such financial company if such principles or standards applied.

(2) *Point of contact.* Each records entity and top-tier financial company must provide a point of contact who is responsible for recordkeeping under this part by written notice to its primary financial regulatory agency or agencies and the FDIC and must provide written notice to its primary financial regulatory agency or agencies and the FDIC within 30 days of any change in its point of contact.

(3) *Access to records.* Except to the extent of any relevant exemption provided under paragraph (c) of this section, a records entity and a top-tier financial company that are regulated by a primary financial regulatory agency shall be capable of providing electronically to such primary financial regulatory agency and the FDIC, within 24 hours of request by the primary financial regulatory agency:

(i) In the case of a records entity, the records specified in § 148.4, and

(ii) In the case of a top-tier financial company, the set of records referenced in paragraph (a)(1)(ii) of this section.

(b) *Maintenance and updating*—(1) *Daily updating.* Except to the extent of any relevant exemption provided under paragraph (c) of this section, the records maintained under § 148.4 shall be based on values and information

that are no less current than previous end-of-day values and information.

(2) *Records maintenance.* The records required under § 148.4 and the capability of generating the set of records required by paragraph (a)(1)(ii) of this section may be maintained on behalf of the records entity or top-tier financial company, as applicable, by any affiliate of such records entity or top-tier financial company, as applicable, or any third-party service provider; provided that such records entity shall itself maintain records under this part in the event that such affiliate or service provider shall fail to maintain such records and such top-tier financial company shall itself maintain the capability of generating the set of records required by paragraph (a)(1)(ii) of this section in the event that such affiliate or service provider shall fail to maintain the capability of doing so.

(3) *Record retention.* A records entity shall retain records maintained under § 148.4 based on end-of-day values and information for the five preceding business days.

(c) *Exemptions*—(1) *De minimis exemption.* A records entity that is a party to 50 or fewer open QFC positions is not required to maintain the records described in § 148.4, other than the records described in § 148.4(i).

(2) *Clearing organizations.* A records entity that is a derivatives clearing organization registered with the Commodity Futures Trading Commission under section 5b of the Commodity Exchange Act (7 U.S.C. 7a–1) or a clearing agency registered with the Securities and Exchange Commission under section 17A of the Securities Exchange Act of 1934 (15 U.S.C. 78q–1) is not required to maintain the records described in § 148.4 if it is:

(i) In compliance with the recordkeeping requirements of the Commodity Futures Trading Commission or the Securities and Exchange Commission, as applicable, including its maintenance of records pertaining to all QFCs cleared by such records entity; and

(ii) Capable of and not restricted from, whether by law, regulation, or agreement, transmitting electronically to the FDIC the records maintained under such recordkeeping requirements within 24 hours of request of the Commodity Futures Trading Commission or the Securities and Exchange Commission, as applicable.

(3) *Requests for exemptions.* One or more records entities may request an exemption from one or more of the requirements of this part by writing to the Department of the Treasury, the FDIC, and its primary financial regulatory agency or agencies, if any. The written request for an exemption must:

(i) Identify the records entity or records entities or the types of records entities to which the exemption should apply;

(ii) Specify the requirement(s) under this part from which the identified records entities should be exempt;

(iii) Provide details as to the size, risk, complexity, leverage, frequency and dollar amount of qualified financial contracts, and interconnectedness to the financial system of each records entity identified in paragraph (c)(3)(i) of this section, to the extent appropriate, and any other relevant factors; and

(iv) Specify the reason(s) why granting the exemption will not impair or impede the FDIC's ability to exercise its rights or fulfill its statutory obligations under 12 U.S.C. 5390(c)(8), (9), and (10).

(4) *Granting exemptions.* (i) Upon receipt of a written recommendation from the FDIC, prepared in consultation with the primary financial regulatory agency or agencies for the applicable records entity or entities, that takes into consideration each of the factors referenced in 12 U.S.C. 5390(c)(8)(H)(iv) and any other factors the FDIC considers appropriate, the Secretary may grant, in whole or in part, a conditional or unconditional exemption from compliance with one or more of the requirements of this part by issuing an exemption to one or more records entities.

(ii) In determining whether to grant an exemption to one or more records entities, including whether to grant a conditional or unconditional exemption, the Secretary will consider any factors deemed appropriate by the Secretary, including whether application of one or more requirements of this part is not necessary to achieve the

purpose of this part as described in §148.1(b).

(iii) If the FDIC does not submit, within 90 days of the date on which the FDIC and the Department of the Treasury received the exemption request, a written recommendation to the Secretary as to whether to grant or deny an exemption request, the Secretary will nevertheless determine whether to grant or deny the exemption request.

§148.4 Content of records.

Subject to §148.3(c), a records entity must maintain the following records:

(a) The position level data listed in Table A–1 in appendix A to this part with respect to each QFC to which it is a party.

(b) The counterparty netting set data listed in Table A–2 in appendix A to this part for each netting set with respect to each QFC to which it is a party.

(c) The legal agreements information listed in Table A–3 in appendix A to this part with respect to each QFC to which it is a party.

(d) The collateral detail data listed in Table A–4 in appendix A to this part with respect to each QFC to which it is a party.

(e) The corporate organization master data lookup table in appendix A to this part for the records entity and each of its affiliates.

(f) The counterparty master data lookup table in appendix A to this part for each non-affiliated counterparty with respect to QFCs to which it is a party.

(g) The booking location master data lookup table in appendix A to this part for each booking location used with respect to QFCs to which it is a party.

(h) The safekeeping agent master data lookup table in the appendix to this part for each safekeeping agent used with respect to QFCs to which it is a party.

(i) All documents that govern QFC transactions between the records entity and each counterparty, including, without limitation, master agreements and annexes, schedules, netting agreements, supplements, or other modifications with respect to the agreements, confirmations for each open QFC position of the records entity that has been confirmed and all trade acknowledgments for each open QFC position that has not been confirmed, all credit support documents including, but not limited to, credit support annexes, guarantees, keep-well agreements, or net worth maintenance agreements that are relevant to one or more QFCs, and all assignment or novation documents, if applicable, including documents that confirm that all required consents, approvals, or other conditions precedent for such assignment or novation have been obtained or satisfied.

