

## SUBCHAPTER G—POSTAGE PROGRAMS

### PART 501—AUTHORIZATION TO MANUFACTURE AND DISTRIBUTE POSTAGE EVIDENCING SYSTEMS

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AUTHORITY: 5 U.S.C. 552(a); 39 U.S.C. 101, 401, 403, 404, 410, 2601, 2605; Inspector General Act of 1978, as amended (Pub. L. 95-452, as amended); 5 U.S.C. App. 3.

SOURCE: 71 FR 65733, Nov. 9, 2006, unless otherwise noted.

#### § 501.1 Definitions.

(a) *Postage Evidencing Systems* regulated by part 501 produce evidence of prepayment of postage by any method other than postage stamps and permit imprints. A Postage Evidencing System is a device or system of components that a customer uses to generate and print evidence that postage required for mailing has been paid. Postage Evidencing Systems print indicia, such as information-based indicia or

intelligent mail indicia to indicate postage payment. They include but are not limited to postage meters and PC Postage systems.

(b) A *postage meter* is a USPS-approved Postage Evidencing System that uses a postage security device (PSD) to account for postage purchased and generates evidence of such purchased postage in the form of an indicium, where the PSD is co-located with the printing of the indicium. The term *meter* as used in this part refers to a postage meter.

(c) *PC Postage products* are USPS-approved Postage Evidencing Systems that use a computer, tablet, or similar device as a user interface. PC Postage products may use the internet to download postage to the computer, tablet or similar device. PC Postage products use a mechanism to account for postage that is remote from the printing of the indicium.

(d) A *provider* is a person or entity authorized under this section to manufacture and/or distribute Postage Evidencing Systems to customers.

(e) A *manufacturer* of postage meters produces postage meters.

(f) A *distributor* of postage meters may be a manufacturer who leases postage meters directly to end-user customers or may be an independent entity who leases postage meters to end-user customers on behalf of the manufacturer.

(g) A *customer* is a person or entity authorized by the Postal Service to use a Postage Evidencing System as an end user in accordance with *Mailing Standards of the United States Postal Service*, Domestic Mail Manual (DMM), including 604 Postage Payment Methods and Refunds, 4.0 Postage Meters and PC Postage Products (Postage Evidencing Systems).

(h) *Postal Requirements* include the Code of Federal Regulations, title 39 part 501, the Domestic Mail Manual (DMM), the International Mail Manual (IMM), and the Intelligent Mail Indicia Performance Criteria (IMIPC).

[71 FR 65733, Nov. 9, 2006, as amended at 80 FR 42392, July 17, 2015; 85 FR 21775, Apr. 20, 2020]

**§ 501.2 Postage Evidencing System provider authorization.**

(a) The Postal Service considers Postage Evidencing Systems and their respective infrastructure to be essential to the exercise of its specific powers to prescribe postage and provide evidence of payment of postage under 39 U.S.C. 404(a)(2) and (4).

(b) Due to the potential for adverse impact upon Postal Service revenue, the following activities may not be engaged in by any person or entity without prior, written approval of the Postal Service. Persons or entities that perform these activities are referred to collectively as Postage Evidencing System (PES) Providers in this section.

(1) Manufacturing and/or distributing any Postage Evidencing System that generates or produces U.S. postage.

(2) Repairing, refurbishing, remanufacturing, modifying, or destroying any component of a Postage Evidencing System that accounts for or authorizes the printing of U.S. postage.

(3) Owning or operating an infrastructure that maintains operating data for the production of U.S. postage, or accounts for U.S. postage purchased for distribution through a Postage Evidencing System.

(4) Owning or operating an infrastructure that maintains operating data that is used to facilitate registration with the Postal Service of customers of a Postage Evidencing System.

(c) Approval to become a Postage Evidencing System Provider:

(1) Any person or entity seeking authorization to become a PES Provider must submit a request to the Postal Service in writing to the Office of Commercial Payment. Once the request is received, the Office of Commercial Payment will provide the applicant the PES Provider Applicant Guide and the Intelligent Mail Indicia Performance Criteria (IMIPC), the IMIPC setting forth PES and indicia specification and requirements. The contact information for Commercial Payment can be found in § 501.2(f).

(2) The PES Provider Applicant Guide sets forth the process for applicants seeking to become a PES Provider. An applicant is subject to the

rules in both that Guide and the IMIPC, while they are attempting to gain approval to become a PES Provider. Although the Guide sets forth the methodology for a PES provider applicant to be approved as a PES provider, it is not a replacement for postal regulations; such regulations govern the process. As such, the Guide will be updated to reflect changes in postal regulations.

