NUCLEAR REGULATORY COMMISSION

Advisory Committee on Reactor Safeguards, Subcommittee Meeting on Planning and Procedures; Notice of Meeting

The ACRS Subcommittee meeting on Planning and Procedures scheduled to start at 1:00 p.m. on *Tuesday, August 31, 1999, has been changed to start at 9:00 a.m.* Notice of this meeting was published in the **Federal Register** on Tuesday, August 10, 1999 (64 FR 43410). All other items pertaining to this meeting remain the same as previously published.

For further information contact:, Dr. John T. Larkins, cognizant ACRS staff person (telephone: 301/415–7360) between 7:30 a.m. and 4:15 p.m. (EDT).

Dated: August 11, 1999.

Richard P. Savio,

Associate Director for Technical Support, ACRS/ACNW.

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BILLING CODE 7590–01–P

POSTAL SERVICE

Postage Evidencing Product Submission Procedures

AGENCY: Postal Service.

ACTION: Proposed Procedure.

SUMMARY: The **Federal Register**, dated September 2, 1998, provided proposed product submission procedures for all postage evidencing products, including those in the Information Based Indicia Program (IBIP). In response to the solicitation of public comments, only one submission was received. The comments in this submission were considered in making the changes incorporated in the current version. The current proposed procedures revise, clarify, and expand the earlier proposed procedures to include a new section on approval of product changes and a new section addressing intellectual property issues. The proposed procedures now indicate where steps in the product submission process can be concurrent rather than sequential and discuss the Postal Service response. Providers are asked to update documentation to reflect the ''as approved'' product prior to final approval. The current proposed procedures address all postage evidencing products, including, but not limited to, traditional meter products and IBI products. However, changes clarify which requirements apply only to IBIP products and not to traditional meter products. A requirement was added for a document describing how the Address Matching System (AMS) CD-ROM will be integrated in an IBIP Open System product. A requirement was added to the comprehensive test plan to include a test of the physical security of the Provider's site and firewall where applicable, and of the processes for administrative access and configuration control. Requirements were also added with respect to the responsibilities of the laboratories testing products with cryptographic modules.

DATES: Comments must be received on or before October 18, 1999.

ADDRESSES: Written comments should be mailed or delivered to the Manager, Metering Technology Management, Room 8430, 475 L'Enfant Plaza SW, Washington DC 20260–2444. Copies of all written comments will be available at the above address for inspection and photocopying between 9 a.m. and 4 p.m. Monday through Friday.

FOR FURTHER INFORMATION CONTACT: Nicholas S. Stankosky, (202) 268–5311.

SUPPLEMENTARY INFORMATION: With the expansion of postage application methods and technologies, it is essential that product submission procedures for all postage evidencing products be clearly stated and defined. The Postal Service evaluation process can be effective and efficient if these procedures are followed explicitly by all suppliers. In this way, secure and convenient technology will be made available to the mailing public with minimal delay and with the complete assurance that all Postal Service technical, quality, and security requirements have been met. These procedures apply to all proposed postage evidencing products and systems, whether the Provider is new or is currently authorized by the Postal Service.

39, Code of Federal Regulations (CFR) Section 501.9, Security Testing, currently states, ''the Postal Service reserves the right to require or conduct additional examination and testing at any time, without cause, of any meter submitted to the Postal Service for approval or approved by the Postal Service for manufacture and distribution.'' For products meeting the performance criteria for postage evidencing under the Information Based Indicia Program (IBIP), including PC Postage products, the equivalent section is 39 CFR Section 502.10, Security Testing, published as a proposed rule in the **Federal Register**, September 2, 1998. When the Postal Service elects to retest a previously approved product, the Provider will be required to resubmit the product for evaluation according to part or all of the proposed procedures. Full or partial compliance with the procedures will be determined by the Postal Service prior to resubmission by the Provider.

The proposed submission procedures will be referenced in 39 CFR Parts 501 and 502 but will be published as a separate document as Metering Technology Management, Postage Evidencing Product Submission Procedures.

1. Product Submission Procedures

In submitting any postage evidencing product for Postal Service evaluation, the proposed Provider must provide detailed documentation and comply with requirements in the following areas:

- Letter of Intent
- Nondisclosure Agreements
- Concept of Operations (CONOPS)
- Software and Documentation Requirements
- Provider Infrastructure Plan
- USPS Address Matching System (AMS) CD–ROM Integration
- Product Submission/Testing
- Provider Infrastructure Testing
- Field Test (Beta) Approval (Limited Distribution)
- Provider/Product Approval (Full Distribution)

The Provider shall indicate the specific requirement(s) addressed by each document submitted in compliance with these Postage Evidencing Product Submission Procedures. The Postal Service requests that the documentation includes a matrix showing where each specific requirement is addressed. Documentation shall be in English and formatted for standard letter size (8.5″ × 11″) paper, except for engineering drawings, which shall be folded to the required size. Where appropriate, documentation shall be marked as ''Confidential.'' The steps in the Postage Evidencing Product Submission Procedures must be completed in sequential order, except as detailed below.