(j) A list of vendors directly supporting the QFC-related activities of the records entity and the vendors' contact information.

Appendix A to Part 148—File Structure for Qualified Financial Contract Records

Table A–1—Position-Level Data

	Field	Example	Instructions and data application	Definition	Validation
A1.1	As of date	2015–01–05	Provide data extraction date.	YYYY–MM–DD.	
A1.2	Records entity identifier.	999999999	Provide LEI for records entity. Information needed to review position-level data by records entity.	Varchar(50)	Validated against CO.2.

TABLE A–1—POSITION-LEVEL DATA—Continued

	Field	Example	Instructions and data application	Definition	Validation
A1.3	Position identifier	20058953	Provide a position identifier. Should be used consistently across all record entities within the corporate group. Use the unique transaction identifier if available. Information needed to readily track and distinguish positions.	Varchar(100).	
A1.4	Counterparty identifier.	888888888	Provide a counterparty identifier. Use LEI if counterparty has one. Should be used consistently by all record entities within the corporate group. Information needed to identify counterparty by reference to Counterparty Master Table.	Varchar(50)	Validated against CP.2.
A1.5	Internal booking location identifier.	New York, New York.	Provide office where the position is booked. Information needed to determine system on which the trade is booked and settled.	Varchar(50)	Combination A1.2 + A1.5 + A1.6 should have a corresponding unique combination BL.2 + BL.3 + BL.4 entry in Booking Location Master Table.
A1.6	Unique booking unit or desk identifier.	xxxxxx	Provide an identifier for unit or desk at which the position is booked. Information needed to help determine purpose of position.	Varchar(50)	Combination A1.2 + A1.5 + A1.6 should have a corresponding unique combination BL.2 + BL.3 + BL.4 entry in Booking Location Master Table.

TABLE A–1—POSITION-LEVEL DATA—Continued

	Field	Example	Instructions and data application	Definition	Validation
A1.7	Type of QFC	Credit, equity, foreign exchange, interest rate (including cross-currency), other commodity, securities repurchase agreement, securities lending, loan repurchase agreement, guarantee or other third party credit enhancement of a QFC.	Provide type of QFC. Use unique product identifier if available. Information needed to determine the nature of the QFC.	Varchar (100).	
A1.7.1	Type of QFC covered by guarantee or other third party credit enhancement.	Credit, equity, foreign exchange, interest rate (including cross-currency), other commodity, securities repurchase agreement, securities lending, or loan repurchase agreement.	If QFC type is guarantee or other third party credit enhancement, provide type of QFC of the QFC that is covered by such guarantee or other third party credit enhancement. Use unique product identifier if available. If multiple asset classes are covered by the guarantee or credit enhancement, enter the asset classes separated by comma. If all the QFCs of the underlying QFC obligor identifier are covered by the guarantee or other third party credit enhancement, enter "All".	Varchar(500)	Only required if QFC type (A1.7) is a guarantee or other third party credit enhancement.

TABLE A–1—POSITION-LEVEL DATA—Continued

	Field	Example	Instructions and data application	Definition	Validation
A1.7.2	Underlying QFC obligor identifier.	888888888	If QFC type is guarantee or other third party credit enhancement, provide an identifier for the QFC obligor whose obligation is covered by the guarantee or other third party credit enhancement. Use LEI if underlying QFC obligor has one. Complete the counterparty master table with respect to a QFC obligor that is a non-affiliate.	Varchar(50)	Only required if QFC asset type (A1.7) is a guarantee or other third party credit enhancement. Validated against CO.2 if affiliate or CP.2 if non-affiliate.
A1.8	Agreement identifier.	xxxxxxxxx	Provide an identifier for the primary governing documentation, *e.g.,* the master agreement or guarantee agreement, as applicable.	Varchar(50)	Validated against A3.3.
A1.9	Netting agreement identifier.	xxxxxxxxx	Provide an identifier for netting agreement. If this agreement is the same as provided in A1.8, use same identifier. Information needed to identify unique netting sets.	Varchar(50)	Validated against A3.3.

TABLE A–1—POSITION-LEVEL DATA—Continued

	Field	Example	Instructions and data application	Definition	Validation
A1.10	Netting agreement counterparty identifier.	xxxxxxxxx	Provide a netting agreement counterparty identifier. Use same identifier as provided in A1.4 if counterparty and netting agreement counterparty are the same. Use LEI if netting agreement counterparty has one. Information needed to identify unique netting sets.	Varchar(50)	Validated against CP.2.
A1.11	Trade date	2014–12–20	Provide trade or other commitment date for the QFC. Information needed to determine when the entity's rights and obligations regarding the position originated.	YYYY–MM–DD.	
A1.12	Termination date	2014–03–31	Provide date the QFC terminates or is expected to terminate, expire, mature, or when final performance is required. Information needed to determine when the entity's rights and obligations regarding the position are expected to end.	YYYY–MM–DD.	
A1.13	Next call, put, or cancellation date.	2015–01–25	Provide next call, put, or cancellation date.	YYYY–MM–DD.	
A1.14	Next payment date.	2015–01–25	Provide next payment date.	YYYY–MM–DD.	
A1.15	Local Currency Of Position.	USD	Provide currency in which QFC is denominated. Use ISO currency code.	Char(3).	

TABLE A–1—POSITION-LEVEL DATA—Continued

	Field	Example	Instructions and data application	Definition	Validation
A1.16	Current market value of the position in local currency.	995000	Provide current market value of the position in local currency. In the case of a guarantee or other third party credit enhancements, provide the current mark-to-market expected value of the exposure. Information needed to determine the current size of the obligation or benefit associated with the QFC.	Num (25,5).	
A1.17	Current market value of the position in U.S. dollars.	995000	In the case of a guarantee or other third party credit enhancements, provide the current mark-to-market expected value of the exposure. Information needed to determine the current size of the obligation/benefit associated with the QFC.	Num (25,5).	
A1.18	Asset Classification.	1	Provide fair value asset classification under GAAP, IFRS, or other accounting principles or standards used by records entity. Provide ''1'' for Level 1, ''2'' for Level 2, or ''3'' for Level 3. Information needed to assess fair value of the position.	Char(1).	