(3) An applicant applying for approval to become a PES Provider must undergo three (3) primary phases which are laid out in the PES Provider Applicant Guide: Applicant Introduction and Letter of Intent; Applicant Qualification and Registration; and PES Evaluation. Each phase includes prerequisites to enter the phase, deliverables expected during that phase, and a requirement of written approval by the Office of Commercial Payment to allow the process to continue to the next phase. Please note that, to the extent that a PES provider applicant seeks to obtain access to the IMIPC, such access should only be granted after the applicant enters into a Non-disclosure agreement with the Postal Service permitting such access and the usage thereof.

(4) To the extent that an applicant reaches the PES Evaluation phase, then the applicant is governed by Postal Requirements, the IMIPC, and the PES Provider Applicant Guide even though not yet an authorized PES Provider.

(5) The Postal Service, in its sole discretion, may approve an applicant. In reaching its approval determination, the Postal Service may review factors and make determinations including, but not limited to, satisfactory evidence of the applicant's integrity and financial responsibility, commitment to comply with the Postal Requirements, and a determination that disclosure to the applicant of Postal Service customer, financial, or other data of a commercial nature necessary to perform the function for which approval is sought would be appropriate and consistent with good business practices within the meaning of 39 U.S.C. 410(c)(2).

(6) No applicant is considered a PES Provider until the Postal Service

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issues a final written decision. This is accomplished by the provision of a final approval of the applicant's status as an authorized PES Provider in writing from the Vice President of Mail Entry & Payment Technology (or successor). The applicant is approved in writing to engage in the function(s) for which authorization was sought and approved.

(d) To the extent that any person or entity is approved to be a PES Provider, such PES Provider must adhere to the Postal Requirements.

(e) As a condition of obtaining authorization under this section, the PES Provider's facilities used for the manufacture, distribution, storage, resetting, repair, refurbishment, remanufacturing, modifying, or destruction of a Postage Evidencing System and all facilities housing infrastructure supporting Postage Evidencing Systems will be subject to unannounced inspection by representatives of the Postal Service. If such facilities are outside the continental United States, the PES Provider will be responsible for all reasonable and necessary travel-related costs incurred by the Postal Service to conduct the inspections. Travel-related costs are determined in accordance with Postal Service Handbook F-15, Travel and Relocation. At its discretion, the Postal Service may continue to fund routine inspections outside the continental United States as it has in the past, provided the costs are not associated with particular security issues related to a PES Provider's Postage Evidencing System or supporting infrastructure, or with the start-up or implementation of a new plant or of a new or substantially changed manufacturing process.

(1) When conducting an inspection outside the continental United States, the Postal Service will make every effort to combine the inspection with other inspections in the same general geographic area in order to enable affected PES Providers to share the costs. The Postal Service team conducting such inspections will be limited to the minimum number necessary to conduct the inspection. All air travel will be contracted for at the rates for official government business, when available, under such rules respecting

class of travel as apply to those Postal Service representatives inspecting the facility at the time the travel occurs.

(2) If political or other impediments prevent the Postal Service from conducting security evaluations of Postage Evidencing System facilities in foreign countries, Postal Service approval of the activities conducted in such facilities may be suspended until such time as satisfactory inspections may be conducted.

(f) The Postal Service office responsible for administration of this part is the Office of Commercial Payment or successor organization. All submissions to the Postal Service required or invited by this part are to be made to this office in person or via mail to 475 L'Enfant Plaza SW, Room 3500, Washington, DC 20260-0004.

[85 FR 21775, Apr. 20, 2020]

### **§ 501.3 Postage Evidencing System provider qualification.**

Any person or entity seeking authorization to manufacture and/or distribute Postage Evidencing Systems must:

(a) Satisfy the Postal Service of its integrity and financial responsibility.

(b) Obtain Postal Service approval under this part of at least one Postage Evidencing System satisfying the requirements of Postal Service regulations.

(c) Protect customer information by not causing or permitting the data to be released other than for the operation of a third-party location. The provider bears the ultimate responsibility to ensure customer information will not be compromised at any domestic or off shore locations (including third-party locations), and bears the responsibility to ensure its agents or contractors operating domestic or off shore locations do not compromise this information. The provider shall notify its customer that data relating to its systems is being housed at a third-party location, and shall provide a copy thereof to the Postal Service of such notice to its customers. To the extent that any unauthorized release takes place, the provider shall notify the Postal Service immediately upon discovery of any unauthorized use or disclosure of data or any other breach

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or improper disclosure of data of this agreement by the provider (as well as its agent operating the third-party location) and will cooperate with the Postal Service in every reasonable way to help the Postal Service regain possession of the data and prevent its further unauthorized use or disclosure. In the event that the Postal Service cannot regain possession of the data or prevent its further unauthorized use or disclosure, the provider shall indemnify the Postal Service from damages resulting from its (or such third-party) actions.