1.1. Letter of Intent

The Provider must submit a Letter of Intent to the Manager, Metering Technology Management, United States Postal Service, 475 L'Enfant Plaza SW, Room 8430, Washington DC 20260–2444.

A. The Letter of Intent must include:

(1) Date of correspondence.

(2) Name and address of all parties involved in the proposal. In addition to the Provider, the parties listed shall

include those responsible for assembly, distribution, management of the product/device,[1] hardware/firmware/software development, testing, and other organizations involved (or expected to be involved) with the product, including suppliers of significant product components.

(3) Name and phone number of official point of contact for each company identified.

(4) Provider's business qualifications (i.e., proof of financial viability, certifications and representations, proof of ability to be responsive and responsible).

(5) Product/device concept narrative.

(6) Provider infrastructure concept narrative.

(7) Narrative that identifies the internal resources knowledgeable of current Postal Service policies, procedures, performance criteria, and technical specifications to be used to develop security, audit, and control features of the proposed product.

(8) The target Postal Service market segment the proposed product is envisioned to serve.

B. The Provider must submit with the Letter of Intent a proposed product development plan of actions and milestones (POA&M) with a start date coinciding with the date of the Letter of Intent. Reasonable progress must be shown against these stated milestones.

C. The Manager, Metering Technology Management, will acknowledge in writing the receipt of the Provider's Letter of Intent and will designate a Postal Service point-of-contact. Upon receipt of this acknowledgment, the Provider may continue with the sequential requirements of the product submission process.

1.2. Nondisclosure Agreements

These agreements are intended to ensure confidentiality and fairness in business. The Postal Service is not obligated to provide product submission status to any parties not identified in the Letter of Intent. After obtaining signed nondisclosure agreements, the Provider may continue with the sequential requirements of the product submission process.

1.3. Concept of Operations

A. The Provider must submit a Concept of Operations (CONOPS) that discusses at a moderate level of detail the features and usage conditions for the proposed product. The Provider should submit 10 serialized hard copies and one electronic copy on a PC-formatted 3.5″ floppy disk. Additionally, the Provider must also submit a detailed process model supporting each CONOPS section.

Note: The Postal Service will not be obligated to provide consulting guidance on any current Postal Service policy, procedure, performance criteria, or specification beyond publicly available publications.

B. At a minimum, the CONOPS should cover the following areas:

(1) System Overview
- (a) Concept overview/business model
- (b) Concept of production/maintenance administration
- (c) For Information Based Indicia (IBI) PC Postage products, the system design overview, including:
- (i) Postal Security Device (PSD) implementation (stand-alone, LAN, WAN, hybrid)
- (ii) Features
- (iii) Components, including the digital signature algorithm
- (d) Product lifecycle overview
- (e) Adherence to industry standards, such as Federal Information Processing Standard (FIPS) 140–1, as required by the Postal Service

(2) For proposed IBI PC Postage products, the system design details, including:
- (a) PSD features and functions
- (b) Host system features and functions
- (c) Other components required for normal use conditions

(3) Product Lifecycle
- (a) Manufacturer
- (b) Postal Service certification of product/device
- (c) Production
- (d) Distribution
- (e) Product/device licensing and registration
- (f) Initialization
- (g) Product authorization and installation
- (h) Postage Value Download (PVD) process
- (i) Product and support system audits
- (j) Inspections
- (k) Product withdrawal/replacement
- (i) Overall process
- (ii) Product failure/malfunction procedures
- (l) Scrapped product process

(4) Finance Overview
- (a) Customer account management
- (i) Payment methods
- (ii) Statement of account
- (iii) Refund
- (b) Individual product finance account management
- (i) PVD
- (ii) Refund
- (c) Daily account reconciliation
- (i) Provider reconciliation
- (ii) Postal Service detailed transaction reporting
- (d) Periodic summaries
- (i) Monthly reconciliation
- (ii) Other reporting, as required by the Postal Service

(5) Interfaces
- (a) Communications and message interfaces with Postal Service infrastructure, including but not limited to:
- (i) PVDs
- (ii) Refunds
- (iii) Inspections
- (iv) Product audits
- (v) Lost or stolen product procedures
- (b) Communications and message interfaces with applicable Postal Service financial functions, including but not limited to:
- (i) Postage settings, including those done remotely
- (ii) Daily account reconciliation
- (iii) Refunds
- (c) Communication and message interfaces with Customer Infrastructure, including but not limited to:
- (i) Cryptographic key management
- (ii) Product audits (device and host system)
- (iii) Inspections
- (d) Message error detection and handling

(6) Technical Support and Customer Service
- (a) User training and support
- (b) Software Configuration Management (CM) and update procedures
- (c) Hardware/firmware CM and update procedures

(7) Other
- (a) Change control procedures
- (b) Postal rate change procedures
- (c) Address Management System ZIP+4 CD–ROM updates, if applicable
- (d) Physical security
- (e) Personnel/site security

C. Supplementary requirements, CONOPS.

(1) The CONOPS must be accompanied by substantiated market analysis supporting the target Postal Service market segment the proposed product is envisioned to serve, as identified in the Letter of Intent.