TABLE A–1—POSITION-LEVEL DATA—Continued

	Field	Example	Instructions and data application	Definition	Validation
A1.19	Notional or principal amount of the position in local currency.	1000000	Provide the notional or principal amount, as applicable, in local currency. In the case of a guarantee or other third party credit enhancement, provide the maximum possible exposure. Information needed to help evaluate the position.	Num (25,5).	
A1.20	Notional or principal amount of the position In U.S. dollars.	1000000	Provide the notional or principal amount, as applicable, in U.S. dollars. In the case of a guarantee or other third party credit enhancements, provide the maximum possible exposure. Information needed to help evaluate the position.	Num (25,5).	
A1.21	Covered by third-party credit enhancement agreement (for the benefit of the records entity)?	Y/N	Indicate whether QFC is covered by a guarantee or other third-party credit enhancement. Information needed to determine credit enhancement.	Char(1)	Should be ''Y'' or ''N.

TABLE A–1—POSITION-LEVEL DATA—Continued

	Field	Example	Instructions and data application	Definition	Validation
A1.21.1	Third-party credit enhancement provider identifier (for the benefit of the records entity).	999999999	If QFC is covered by a guarantee or other third-party credit enhancement, provide an identifier for provider. Use LEI if available. Complete the counterparty master table with respect to a provider that is a non-affiliate.	Varchar(50)	Required if A1.21 is ''Y''. Validated against CP.2.
A1.21.2	Third-party credit enhancement agreement identifier (for the benefit of the records entity).	4444444	If QFC is covered by a guarantee or other third-party credit enhancement, provide an identifier for the agreement.	Varchar(50)	Required if A1.21 is ''Y.'' Validated against A3.3.
A1.21.3	Covered by third-party credit enhancement agreement (for the benefit of the counterparty)?	Y/N	Indicate whether QFC is covered by a guarantee or other third-party credit enhancement. Information needed to determine credit enhancement.	Char(1)	Should be ''Y'' or ''N.
A1.21.4	Third-party credit enhancement provider identifier (for the benefit of the counterparty).	999999999	If QFC is covered by a guarantee or other third-party credit enhancement, provide an identifier for provider. Use LEI if available. Complete the counterparty master table with respect to a provider that is a non-affiliate.	Varchar(50)	Required if A1.21.3 is ''Y''. Validated against CO.2 or CP.2.

TABLE A–1—POSITION-LEVEL DATA—Continued

	Field	Example	Instructions and data application	Definition	Validation
A1.21.5	Third-party credit enhancement agreement identifier (for the benefit of the counterparty).	4444444	If QFC is covered by a guarantee or other third-party credit enhancement, provide an identifier for agreement.	Varchar(50)	Required if A1.21.3 is "Y". Validated against A3.3.
A1.22	Related position of records entity.	3333333	Use this field to link any related positions of the records entity. All positions that are related to one another should have same designation in this field.	Varchar(100).	
A1.23	Reference number for any related loan.	9999999	Provide a unique reference number for any loan held by the records entity or a member of its corporate group related to the position (with multiple entries delimited by commas).	Varchar(500).	
A1.24	Identifier of the lender of the related loan.	999999999	For any loan recorded in A1.23, provide identifier for records entity or member of its corporate group that holds any related loan. Use LEI if entity has one.	Varchar(500).	

TABLE A–2—COUNTERPARTY NETTING SET DATA

	Field	Example	Instructions and data application	Definition	Validation
A2.1	As of date	2015–01–05	Data extraction date.	YYYY–MM–DD.	
A2.2	Records entity identifier.	999999999	Provide the LEI for the records entity.	Varchar(50)	Validated against CO.2.

TABLE A–2—COUNTERPARTY NETTING SET DATA—Continued

	Field	Example	Instructions and data application	Definition	Validation
A2.3	Netting agreement counterparty identifier.	888888888	Provide an identifier for the netting agreement counterparty. Use LEI if counterparty has one.	Varchar(50)	Validated against CP.2.
A2.4	Netting agreement identifier.	xxxxxxxxx	Provide an identifier for the netting agreement.	Varchar(50)	Validated against A3.3.
A2.4.1	Underlying QFC obligor identifier.	888888888	Provide identifier for underlying QFC obligor if netting agreement is associated with a guarantee or other third party credit enhancement. Use LEI if available.	Varchar(50)	Validated against CO.2 or CP.2.
A2.5	Covered by third-party credit enhancement agreement (for the benefit of the records entity)?	Y/N	Indicate whether the positions subject to the netting set agreement are covered by a third-party credit enhancement agreement.	Char(1)	Should be ''Y'' or ''N.''
A2.5.1	Third-party credit enhancement provider identifier (for the benefit of the records entity).	999999999	Use LEI if available. Information needed to identity third-party credit enhancement provider.	Varchar(50)	Required if A2.5 is ''Y''. Validated against CP.2.
A2.5.2	Third-party credit enhancement agreement identifier (for the benefit of the records entity).	4444444		Varchar(50)	Required if A2.5 is ''Y''. Validated against A3.3.
A2.5.3	Covered by third-party credit enhancement agreement (for the benefit of the counterparty)?	Y/N	Information needed to determine credit enhancement.	Char(1)	Should be ''Y'' or ''N.