(d) Have, or establish, and keep under its active supervision and control adequate facilities for the control, distribution, and maintenance of PES and their replacement or secure disposal or destruction when necessary and appropriate.

[71 FR 65733, Nov. 9, 2006, as amended at 76 FR 77149, Dec. 12, 2011; 85 FR 21776, Apr. 20, 2020]

#### § 501.4 Changes in ownership or control, bankruptcy, or insolvency.

(a) Any person or entity authorized under § 501.2 must promptly notify the Postal Service when it has a reasonable expectation that there may be a change in its ownership or control including changes in the ownership of an affiliate which exercises control over its Postage Evidencing System operations in the United States. A change of ownership or control within the meaning of this section includes entry into a strategic alliance or other agreement whereby a third party either has access to data related to the security of the system or is a competitor to the Postal Service. Any person or entity seeking to acquire ownership or control of a person or entity authorized under § 501.2 must provide the Postal Service satisfactory evidence that upon completion of the contemplated transaction, it will satisfy the conditions for approval stated in § 501.2. Early notification of a proposed change in ownership or control will facilitate expeditious review of an application to acquire ownership or control under this section.

(b) Any person or entity authorized under § 501.2 must promptly notify the Postal Service when it has a reasonable

expectation that there may be a change in the status of its financial condition either through bankruptcy, insolvency, assignment for the benefit of creditors, or other similar financial action. Any person or entity authorized under § 501.2 who experiences a change in the status of its financial condition may, at the discretion of the Postal Service, have its authorization under § 501.2 modified or terminated.

#### § 501.5 Burden of proof standard.

The burden of proof is on the Postal Service in administrative determinations of suspension and revocation under § 501.6 and administrative sanctions under § 501.12. Except as otherwise indicated in those sections, the standard of proof shall be the preponderance-of-evidence standard.

#### § 501.6 Suspension and revocation of authorization.

(a) The Postal Service may suspend and/or revoke authorization to manufacture and/or distribute any or all of a provider's approved Postage Evidencing System(s) if the provider engages in any unlawful scheme or enterprise, fails to comply with any provision in this Part 501, fails to implement instructions issued in accordance with any final decision issued by the Postal Service within its authority over Postage Evidencing Systems or if the Postage Evidencing System or infrastructure of the provider is determined to constitute an unacceptable risk to Postal Service revenues.

(b) The decision to suspend or revoke pursuant to paragraph (a) of this section shall be based upon the nature and circumstances of the violation (*e.g.* whether the violation was willful, whether the provider voluntarily admitted to the violation, or cooperated with the Postal Service, whether the provider implemented successful remedial measures) and on the provider's performance history. Before determining that a provider's authorization to manufacture and/or distribute Postage Evidencing Systems should be suspended or revoked, the procedures in paragraph (c) of this section shall be followed.

(c) Suspension or revocation procedures:

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(1) Upon determination by the Postal Service that a provider is in violation of provisions of this part, or that its Postage Evidencing System poses an unreasonable risk to postal revenue, Commercial Payment, acting on behalf of the Postal Service, shall issue a written notice of proposed suspension citing the specific conditions or deficiencies for which suspension of authorization to manufacture and/or distribute a specific Postage Evidencing System or class of Postage Evidencing Systems may be imposed. Except in cases of willful violation, the provider shall be given an opportunity to correct deficiencies and achieve compliance with all requirements within a time limit corresponding to the potential risk to postal revenue.

(2) In cases of willful violation, or if the Postal Service determines that the provider has failed to correct cited deficiencies within the specified time limit, Commercial Payment shall issue a written notice of suspension setting forth the facts and reasons for the decision to suspend, and the effective date if a written defense is not presented as provided in paragraph (d) of this section.

(3) The notice shall also advise the provider of its right to file a response under paragraph (d) of this section. If a written response is not presented in a timely manner the suspension may go into effect. The suspension shall remain in effect for ninety (90) calendar days unless revoked or modified by Commercial Payment.

(4) If, upon consideration of the defense as provided in paragraph (d) of this section, the Postal Service deems that the suspension is warranted, the suspension shall remain in effect for up to 90 days unless withdrawn by the Postal Service, as provided in paragraph (c)(5)(iii) of this section.