(2) The CONOPS must include a list and a detailed explanation of any proposed deviations from Postal Service performance criteria or specifications. Any proposed deviation to audit and control functions required by current Postal Service policy, procedure, performance criteria, or specification must be accompanied by an independent assessment by a nationally recognized, independent, certified

[1] When speaking generically about processes, etc., the term ''product'' is used. However, the term ''product'' includes ''product/device.''

public accounting firm attesting to the proposed auditing method. The report of this information is to be signed by an officer of the accounting firm.

D. Postal Service response.

(1) The Postal Service will respond in a timely manner.

(2) For each submission, the Postal Service will appoint a Product Review Control Officer. All communications between the Provider and the Postal Service are to be coordinated through the Product Review Control Officer.

(3) The Postal Service will acknowledge, in writing, receipt of the CONOPS and perform an initial review. The Postal Service will provide the Provider with a written summary of the CONOPS review. In the written review, the Postal Service will provide authorization to continue with the product submission process, or a listing of CONOPS requirements that are not met.

(4) If, in the sole opinion of the Postal Service, it is determined that significant CONOPS deficiencies do exist, the Postal Service, at the discretion of the Manager, Metering Technology Management, may return the CONOPS to the Provider without further review. It will then be incumbent on the Provider to resubmit a corrected CONOPS.

(5) The Provider may continue with the product submission process upon receipt of authorization to proceed from the Postal Service.

1.4. Software and Documentation Requirements

A. The Provider must submit to the Postal Service five copies of executable code and one copy of full and source code for all software included in the product.

B. The Provider must submit a detailed design document of the product. For IBI products, this shall include the proposed IBIP indicia design, which must be approved by the Manager, Metering Technology Management.

C. Additionally, depending on the product, the Postal Service requires design documentation that includes, but is not limited to, the following:

(1) Operations manuals for product usage
(2) Interface description documents for all proposed communications interfaces
(3) Maintenance manuals
(4) Schematics
(5) Product initialization procedures
(6) Finite state machine models/diagrams
(7) Block diagrams
(8) Security features descriptions
(9) Cryptographic operations descriptions

Detailed references for much of this documentation are listed in FIPS 140–1, Appendix A. The Postal Service will determine the number of copies needed of the aforementioned documentation based on the CONOPS review. The Postal Service will notify the Provider of the required number of copies. The required number of copies are to be uniquely numbered for control purposes.

D. The Provider must submit a comprehensive test plan that will validate that the product meets all Postal Service requirements and, where appropriate, the requirements of FIPS 140–1. With respect to the Provider's internet server, the test plan shall indicate how the Provider will test to ensure the physical security of the Provider's server and administrative site and the firewall, and to ensure the security of the processes for remote administrative access and configuration control. With respect to the process for initializing customer accounts, the test plan shall describe the tests for ensuring secure distribution or transmission of software and cryptographic keys. The test plan must list the parameters to be tested, test equipment, procedures, test sample sizes, and test data formats. Also, the plan must include detailed descriptions, specifications, design drawings, schematic diagrams, and explanations of the purposes for all special test equipment and nonstandard or noncommercial instrumentation. Finally, this test plan must include a proposed schedule of major test milestones.

E. The Provider must submit a benchmark assessment plan. Postal Service Engineering will provide reference standards, performance criteria, specifications, etc., to be used as a basis for the Provider to produce this plan.

F. Postal Service Response:

(1) The Postal Service will provide its response in a timely manner.

(2) The Postal Service will acknowledge, in writing, receipt of the Provider's design and test plans and will perform an initial review. The Postal Service will furnish the Provider with a written summary of the design plan and test plan reviews. In the written review, the Postal Service will provide authorization to continue with the product submission process, or will provide a listing of design plan requirements or test plan requirements that are not met, and perhaps other deficiencies.

(3) If, in the sole opinion of the Postal Service, it is determined that significant design plan or test plan deficiencies do exist, the Postal Service, at the discretion of the Manager, Metering Technology Management, may return the plans to the Provider without further review. It will then be incumbent on the Provider to resubmit revised plans that address the identified deficiencies.