TABLE A–2—COUNTERPARTY NETTING SET DATA—Continued

	Field	Example	Instructions and data application	Definition	Validation
A2.5.4	Third-party credit enhancement provider identifier (for the benefit of the counterparty).	999999999	Use LEI if available. Information needed to identity third-party credit enhancement provider.	Varchar(50)	Required if A2.5.3 is ''Y''. Should be a valid entry in the Counterparty Master Table. Validated against CP.2.
A2.5.5	Third-party credit enhancement agreement identifier (for the benefit of the counterparty).	4444444	Information used to determine guarantee or other third-party credit enhancement.	Varchar(50)	Required if A2.5.3 is ''Y''. Validated against A3.3.
A2.6	Aggregate current market value in U.S. dollars of all positions under this netting agreement.	−1000000	Information needed to help evaluate the positions subject to the netting agreement.	Num (25,5)	Market value of all positions in A1 for the given netting agreement identifier should be equal to this value. A2.6 = A2.7 + A2.8.
A2.7	Current market value in U.S. dollars of all positive positions, as aggregated under this netting agreement.	3000000	Information needed to help evaluate the positions subject to the netting agreement.	Num (25,5)	Market value of all positive positions in A1 for the given netting agreement identifier should be equal to this value. A2.6 = A2.7 + A2.8.
A2.8	Current market value in U.S. dollars of all negative positions, as aggregated under this netting agreement.	−4000000	Information needed to help evaluate the positions subject to the netting agreement.	Num (25,5)	Market value of all negative positions in A1 for the given Netting Agreement Identifier should be equal to this value. A2.6 = A2.7 + A2.8.
A2.9	Current market value in U.S. dollars of all collateral posted by records entity, as aggregated under this netting agreement.	950000	Information needed to determine the extent to which collateral has been provided by records entity.	Num (25,5)	Market value of all collateral posted by records entity for the given netting agreement Identifier should be equal to sum of all A4.9 for the same netting agreement identifier in A4.

TABLE A–2—COUNTERPARTY NETTING SET DATA—Continued

	Field	Example	Instructions and data application	Definition	Validation
A2.10	Current market value in U.S. dollars of all collateral posted by counterparty, as aggregated under this netting agreement.	50000	Information needed to determine the extent to which collateral has been provided by counterparty.	Num (25,5)	Market value of all collateral posted by counterparty for the given netting agreement identifier should be equal to sum of all A4.9 for the same netting agreement identifier in A4.
A2.11	Current market value in U.S. dollar of all collateral posted by records entity that is subject to re-hypothecation, as aggregated under this netting agreement.	950000	Information needed to determine the extent to which collateral has been provided by records entity.	Num (25,5).	
A2.12	Current market value in U.S. dollars of all collateral posted by counterparty that is subject to re-hypothecation, as aggregated under this netting agreement.	950000	Information needed to determine the extent to which collateral has been provided by records entity.	Num (25,5).	
A2.13	Records entity collateral—net.	950000	Provide records entity's collateral excess or deficiency with respect to all of its positions, as determined under each applicable agreement, including thresholds and haircuts where applicable.	Num (25,5)	Should be less than or equal to A2.9.

TABLE A–2—COUNTERPARTY NETTING SET DATA—Continued

	Field	Example	Instructions and data application	Definition	Validation
A2.14	Counterparty collateral—net.	950000	Provide counterparty's collateral excess or deficiency with respect to all of its positions, as determined under each applicable agreement, including thresholds and haircuts where applicable.	Num (25,5)	Should be less than or equal to A2.10.
A2.15	Next margin payment date.	2015–11–05	Provide next margin payment date for position.	YYYY–MM–DD.	
A2.16	Next margin payment amount in U.S. dollars.	150000	Use positive value if records entity is due a payment and use negative value if records entity has to make the payment.	Num (25,5).	
A2.17	Safekeeping agent identifier for records entity.	888888888	Provide an identifier for the records entity's safekeeping agent, if any. Use LEI if safekeeping agent has one.	Varchar(50)	Validated against SA.2.
A2.18	Safekeeping agent identifier for counterparty.	888888888	Provide an identifier for the counterparty's safekeeping agent, if any. Use LEI if safekeeping agent has one.	Varchar(50)	Validated against SA.2.

TABLE A–3—LEGAL AGREEMENTS

	Field	Example	Instructions and data application	Definition	Validation
A3.1	As Of Date	2015–01–05	Data extraction date	YYYY–MM–DD.	
A3.2	Records entity identifier.	999999999	Provide LEI for records entity.	Varchar(50)	Validated against CO.2.
A3.3	Agreement identifier	xxxxxx	Provide identifier for each master agreement, governing document, netting agreement or third-party credit enhancement agreement.	Varchar(50).	

TABLE A–3—LEGAL AGREEMENTS—Continued

	Field	Example	Instructions and data application	Definition	Validation
A3.4	Name of agreement or governing document.	ISDA Master 1992 or Guarantee Agreement or Master Netting Agreement.	Provide name of agreement or governing document.	Varchar(50).	
A3.5	Agreement date	2010–01–25	Provide the date of the agreement.	YYYY–MM–DD.	
A3.6	Agreement counterparty identifier.	888888888	Use LEI if counterparty has one. Information needed to identify counterparty.	Varchar(50)	Validated against field CP.2.
A3.6.1	Underlying QFC obligor identifier.	888888888	Provide underlying QFC obligor identifier if document identifier is associated with a guarantee or other third party credit enhancement. Use LEI if underlying QFC obligor has one.	Varchar(50)	Validated against CO.2 or CP.2.
A3.7	Agreement governing law.	New York	Provide law governing contract disputes.	Varchar(50).	
A3.8	Cross-default provision?	Y/N	Specify whether agreement includes default or other termination event provisions that reference an entity not a party to the agreement (''cross-default Entity''). Information needed to determine exposure to affiliates or other entities.	Char(1)	Should be ''Y'' or ''N.
A3.9	Identity of cross-default entities.	777777777	Provide identity of any cross-default entities referenced in A3.8. Use LEI if entity has one. Information needed to determine exposure to other entities.	Varchar(500)	Required if A3.8 is ''Y''. ID should be a valid entry in Corporate Org Master Table or Counterparty Master Table, if applicable. Multiple entries comma separated.
A3.10	Covered by third-party credit enhancement agreement (for the benefit of the records entity)?	Y/N	Information needed to determine credit enhancement.	Char(1)	Should be ''Y'' or ''N.''
A3.11	Third-party credit enhancement provider identifier (for the benefit of the records entity).	999999999	Use LEI if available. Information needed to identity Third-Party Credit Enhancement Provider.	Varchar(50)	Required if A3.10 is ''Y''. Should be a valid entry in the Counterparty Master Table. Validated against CP.2.
A3.12	Associated third-party credit enhancement agreement document identifier (for the benefit of the records entity).	33333333	Information needed to determine credit enhancement.	Varchar(50)	Required if A3.10 is ''Y''. Validated against field A3.3.