(5) At the end of the ninety (90) day suspension, the Postal Service may:

(i) Extend the suspension in order to allow more time for investigation or to allow the provider time to correct the problem.

(ii) Make a determination to revoke authorization to manufacture and/or distribute a Postage Evidencing System in part or in whole.

(iii) Withdraw the suspension based on identification and implementation of a satisfactory solution to the problem.

(d) The provider may present the Postal Service with a written defense to any suspension or revocation determination within thirty (30) calendar days of receiving the written notice (unless a shorter period is deemed necessary). The defense must include all supporting evidence and state with specificity the reasons why the order should not be imposed.

(e) After receipt and consideration of the defense, Commercial Payment shall advise the provider of its decision, and the facts and reasons for it. The decision shall be effective upon receipt unless it provides otherwise. The decision shall also advise the provider that it may be appealed within thirty (30) calendar days of receipt (unless a shorter time frame is deemed necessary). If an appeal is not filed in a timely manner, the decision of Commercial Payment shall become a final decision of the Postal Service. The appeal may be filed with the Chief Information Officer of the Postal Service and must include all supporting evidence and state with specificity the reasons the provider believes that the decision is erroneous. The decision of the Chief Information Officer shall constitute a final decision of the Postal Service.

(f) An order or final decision under this section does not preclude any other criminal or civil statutory, common law, or administrative remedy that is available by law to the Postal Service, the United States, or any other person or entity.

[71 FR 65733, Nov. 9, 2006, as amended at 78 FR 44438, July 24, 2013; 85 FR 21776, Apr. 20, 2020]

### **§ 501.7 Postage Evidencing System requirements.**

(a) A Postage Evidencing System submitted to the Postal Service for approval must meet the requirements of the Intelligent Mail Indicia Performance Criteria (IMIPC) published by Commercial Payment. Copies of the current IMIPC may be requested via mail to the address in § 501.2(f).

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(b) The provider must affix to all meters a cautionary message providing the meter user with basic reminders on leasing and meter movement.

(1) The cautionary message must be placed on all meters in a conspicuous and highly visible location. PROPERTY OF [NAME OF PROVIDER] as well as the provider's toll-free number must be emphasized by capitalized bold type and preferably printed in red. The minimum width of the message should be 3.25 inches, and the minimum height should be 1.75 inches. The message should read as follows:

RENTED POSTAGE METER-NOT FOR  
SALE  
PROPERTY OF [NAME OF PROVIDER]  
(800) ###-####

Use of this meter is permissible only under U.S. Postal Service authorization. Call [Name of Provider] at (800) ###-#### to relocate/return this meter.

WARNING! METER TAMPERING IS A FEDERAL OFFENSE.  
IF YOU SUSPECT METER TAMPERING,  
CALL POSTAL INSPECTORS AT (800) 372-8347

REWARD UP TO \$50,000 for information leading to the conviction of any person who misuses postage meters resulting in the Postal Service not receiving correct postage payments.

(2) Exceptions to the formatting of the required message are determined on a case-by-case basis. Any deviation from standardized meter message requirements must be approved in writing by the Postal Service.

(c) The provider must ensure that any matter printed by a Postage Evidencing System, whether within the boundaries of the indicia or outside the clear zone as defined in DMM 604.4.0 and the Intelligent Mail Indicia Performance Criteria (IMI-PC), is:

(1) Consistent with the Postal Service's intent to maintain neutrality on religious, social, political, legal, moral, or other public issues;

(2) Is not obscene, deceptive, or defamatory of any person, entity, or group, and does not advocate unlawful action;

(3) Does not emulate any form of valid postage, government, or other official indicia, or payment of postage; and

(4) Does not harm the public image, reputation, or good will of the Postal

Service and is not otherwise derogatory or detrimental to the interests of the Postal Service.

(d) Providers must also ensure that customers acknowledge, agree, and warrant in writing that:

(1) The customer bears full responsibility and liability for obtaining authorization to reproduce and otherwise use the matter as proposed (including, without limitation, any trademarks, slogans, likenesses or copyrighted material contained in the image);

(2) The customer in fact has the legal authority to reproduce and otherwise use the matter as proposed; and

(3) The customer understands that images or other matter is not provided, approved, or endorsed in any way by the Postal Service.