(4) The Provider may continue with the product submission process upon receipt of authorization to proceed from the Postal Service.

1.5. Provider Infrastructure Plan

A. The Provider Infrastructure Plan may be submitted concurrently with the design and test plans described in paragraph 1.4, Software and Documentation Requirements. At this point in the product submission process, the Postal Service will provide additional performance criteria and specifications for the IBIP public key infrastructure, if required for the product/device, for use as a basis for the applicable elements of the Provider's Infrastructure Plan.

B. The Provider must submit a Provider Infrastructure Plan that describes how the processes and procedures described in the CONOPS will be met or enforced. This includes, but is not limited to, a detailed description of all Provider-related and Postal Service-related operations, computer systems, and interfaces with both customers and the Postal Service that the Provider shall use in manufacturing, producing, distribution, customer support, product/device lifecycle, inventory control, print readability quality assurance, and reporting.

C. Postal Service Response

(1) The Postal Service will respond in a timely manner.

(2) The Postal Service will acknowledge in writing the receipt of the Provider's Infrastructure Plan and will perform an initial review. The Postal Service will provide the Provider with a written summary of the Infrastructure Plan review. In the written review, the Postal Service will provide authorization to continue with the product submission process, or a listing of the Infrastructure Plan requirements that are not met, and perhaps other deficiencies.

(3) If, in the sole opinion of the Postal Service, it is determined that significant Provider Infrastructure Plan deficiencies do exist, the Postal Service, at the discretion of the Manager, Metering Technology Management, may return the Infrastructure Plan to the Provider without further review. It will then be incumbent on the Provider to resubmit

a revised Infrastructure Plan to address the identified deficiencies.

(4) The Provider may continue with the product submission process upon receipt of authorization to proceed from the Postal Service.

1.6. USPS Address Matching System (AMS) CD–ROM Integration

A. The USPS AMS CD–ROM is a required component of IBIP open systems. For such systems, the Provider shall initiate an agreement with the USPS National Customer Support Center (NCSC). This signed agreement shall describe responsibilities of the AMS CD–ROM supply chain processes, including roles of the Provider. The only functionality of the AMS CD–ROM available through an IBIP system shall be address matching and ZIP+4 coding of input addresses.

B. The Provider shall submit a detailed description of how the USPS AMS CD–ROM will be integrated in the product, including a description of the process by which an address is ZIP+4 coded, including all possible optional and required parameters. The Provider can submit this information concurrent with submission of the Software and Documentation Requirements and/or Provider Infrastructure Plan described above.

C. Any CONOPS or products proposed for which the Provider requests a variance to the AMS CD–ROM requirements must be approved by the Manager, Metering Technology Management, prior to proceeding with the next step in the submission process.

1.7. Product Submission/Testing

A. The product/device Provider must be prepared to submit up to five complete production systems of each product/device for which Postal Service evaluation is requested. The required number of submitted systems will be determined by the Postal Service. The Provider must provide any equipment required in order to use the submitted product/device in the manner contemplated by the CONOPS.

Thorough Provider testing of the product prior to submission of the product to the Postal Service will avoid unnecessary delays in the review and evaluation process. If, in the opinion of the Postal Service, it is determined that significant product deficiencies exist, the Postal Service, at the discretion of the Manager, Metering Technology Management, may return the product to the Provider without further review. The Provider would have the option to resubmit a corrected product.

B. If the product contains a cryptographic module, the Provider must submit the proposed product to a laboratory accredited under the National Voluntary Laboratory Accreditation Program (NVLAP) for FIPS 140–1 certification, or equivalent, as authorized by the Postal Service. Upon completion of the FIPS 140–1 certification, or equivalent, the Postal Service requires the following to be forwarded directly from the accredited laboratory to the Manager, Metering Technology Management for review:

(1) A copy of all information given to the laboratory by the Provider, including a summary of all information transmitted orally.

(2) A copy of all instructions from the Provider with respect to what is or is not to be tested for.

(3) A copy of the letter of recommendation for the product as submitted by the laboratory to the National Institute of Standards and Technology (NIST) of the United States of America.

(4) Copies of all proprietary and nonproprietary reports and recommendations generated during the test process.

(5) A copy of the certificate, if any, issued by NIST for the product.

(6) Written full disclosure identifying any contribution of the NVLAP laboratory to the design, development, or ongoing maintenance of the product/device.

C. If the product is submitted to an accredited test laboratory to meet the requirements of paragraph B, above, the laboratory must meet all the requirements specified by NIST in the Implementation Guidance for FIPS PUB 140–1 and the Cryptographic Module Validation Program; NIST document 150–17, Cryptographic Module Testing; and other documents issued by NIST to govern the conduct of accredited laboratories.