TABLE A–3—LEGAL AGREEMENTS—Continued

	Field	Example	Instructions and data application	Definition	Validation
A3.12.1	Covered by third-party credit enhancement agreement (for the benefit of the counterparty)?	Y/N	Information needed to determine credit enhancement.	Char(1)	Should be "Y" or "N."
A3.12.2	Third-party credit enhancement provider identifier (for the benefit of the counterparty).	999999999	Use LEI if available. Information needed to identity Third-Party Credit Enhancement Provider.	Varchar(50)	Required if A3.12.1 is "Y". Should be a valid entry in the Counterparty Master. Validated against CP.2.
A3.12.3	Associated third-party credit enhancement agreement document identifier (for the benefit of the counterparty).	33333333	Information needed to determine credit enhancement.	Varchar(50)	Required if A3.12.1 is "Y". Validated against field A3.3.
A3.13	Counterparty contact information: name.	John Doe & Co	Provide contact name for counterparty as provided under notice section of agreement.	Varchar(200).	
A3.14	Counterparty contact information: address.	123 Main St, City, State Zip code.	Provide contact address for counterparty as provided under notice section of agreement.	Varchar(100).	
A3.15	Counterparty contact information: phone.	1–999–999–9999	Provide contact phone number for counterparty as provided under notice section of agreement.	Varchar(50).	
A3.16	Counterparty's contact information: email address.	*Jdoe@JohnDoe.com*	Provide contact email address for counterparty as provided under notice section of agreement.	Varchar(100).	

TABLE A–4—COLLATERAL DETAIL DATA

	Field	Example	Instructions and data application	Definition	Validation
A4.1	As of date	2015–01–05	Data extraction date.	YYYY–MM–DD.	
A4.2	Records entity identifier.	999999999	Provide LEI for records entity.	Varchar(50)	Validated against CO.2.
A4.3	Collateral posted/collateral received flag.	P/N	Enter "P" if collateral has been posted by the records entity. Enter "R" for collateral received by Records Entity.	Char(1).	

TABLE A–4—COLLATERAL DETAIL DATA—Continued

	Field	Example	Instructions and data application	Definition	Validation
A4.4	Counterparty identifier.	888888888	Provide identifier for counterparty. Use LEI if counterparty has one.	Varchar(50)	Validated against CP.2.
A4.5	Netting agreement identifier.	xxxxxxxxx	Provide identifier for applicable netting agreement.	Varchar(50)	Validated against field A3.3.
A4.6	Unique collateral item identifier.	CUSIP/ISIN	Provide identifier to reference individual collateral posted.	Varchar(50).	
A4.7	Original face amount of collateral item in local currency.	1500000	Information needed to evaluate collateral sufficiency and marketability.	Num (25,5)	
A4.8	Local currency of collateral item.	USD	Use ISO currency code.	Char(3).	
A4.9	Market value amount of collateral item in U.S. dollars.	850000	Information needed to evaluate collateral sufficiency and marketability and to permit aggregation across currencies.	Num (25,5)	Market value of all collateral posted by Records Entity or Counterparty A2.9 or A2.10 for the given netting agreement identifier should be equal to sum of all A4.9 for the same netting agreement identifier in A4.
A4.10	Description of collateral item.	U.S. Treasury Strip, maturity 2020/6/30.	Information needed to evaluate collateral sufficiency and marketability.	Varchar(200).	
A4.11	Asset classification.	1	Provide fair value asset classification for the collateral item under GAAP, IFRS, or other accounting principles or standards used by records entity. Provide ''1'' for Level 1, ''2'' for Level 2, or ''3'' for Level 3.	Char(1)	Should be ''1'' or ''2'' or ''3.''

TABLE A–4—COLLATERAL DETAIL DATA—Continued

	Field	Example	Instructions and data application	Definition	Validation
A4.12	Collateral or portfolio segregation status.	Y/N	Specify whether the specific item of collateral or the related collateral portfolio is segregated from assets of the safe-keeping agent.	Char(1)	Should be ''Y'' or ''N.''
A4.13	Collateral location.	ABC broker-dealer (in safe-keeping account of counterparty).	Provide location of collateral posted.	Varchar(200).	
A4.14	Collateral jurisdiction.	New York, New York.	Provide jurisdiction of location of collateral posted.	Varchar(50).	
A4.15	Is collateral re-hypothecation allowed?	Y/N	Information needed to evaluate exposure of the records entity to the counterparty or vice-versa for re-hypothecated collateral.	Char(1)	Should be ''Y'' or ''N.''

CORPORATE ORGANIZATION MASTER TABLE [1]

	Field	Example	Instructions and data application	Definition	Validation
CO.1	As of date	2015–01–05	Data extraction date.	YYYY–MM–DD.	
CO.2	Entity identifier	888888888	Provide unique identifier. Use LEI if available. Information needed to identify entity.	Varchar(50)	Should be unique across all record entities.
CO.3	Has LEI been used for entity identifier?	Y/N	Specify whether the entity identifier provided is an LEI.	Char(1)	Should be ''Y'' or ''N.''
CO.4	Legal name of entity.	John Doe & Co	Provide legal name of entity.	Varchar(200).	
CO.5	Immediate parent entity identifier.	77777777	Use LEI if available. Information needed to complete org structure.	Varchar(50).	
CO.6	Has LEI been used for immediate parent entity identifier?	Y/N	Specify whether the immediate parent entity identifier provided is an LEI.	Char(1)	Should be ''Y'' or ''N.''

CORPORATE ORGANIZATION MASTER TABLE [1]—Continued

	Field	Example	Instructions and data application	Definition	Validation
CO.7	Legal name of immediate parent entity.	John Doe & Co	Information needed to complete org structure.	Varchar(200).	
CO.8	Percentage ownership of immediate parent entity in the entity.	100.00	Information needed to complete org structure.	Num (5,2).	
CO.9	Entity type	Subsidiary, foreign branch,. foreign division ..	Information needed to complete org structure.	Varchar(50).	
CO.10	Domicile	New York, New York.	Enter as city, state or city, foreign country.	Varchar(50).	
CO.11	Jurisdiction under which incorporated or organized.	New York	Enter as state or foreign jurisdiction.	Varchar(50).	
CO.12	Reporting status	REN	Indicate one of the following, as appropriate, given status of entity under the this part. Information needed to validate compliance with the requirements of this part. REN = Records entity (reporting). NFC= Non-financial company (not reporting). EXC = Excluded entity (not reporting). ZER = Records entity with 0 QFCs (not reporting). DEM = Records entity de minimis exemption (not reporting). OTH = Records entity using another exemption (not reporting).	Char(3)	Should be "REN" or "NFC" or "EXC" or "DEM" or "ZER" or "OTH."