D. All products submitted to an accredited laboratory for testing under paragraph B above shall be retained by the laboratory for three years from date of product approval by the Postal Service.

E. The Provider may submit the product to the Postal Service for test and evaluation prior to completion of any required FIPS 140–1 testing, provided a letter is submitted from the NVLAP laboratory to the Postal Service indicating:

(1) That the product is being tested under FIPS 140–1 for the required security levels, in accordance with the current, relevant performance criteria.

(2) That the product has a reasonable chance of meeting the FIPS 140–1/USPS security levels.

(3) The timeline for FIPS 140–1 test completion.

F. The Postal Service reserves the right to require or conduct additional examination and testing at any time, without cause, of any product submitted to the Postal Service for approval or approved by the Postal Service for manufacture and distribution.

G. Upon satisfactory completion of the Postal Service testing and NVLAP laboratory testing (where required), the Postal Service will provide authorization to continue the product submission process. The Provider may continue with the product submission process upon receipt of authorization to proceed from the Postal Service.

1.8. Product Infrastructure Testing

A. Prior to approval for distribution of any product/device, the Provider must achieve test and approval of all reporting requirements, including, but not limited to, Postal Service/customer licensing support, product status activity reporting, total product population inventory, irregularity reporting, lost and stolen reporting, financial transaction reporting, account reconciliation, digital certificate acquisition, product initialization, cryptographic key changes, rate table changes, print quality assurance, device authorization, device audit, product audit, and remote inspections.

B. Testing of these activities and functions includes computer-based testing of all interfaces with the Postal Service, including but not limited to the following:

(1) Product manufacture and lifecycle (including leased, unleased, new product/device stock, installation, withdrawal, replacement, key management, lost, stolen, and irregularity reporting)

(2) Product distribution and initialization (including product authorization, product initialization, customer authorization, and product maintenance)

(3) Licensing (including license application, license update, and license revocation)

(4) Finance (including cash management, individual product financial accounting, refund management, daily summary reports, daily transaction reporting, and monthly summary reports)

(5) Audits and inspections, including site audits

C. The Provider must complete a ''Product-Provider Infrastructure-Financial Institution-USPS Infrastructure'' (Alpha) test involving all entities in the proposed architecture. At

a minimum this includes the proposed product, Provider Infrastructure, financial institution and Postal Service Infrastructure systems and interfaces. Alpha testing is intended to demonstrate the proposed product utility, and its functionality and compatibility with other systems. Alpha testing may be conducted in a laboratory environment.

D. Provider Infrastructure Testing (Alpha) test note: The Postal Service reserves the right to require or conduct additional examination and testing at any time, without cause, of any Provider Infrastructure system supporting a postage evidencing product/device approved by the Postal Service for manufacture and distribution. Initial Provider Infrastructure testing and (Alpha) testing schedules will be supported at the convenience of the Postal Service.

E. Demonstrable evidence of successful completion for each test is required prior to proceeding.

F. The Provider may continue with the product submission process upon receipt of authorization to proceed from the Postal Service.

1.9. Field Test (Beta) Approval (Limited Distribution)

A. The Provider will submit a proposed Field (Beta) Test Plan identifying test parameters, product quantities, geographic location, test participants, test duration, test milestones, and product recall plan. The Beta Test Plan will be in accordance with the Beta Test Strategy in effect for the given product type. The Postal Service will supply the appropriate Beta Test Strategy to the Provider upon request. The purpose of the Beta test is to demonstrate the proposed product's utility, security, audit and control, functionality, and compatibility with other systems, including mail entry, acceptance and processing, in a real-world environment. The Beta test will employ available communications and will interface with current operational systems to conduct all product functions. The Manager, Metering Technology Management, will determine acceptance of Provider-proposed Beta Test Plans based on, but not limited to, assessed risk of the product, product impact on Postal Service operations, and requirements for Postal Service resources. Proposed candidates for Beta test participation must be approved by the Postal Service. Beta test approval consideration will be based in whole or in part on the location, mail volume, mail characteristics, and mail origination and destination patterns.

B. The Provider has a duty to report security weaknesses to the Postal Service to ensure that each product/device model and every product/device in service protects the Postal Service against loss of revenue at all times. Beta participants must agree to a nondisclosure confidentiality agreement when reporting product security, audit, and control issues, deficiencies, or failures to the Provider and the Postal Service. A grant of Field Test Approval (FTA) does not constitute an irrevocable determination that the Postal Service is satisfied with the revenue-protection capabilities of the product/device. After approval is granted to manufacture and distribute a product/device, no change affecting the basic features or safeguards of a product/device may be made except as authorized or ordered by the Postal Service in writing from the Manager, Metering Technology Management.

C. The Provider may continue with the product submission process upon receipt of authorization to proceed from the Postal Service.

1.10. Provider/Product Approval (Full Distribution)

A. Upon receipt of the final certificate of evaluation from the national laboratory, where required, and after obtaining positive results of internal testing of the product/device, successful completion of Provider infrastructure testing, Alpha testing, demonstration of limited distribution activities (Beta testing), and audits of Provider site security, the Postal Service will administratively review the submitted product, the Provider infrastructure, and the Provider/manufacturer qualification requirements for final approval of full distribution. In preparation for the administrative review, the Provider shall update any product submission documentation submitted in compliance with the requirements of the Postage Evidencing Product Submission Procedure that is no longer accurate with respect to the product in review.

Note: Copies of Draft 39 CFR Part 502 containing IBIP Provider/Manufacturer qualification requirements as published in the **Federal Register** on September 2, 1998, are available by contacting USPS, Metering Technology Management, 475 L'Enfant Plaza SW, Room 8430, Washington DC 20260–2444. Copies of CFR Part 501 pertaining to postage meters are available also at the above address.

B. The Postal Service may require, at any time, that models/versions of approved products, and the design and user manuals and specifications applicable to such product, and any revisions thereof, be deposited with the Postal Service.

2. Change Control Procedure

2.1. Overview

A. After approval is granted to manufacture and distribute a product/device, no change affecting the basic features or safeguards of a product/device may be made except as authorized or ordered by the Postal Service in writing from the Manager, Metering Technology Management. The submission of a change proposal and the subsequent test and acceptance of a product change are designed to ensure not only that the changed product meets all requirements and performance criteria but also that the stated changes made to a product do not introduce any unintended, unidentified, unexpected, or undesirable changes to the form, fit, function, or security of the product.

B. Once a postage evidencing product/device has received final approval from the Postal Service, the Provider is required to submit any change(s) to that product for Postal Service approval. Changes covered by this process include, but are not limited to, the following:

(1) Changes to the form, fit, function, or security of the product/device
(2) Changes resulting from new Postal Service regulations, such as an updated postal rate table
(3) Changes to the software or firmware
(4) Changes to the PSD, for products using such a device
(5) Changes to the physical configuration of the product
(6) Changes to product documentation or packaging
(7) Changes to product distribution methods
(8) Changes to third-party providers of significant product components

C. For an IBI product, the changed product shall be in compliance with the IBI performance criteria and all other Postal Service regulations in effect at the time the change is implemented. All changes to previously approved products must be approved by the Postal Service before implementation. The Postal Service must also approve the timetable and procedures for implementing changes.

D. Providers are encouraged to consolidate multiple changes in a single change proposal to enable the Postal Service to expedite their review of the changes.

E. The Provider shall fully document all changes, in accordance with the requirements described in the following sections.

2.2. Provider Responsibilities

A. The Provider shall be responsible for notifying the Postal Service of any

proposed changes made as described in Section 2.1. The Provider shall be responsible for having a Postal Service-approved process for configuration management of the versions of each approved product. The Provider's process shall ensure that no changes can be made without proper tracing of design changes, records of authorization, and notification to the Postal Service. The Provider is responsible for submitting a change proposal in accordance with the requirements of this procedure and for achieving Postal Service approval before implementing any change.

B. Detailed Provider Actions:

(1) Letter of Intent to Change. The first step in the submission of a change proposal is to submit a Letter of Intent to Change, similar to the Letter of Intent described under Product Submission Procedures, above. The Letter of Intent to Change shall be submitted to the Manager, Metering Technology Management, United States Postal Service, 475 L'Enfant Plaza SW, Room 8430, Washington DC 20260–2444. The letter must include:

(a) Date of correspondence.

(b) Name and address of all parties involved in the change proposal, including those responsible for assembly, distribution, management of the product/device, hardware/firmware/software development or testing, and other organizations involved (or expected to be involved) with the changed product.

(c) Name and phone number of official point of contact for each party identified above.

(d) Change concept narrative. A description of the proposed change, identifying any changes to the form, fit, function, or security of the product.

(e) Discussion of the reasons for the change.

(f) Discussion of the implications of the change for product security, product identification, and Provider procedures such as distribution, operations, or financial transactions, as well as any cost impact and impact on product customers. The document shall also discuss the impact of the change on Postal procedures such as mail entry, mail acceptance, and mail processing, as well as the impact on the interfaces between the Provider and the Postal Service and/or customers.

(g) An outline of the actions the Provider will take in support of the change proposal, including a listing of the documentation the Provider will submit in support of the change, and the testing that will be performed to ensure the changes meet Postal Service requirements.

(h) The timetable for submission, test, acceptance, and implementation of the proposed change.

(i) The procedure for implementation of the proposed change.