[1] Foreign branches and divisions shall be separately identified to the extent they are identified in an entity's reports to its PFRAs.

COUNTERPARTY MASTER TABLE

	Field	Example	Instructions and data application	Definition	Validation
CP.1	As of date	2015–01–05	Data extraction date.	YYYY–MM–DD.	
CP.2	Counterparty identifier.	888888888	Use LEI if counterparty has one. Should be used consistently across all records entities within a corporate group. The counterparty identifier shall be the global legal entity identifier if one has been issued to the entity. If a counterparty transacts with the records entity through one or more separate foreign branches or divisions and any such branch or division does not have its own unique global legal entity identifier, the records entity must include additional identifiers, as appropriate to enable the FDIC to aggregate or disaggregate the data for each counterparty and for each entity with the same ultimate parent entity as the counterparty.	Varchar(50).	
CP.3	Has LEI been used for counterparty identifier?	Y/N	Indicate whether the counterparty identifier is an LEI.	Char(1)	Should be ''Y'' or ''N.''

COUNTERPARTY MASTER TABLE—Continued

	Field	Example	Instructions and data application	Definition	Validation
CP.4	Legal name of counterparty.	John Doe & Co	Information needed to identify and, if necessary, communicate with counterparty.	Varchar(200).	
CP.5	Domicile	New York, New York.	Enter as city, state or city, foreign country.	Varchar(50).	
CP.6	Jurisdiction under which incorporated or organized.	New York	Enter as state or foreign jurisdiction.	Varchar(50).	
CP.7	Immediate parent entity identifier.	77777777	Provide an identifier for the parent entity that directly controls the counterparty. Use LEI if immediate parent entity has one.	Varchar(50).	
CP.8	Has LEI been used for immediate parent entity identifier?	Y/N	Indicate whether the immediate parent entity identifier is an LEI.	Char(1)	Should be ''Y'' or ''N.''
CP.9	Legal name of immediate parent entity.	John Doe & Co	Information needed to identify and, if necessary, communicate with counterparty.	Varchar(200).	
CP.10	Ultimate parent entity identifier.	666666666	Provide an identifier for the parent entity that is a member of the corporate group of the counterparty that is not controlled by another entity. Information needed to identify counterparty. Use LEI if ultimate parent entity has one.	Varchar(50).	
CP.11	Has LEI been used for ultimate parent entity identifier?	Y/N	Indicate whether the ultimate parent entity identifier is an LEI.	Char(1)	Should be ''Y'' or ''N.''

COUNTERPARTY MASTER TABLE—Continued

	Field	Example	Instructions and data application	Definition	Validation
CP.12	Legal name of ultimate parent entity.	John Doe & Co	Information needed to identify and, if necessary, communicate with counterparty.	Varchar(100).	

BOOKING LOCATION MASTER TABLE

	Field	Example	Instructions and data application	Definition	Validation
BL.1	As of date	2015–01–05	Data extraction date.	YYYY–MM–DD.	
BL.2	Records entity identifier.	999999999	Provide LEI	Varchar(50)	Should be a valid entry in the Corporate Org Master Table.
BL.3	Internal booking location identifier.	New York, New York.	Provide office where the position is booked. Information needed to determine the headquarters or branch where the position is booked, including the system on which the trade is booked, as well as the system on which the trade is settled.	Varchar(50).	
BL.4	Unique booking unit or desk identifier.	xxxxxx	Provide unit or desk at which the position is booked. Information needed to help determine purpose of position.	Varchar(50).	
BL.5	Unique booking unit or desk description.	North American trading desk.	Additional information to help determine purpose of position.	Varchar(50).	
BL.6	Booking unit or desk contact—phone.	1–999–999–9999	Information needed to communicate with the booking unit or desk.	Varchar(50).	

BOOKING LOCATION MASTER TABLE—Continued

	Field	Example	Instructions and data application	Definition	Validation
BL.7	Booking unit or desk contact—email.	*Desk@Desk.com*	Information needed to communicate with the booking unit or desk.	Varchar(100).	

SAFEKEEPING AGENT MASTER TABLE

	Field	Example	Instructions and data application	Definition	Validation
SA.1	As of date	2015–01–05	Data extraction date.	YYYY–MM–DD	
SA.2	Safekeeping agent identifier.	888888888	Provide an identifier for the safekeeping agent. Use LEI if safekeeping agent has one.	Varchar(50).	
SA.3	Legal name of safekeeping agent.	John Doe & Co	Information needed to identify and, if necessary, communicate with the safekeeping agent.	Varchar(200).	
SA.4	Point of contact—name.	John Doe	Information needed to identify and, if necessary, communicate with the safekeeping agent.	Varchar(200).	
SA.5	Point of contact—address.	123 Main St, City, State Zip Code.	Information needed to identify and, if necessary, communicate with the safekeeping agent.	Varchar(100).	
SA.6	Point of contact—phone.	1–999–999–9999	Information needed to identify and, if necessary, communicate with the safekeeping agent.	Varchar(50).	
SA.7	Point of contact—email.	*Jdoe@JohnDoe.com*	Information needed to identify and, if necessary, communicate with the safekeeping agent.	Varchar(100).	

DETAILS OF FORMATS

Format	Content in brief	Additional explanation	Examples
YYYY–MM–DD	Date	YYYY = four digit date, MM = 2 digit month, DD = 2 digit date.	2015–11–12
Num (25,5)	Up to 25 numerical characters including 5 decimals.	Up to 20 numerical characters before the decimal point and up to 5 numerical characters after the decimal point. The dot character is used to separate decimals.	1352.67 12345678901234567890.12345 0 −20000.25 −0.257
Char(3)	3 alphanumeric characters	The length is fixed at 3 alphanumeric characters.	USD X1X 999
Varchar(25)	Up to 25 alphanumeric characters.	The length is not fixed but limited at up to 25 alphanumeric characters.	asgaGEH3268EFdsagtTRCF543

PART 149—CALCULATION OF MAXIMUM OBLIGATION LIMITATION

Sec.
149.1 Authority and purpose.
149.2 Definitions.
149.3 Maximum obligation limitation.

AUTHORITY: 31 U.S.C. 321 and 12 U.S.C. 5390.

SOURCE: 77 FR 37558, June 22, 2012, unless otherwise noted.

§ 149.1 Authority and purpose.

(a) *Authority*. This part is issued by the Federal Deposit Insurance Corporation (FDIC) and the Secretary of the Department of the Treasury (Treasury) under section 210(n)(7) of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Act).

(b) *Purpose*. The purpose of this part is to issue implementing regulations as required by the Act. The part governs the calculation of the maximum obligation limitation which limits the aggregate amount of outstanding obligations the FDIC may issue or incur in connection with the orderly liquidation of a covered financial company.

§ 149.2 Definitions.

As used in this part:

Fair value. The term ''fair value'' means the expected total aggregate value of each asset, or group of assets that are managed within a portfolio of a covered financial company on a consolidated basis if such asset, or group of assets, was sold or otherwise disposed of in an orderly transaction.

Most recent financial statement available. (1) The term ''most recent financial statement available'' means a covered financial company's—

(i) Most recent financial statement filed with the Securities and Exchange Commission or any other regulatory body;

(ii) Most recent financial statement audited by an independent CPA firm; or

(iii) Other available financial statements.

(2) The FDIC and the Treasury will jointly determine the most pertinent of the above financial statements, taking into consideration the timeliness and reliability of the statements being considered.

Obligation. The term ''obligation'' means, with respect to any covered financial company—

(1) Any guarantee issued by the FDIC on behalf of the covered financial company;

(2) Any amount borrowed pursuant to section 210(n)(5)(A) of the Act; and

(3) Any other obligation with respect to the covered financial company for which the FDIC has a direct or contingent liability to pay any amount.

Total consolidated assets of each covered financial company that are available for repayment. The term ''total consolidated assets of each covered financial company that are available for repayment'' means the difference between:

(1) The total assets of the covered financial company on a consolidated basis that are available for liquidation during the operation of the receivership; and

(2) To the extent included in paragraph (1) of this definition, all assets that are separated from, or made unavailable to, the covered financial company by a statutory or regulatory barrier that prevents the covered financial company from possessing or selling assets and using the proceeds from the sale of such assets.

§ 149.3 Maximum obligation limitation.

The FDIC shall not, in connection with the orderly liquidation of a covered financial company, issue or incur any obligation, if, after issuing or incurring the obligation, the aggregate amount of such obligations outstanding for each covered financial company would exceed—

(a) An amount that is equal to 10 percent of the total consolidated assets of the covered financial company, based on the most recent financial statement available, during the 30-day period immediately following the date of appointment of the FDIC as receiver (or a shorter time period if the FDIC has calculated the amount described under paragraph (b) of this section); and

(b) The amount that is equal to 90 percent of the fair value of the total consolidated assets of each covered financial company that are available for repayment, after the time period described in paragraph (a) of this section.

PART 150—FINANCIAL RESEARCH FUND

Sec.

150.1 Scope.
150.2 Definitions.
150.3 Determination of assessed companies.
150.4 Calculation of assessment basis.
150.5 Calculation of assessments.
150.6 Notice and payment of assessments.

AUTHORITY: 12 U.S.C. 5345; 31 U.S.C. 321; 12 U.S.C. 5365 *note* (Section 401(d), Pub. L. 115–174, 132 Stat. 1358; Section 401(f), Pub. L. 115–174, 132 Stat. 1359).

SOURCE: 85 FR 15380, Mar. 18, 2020, unless otherwise noted.

§ 150.1 Scope.

The assessments contained in this part are made pursuant to the authority contained in 12 U.S.C. 5345.

§ 150.2 Definitions.

As used in this part:

Assessed company means:

(1) A bank holding company that has $250 billion or more in total assessable assets; or

(2) A bank holding company, regardless of asset size, that has been identified as a global systemically important bank holding company under § 217.402 of title 12, Code of Federal Regulations; or

(3) A nonbank financial company that the Council has determined under section 113 of the Dodd-Frank Act shall be supervised by the Board.

Assessment basis means, for a given assessment period, an estimate of the total expenses that are necessary or appropriate to carry out the responsibilities of the Office of Financial Research (OFR) and the Council as set out in the Dodd-Frank Act (including an amount necessary to reimburse reasonable implementation expenses of the Corporation that shall be treated as expenses of the Council pursuant to section 210(n)(10) of the Dodd-Frank Act).

Assessment fee rate, with regard to a particular assessment period, means the rate published by the Department for the calculation of assessment fees for that period.

Assessment payment date means:

(1) For any assessment period ending on March 31 of a given calendar year, September 15 of the prior calendar year; and

(2) For any assessment period ending on September 30 of a given calendar year, March 15 of the same year.

Assessment period means:

(1) Any period of time beginning on October 1 and ending on March 31 of the following calendar year; or

(2) Any period of time beginning on April 1 and ending on September 30 of the same calendar year.

Bank holding company means:

(1) A bank holding company as defined in section 2 of the Bank Holding Company Act of 1956 (12 U.S.C. 1841); or

(2) A foreign banking organization.

Board means the Board of Governors of the Federal Reserve System.

Corporation means the Federal Deposit Insurance Corporation.

Council means the Financial Stability Oversight Council.

Department means the Department of the Treasury.

Determination date means:

(1) For any assessment period ending on March 31 of a given calendar year, April 30 of the prior calendar year; and

(2) For any assessment period ending on September 30 of a given calendar year, October 31 of the prior calendar year.

Dodd-Frank Act means the Dodd-Frank Wall Street Reform and Consumer Protection Act.