(2) Additional documentation. Once the Letter of Intent to Change is submitted, the Provider shall review the following documents and submit any changes needed to ensure they are still current. Additional documentation may be required at the discretion of the Postal Service.

(a) Nondisclosure Agreements
(b) Concept of Operations
(c) Software and Documentation
(d) Provider Infrastructure Plan
(e) USPS Address Matching System (AMS) CD–ROM Integration, if required for the product.

(3) Testing. The Provider will test the product changes as described in the Postage Evidencing Product Submission Procedures to the extent required by the proposed change, in accordance with Postal Service direction. The Provider shall document the tests performed on product changes and shall submit this documentation along with verification of successful completion of the testing.

2.3. Postal Service Responsibilities

A. The Postal Service will execute its responsibilities in a timely manner.

B. The Postal Service will review the Letter of Intent to Change and accept or reject each component of the Provider's proposed approach for product change, documentation submittal and testing, and schedule for release.

C. The Postal Service will complete testing of the changes as required to ensure the changes meet Postal Service performance criteria and provide written comments to the Provider. Approval of the change will be granted in writing by the Postal Service by the Manager, Metering Technology Management.

D. The Postal Service reserves the right to determine if a proposed change is extensive enough to constitute a new product, rather than a change to a previously approved product. If such a determination is made, the Provider shall comply with all requirements of the Postage Evidencing Product Submission Procedures, including field testing.

3. Intellectual Property and License Considerations

A Provider is responsible for determining if and how it can make products that meet the Postal Service performance criteria or specifications applicable to the given product/device, in view of applicable technical, commercial, and legal constraints. Thus, it is the Provider-not the Postal Service-who is responsible for determining whether the production and use of a product/device requires the use of patented technology. If so, the Provider is responsible for resolving applicable intellectual property issues.

In accordance with this policy, the Postal Service generally will not evaluate or arbitrate conflicting patent claims by Providers, publicly assess the validity or scope of the patents that have been cited with respect to any performance criteria, or offer any opinion as to whether a license is required under such patents to meet performance criteria.

Each Provider should seek its own legal counsel with respect to these matters, and, if it determines that a patent license is required, should procure one. Companies that are unwilling or unable to acquire any necessary patent licenses to produce their proposed product should assess the wisdom of remaining in the market or the possibility of producing a different type of product.

To implement this policy, the Postal Service may enter into an agreement (''Agreement'') with the Provider stating that the Provider is solely responsible for determining, on an ongoing basis, whether its approved products are subject to any third-party patents. If so, the Provider must procure any required licenses to allow the Provider to make, use, sell, or (if applicable) import its products, and to allow the Provider's customers to use the products to create postage indicia, apply the indicia to mail, and deposit the mail with the Postal Service.

Providers would not be responsible under such an Agreement for procuring any license rights with respect to mailing activities conducted by the Postal Service. However, each Provider is required to indemnify the Postal Service for any claims against the Postal Service based on the Provider's failure to procure necessary patent or other rights with respect to its product offering.

4. Request for Comment

It is emphasized that the proposed procedures for initial product submission and changes to already approved products are being published for comments and are subject to final definition.

Although exempt from the notice and comment requirements of the Administrative Procedure Act (5 U.S.C. 553 (b), (c)) regarding proposed rule making by 39 U.S.C. 410 (a), the Postal

Service invites public comments on the proposed procedures.

Stanley F. Mires,

Chief Counsel, Legislative.

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BILLING CODE 7710–12–P

SECURITIES AND EXCHANGE COMMISSION

[Investment Company Act Release No. 23942; 812–11704]

Anchor Resource and Commodity Trust, et al.; Notice of Application

August 11, 1999.

AGENCY: Securities and Exchange Commission (''SEC'').

ACTION: Notice of an application under section 17(b) of the Investment Company Act of 1940 (the ''Act'') for an exemption from section 17(a) of the Act.

SUMMARY OF APPLICATION: Applicants request an order to permit Anchor Resource and Commodity Trust to acquire the assets and liabilities of Anchor Strategic Assets Trust (the ''Reorganization''). Because of certain affiliations, applicants may not rely on rule 17a–8 under the Act.

APPLICANTS: Anchor Resource and Commodity Trust (''ARCT''), Anchor Strategic Assets Trust (''ASAT,'' ARCT and ASAT each a ''Trust,'' and together the ''Trusts'') an Anchor Investment Management Corporation (''Adviser'').

FILING DATES: The application was filed on June 25, 1999. Applicants have agreed to file an amendment to the application during the notice period, the substance of which is reflected in this notice.

HEARING OR NOTIFICATION OF HEARING: An order granting the requested relief will be issued unless the SEC orders a hearing. Interested persons may request a hearing by writing to the SEC's Secretary and serving applicants with a copy of the request, personally or by mail. Hearing requests should be received by the SEC by 5:30 p.m. on September 1, 1999, and should be accompanied by proof of service on applicants in the form of an affidavit or, for lawyers, a certificate of service. Hearing requests should state the nature of the writer's interest, the reason for the request, and the issues contested. Persons who wish to be notified of a hearing may request notification by writing to the SEC's Secretary.

ADDRESSES: Secretary, SEC, 450 Fifth Street, N.W., Washington, D.C. 20549–0609. Applicants, 579 Pleasant Street, Suite 4, Paxton, Massachusetts 01612.

FOR FURTHER INFORMATION CONTACT: Susan K. Pascocello, Senior Counsel, at (202) 942–0674, or Michael W. Mundt, Branch Chief, at (202) 942–0564 (Office of Investment Company Regulation, Division of Investment Management).

SUPPLEMENTARY INFORMATION: The following is a summary of the application. The complete application may be obtained for a fee at the SEC's Public Reference Branch, 450 Fifth Street, N.W., Washington, D.C. 20549–0102 (tel. 202–942–8090).

Applicants' Representations

1. The Trusts, both Massachusetts business trusts, are registered under the Act as open-end management investment companies. The Adviser, a Massachusetts corporation, serves as the investment adviser to the Trusts and is registered as an investment adviser under the Investment Advisers Act of 1940. The Adviser is under common control with Societe D'Etudes et de Gestion Financieres Meeschaert, S.A. (''Societe D'Etudes''), which owned in excess of 99% of the outstanding shares of ARCT and in excess of 60% of the outstanding shares of ASAT as of June 1999.

2. On June 21, 1999, the boards of trustees of each Trust (together, the ''Boards''), including all of the trustees who are not ''interested persons,'' as defined in section 2(a)(19) of the Act (''Independent Trustees''), unanimously approved an agreement and plan of reorganization (''Reorganization Agreement'') under which ARCT will acquire the assets and liabilities of ASAT in exchange for ARCT shares. The number of ARCT shares to be issued to ASAT will be determined on the basis of the relative net asset value per share and aggregate net assets of ARCT and ASAT as of the close of business on the closing date of the Reorganization (''Closing Date''), currently anticipated to occur in early September 1999. Portfolio securities of ARCT and ASAT will be valued in accordance with the valuation practices of each Trust, which are described in each Trust's current prospectus and statement of additional information. As soon as practicable after the Closing Date, ASAT will liquidate and distribute *pro rata* to its shareholders the ARCT shares. No sales charges will be imposed upon ASAT shareholders in connection with the Reorganization.

3. Applicants state that the investment objectives, restrictions and limitations of ARCT are similar to those of ASAT. Neither ASAT nor ARCT impose any sales charges or distribution related fees.

4. The Boards, including all of the Independent Trustees, determined that the Reorganization is in the best interests of each Trust, and that the interests of the existing shareholders of each Trust would not be diluted by the Reorganization. In assessing the Reorganization, the Boards considered various factors, including: (a) the compatibility of each Trust's investment objective, policies and restrictions, and shareholder services; (b) the terms and conditions of the Reorganization; (c) the expense ratios of each Trust; (d) the tax-free nature of the Reorganization; and (e) the estimated costs of the Reorganization. All Reorganization expenses will be borne by ARCT, as determined by its Board.

5. The Reorganization is subject to a number of conditions, including that: (a) the Reorganization is approved by each Board and the shareholders of ASAT; (b) the Trusts receive opinions of counsel that the Reorganization will be tax-free; and (c) applicants receive exemptive relief from the SEC as requested in the application. The Reoganization Agreement may be terminated by ASAT by resolution of its Board if the Board determines that circumstances have changed to make the Reorganization inadvisable. Applicants agree not to make any material changes to the Reorganization Agreement without prior SEC approval.

6. A registration statement on Form N–14 was filed with the SEC on June 23, 1999, and became effective on July 29, 1999. Definitive proxy solicitation materials have been filed with the SEC and were mailed to ASAT shareholders on July 29, 1999. A special meeting of ASAT shareholders is scheduled for August 20, 1999.

Applicants' Legal Analysis

1. Section 17(a) of the Act generally prohibits an affiliated person of a registered investment company, or an affiliated person of such a person, acting as principal, from selling any security to, or purchasing any security from, the company. Section 2(a)(3) of the Act defines an ''affiliated person'' of another person to include (a) any person directly or indirectly owning, controlling, or holding with power to vote 5% or more of the outstanding voting securities of the other person; (b) any person 5% or more of whose securities are directly or indirectly owned, controlled, or held with power to vote by the other person; (c) any person directly or indirectly controlling, controlled by or under common control with the other person; and (d) if the other person is an investment company, any investment adviser of that company.