Foreign banking organization means a foreign bank or company that is treated as a bank holding company for purposes of the Bank Holding Company Act of 1956, pursuant to section 8(a) of the International Banking Act of 1978 (12 U.S.C. 3106(a)).

OFR means the Office of Financial Research established by section 152 of the Dodd-Frank Act.

Total assessable assets means:

(1) For a bank holding company other than a foreign banking organization, the average of the company's total consolidated assets for the four quarters preceding the relevant determination date, as reported on the bank holding company's four most recent Consolidated Financial Statements for Bank Holding Companies—FR Y–9C filings;

(2) For any foreign banking organization, the average of the company's total assets of combined U.S. operations for the four quarters preceding the relevant determination date, as reported on the foreign banking organization's four most recent quarterly Capital and Asset Report for Foreign Banking Organizations—FR Y–7Q filings, or, if the foreign banking organization only files such form annually, the average of the two most recent annual filings on such form; or

(3) For a nonbank financial company that the Council has determined under section 113 of the Dodd-Frank Act shall be supervised by the Board, either the average of the company's total consolidated assets for the four quarters preceding the relevant determination date, if the company is a U.S. company, or the average of the total assets of the company's combined U.S. operations for the four quarters preceding the relevant determination date, if the company is a non-U.S. company.

§ 150.3 Determination of assessed companies.

(a) The determination that a bank holding company or a nonbank financial company is an assessed company will be made by the Department.

(b) The Department will apply the following principles in determining whether a company is an assessed company:

(1) For tiered bank holding companies for which a holding company owns or controls, or is owned or controlled by, other holding companies, the assessed company shall be the top-tier, regulated holding company.

(2) In situations where more than one top-tier, regulated bank holding company has a legal authority for control of a U.S. bank, each of the top-tier regulated holding companies shall be designated as an assessed company.

(3) In situations where a company has not filed four consecutive quarters of the financial reports referenced above for the most recent quarters (or two consecutive years for annual filers of the FR Y–7Q or successor form), such as may be true for companies that recently converted to a bank holding company, the Department will use, at its discretion, other financial or annual reports filed by the company, such as Securities and Exchange Commission (SEC) filings, to determine a company's total consolidated assets.

(4) In situations where a company does not report total consolidated assets in its public reports or where a company uses a financial reporting methodology other than U.S. generally accepted accounting principles (GAAP) to report on its U.S. operations, the Department will use, at its discretion, any comparable financial information that the Department may require from the company for this determination.

(c) Any company that the Department determines is an assessed company on a given determination date will be an assessed company for the entire assessment period related to such

determination date, and will be subject to the full assessment fee for that assessment period, regardless of any changes in the company's assets or other attributes that occur after the determination date.

§ 150.4 Calculation of assessment basis.

For each assessment period, the Department will calculate an assessment basis that shall be sufficient to replenish the Financial Research Fund to a level equivalent to the sum of:

(a) Budgeted operating expenses for the OFR for the applicable assessment period;

(b) Budgeted operating expenses for the Council for the applicable assessment period;

(c) Budgeted capital expenses for the OFR for the 12-month period beginning on the first day of the applicable assessment period;

(d) Budgeted capital expenses for the Council for the 12-month period beginning on the first day of the applicable assessment period; and

(e) An amount necessary to reimburse reasonable implementation expenses of the Corporation as provided under section 210(n)(10) of the Dodd-Frank Act.

§ 150.5 Calculation of assessments.

(a) For each assessed company, the Department will calculate the total assessable assets in accordance with the definition in § 150.2.

(b) The Department will allocate the assessment basis to the assessed companies in the following manner:

(1) Based on the sum of all assessed companies' total assessable assets, the Department will calculate the assessment fee rate necessary to collect the assessment basis for the applicable assessment period.

(2) The assessment payable by an assessed company for each assessment period shall be equal to the assessment fee rate for that assessment period multiplied by the total assessable assets of such assessed company.

§ 150.6 Notice and payment of assessments.

(a) No later than fifteen calendar days after the determination date, the Department will send to each assessed company a statement that:

(1) Confirms that such company has been determined by the Department to be an assessed company; and

(2) States the total assessable assets that the Department has determined will be used for calculating the company's assessment.

(b) If a company that is required to make an assessment payment for a given assessment period believes that the statement referred to in paragraph (a) of this section contains an error, the company may provide the Department with a written request for a revised statement. Such request must be received by the Department via email within 30 calendar days and must include all facts that the company requests the Department to consider. The Department will respond to all such requests within 21 calendar days of receipt thereof.

(c) No later than the 14 calendar days prior to the payment date for a given assessment period, the Department will send an electronic billing notification to each assessed company, containing the final assessment that is required to be paid by such assessed company.

(d) For the purpose of making the payments described in § 150.5, each assessed company shall designate a deposit account for direct debit by the Department through *www.pay.gov* or successor website. No later than the later of 30 days prior to the payment date for an assessment period, or April 17, 2020, each such company shall provide notice to the Department of the account designated, including all information and authorizations required by the Department for direct debit of the account. After the initial notice of the designated account, no further notice is required unless the company designates a different account for assessment debit by the Department, in which case the requirements of the preceding sentence apply.

(e) Each assessed company shall take all actions necessary to allow the Department to debit assessments from such company's designated deposit account. Each such company shall, prior to each assessment payment date, ensure that funds in an amount at least equal to the amount on the relevant

electronic billing notification are available in the designated deposit account for debit by the Department. Failure to take any such action or to provide such funding of the account shall be deemed to constitute nonpayment of the assessment. The Department will cause the amount stated in the applicable electronic billing notification to be directly debited on the appropriate payment date from the deposit account so designated.

(f) In the event that, for a given assessment period, an assessed company materially misstates or misrepresents any information that is used by the Department in calculating that company's total assessable assets, the Department may at any time re-calculate the assessment payable by that company for that assessment period, and the assessed company shall take all actions necessary to allow the Department to immediately debit any additional payable amounts from such assessed company's designated deposit account.

(g) If a due date under this section falls on a date that is not a business day, the applicable date shall be the next business day.

PARTS 151–199 [RESERVED]

FINDING AIDS

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