[71 FR 65733, Nov. 9, 2006, as amended at 78 FR 44439, July 24, 2013; 82 FR 60118, Dec. 19, 2017; 85 FR 21777, Apr. 20, 2020; 85 FR 78235, Dec. 4, 2020]

### § 501.8 Postage Evidencing System test and approval.

(a) To receive Postal Service approval, each Postage Evidencing System must be submitted by the provider and evaluated by the Postal Service in accordance with the Intelligent Mail Indicia Performance Criteria (IMIPC) published by Commercial Payment. Copies of the current IMIPC may be requested via mail to the address in § 501.2(f). These procedures apply to all proposed Postage Evidencing Systems regardless of whether the provider is currently authorized by the Postal Service to distribute Postage Evidencing Systems. All testing required by the Postal Service will be an expense of the provider.

(b) As provided in § 501.11, the provider has a duty to report security weaknesses to the Postal Service to ensure that each approved Postage Evidencing System protects the Postal Service against loss of revenue at all times. A grant of approval of a system does not constitute an irrevocable determination that the Postal Service is satisfied with the revenue-protection capabilities of the system. After approval is granted to manufacture and/

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or distribute a Postage Evidencing System, no change affecting its basic features or safeguards may be made except as authorized or ordered by the Postal Service in writing.

[71 FR 65733, Nov. 9, 2006, as amended at 78 FR 44439, July 24, 2013; 85 FR 21777, Apr. 20, 2020]

### § 501.9 Demonstration or test Postage Evidencing Systems.

(a) A demonstration or test postage evidencing system is any system that produces an image that replicates a postage indicium for which the Postal Service has not received payment for postage. The following procedures must be followed to implement controls over demonstration or test Postage Evidencing Systems:

(1) A demonstration or test Postage Evidencing System may print only specimen or test indicia. A specimen or test indicia must clearly indicate that the indicia does not represent valid postage.

(2) A demonstration or test Postage Evidencing System must be recorded as such on internal provider inventory records and must be tracked by model number, serial number, and physical location.

(3) A demonstration or test Postage Evidencing System must remain under the provider's direct control. A demonstration or test Postage Evidencing System may not be left in the possession of a customer under any circumstance.

(b) All indicia printed by a demonstration or test Postage Evidencing System must be collected and destroyed daily.

### § 501.10 Postage Evidencing System modifications.

(a) An authorized provider must receive prior written approval from the director, Commercial Payment, of any and all changes made to a previously approved Postage Evidencing System. The notification must include a summary of all changes made and the provider's assessment as to the impact of those changes on the security of the Postage Evidencing System and postage funds. Upon receipt of the notification, Commercial Payment will review the summary of changes and make a

decision regarding the need for the following:

(1) Additional documentation.

(2) Level of test and evaluation required.

(3) Necessity for evaluation by a laboratory accredited by the National Institutes of Standards and Technology (NIST) under the National Voluntary Laboratory Accreditation Program (NVLAP).

(b) Upon receipt and review of additional documentation and/or test results, Commercial Payment will issue a written acknowledgement and/or approval of the change to the provider.

[78 FR 44439, July 24, 2013, as amended at 85 FR 21777, Apr. 20, 2020]

### § 501.11 Reporting Postage Evidencing System security weaknesses.

(a) For purposes of this section, provider refers to the Postage Evidencing System provider authorized under § 501.2 and its foreign affiliates, if any, subsidiaries, assigns, dealers, independent dealers, employees, and parent corporations.

(b) Each authorized provider of a Postage Evidencing System must notify the Postal Service within twenty-four (24) hours, upon discovery of the following:

(1) All findings or results of any testing known to the provider concerning the security or revenue protection features, capabilities, or failings of any Postage Evidencing System sold, leased, or distributed by it that has been approved for sale, lease, or distribution by the Postal Service or any foreign postal administration; or has been submitted for approval by the provider to the Postal Service or other foreign postal administration(s).

(2) All potential security weaknesses or methods of tampering with the Postage Evidencing Systems that the provider distributes of which it knows or should know and the Postage Evidencing System model subject to each such method. Potential security weaknesses include but are not limited to suspected equipment defects, suspected abuse by a customer or provider employee, suspected security breaches of the Computerized Meter Resetting System (CMRS) or databases housing confidential customer data relating to the

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use of Postage Evidencing Systems, occurrences outside normal performance, or any repeatable deviation from normal Postage Evidencing System performance.

(3) Cyber attacks that include, but are not limited to, gaining unauthorized access to digital systems for purposes of misappropriating assets or sensitive information, corrupting data, or causing operational disruption. Cyber attacks may also be carried out in a manner that does not require gaining unauthorized access, such as by causing denial-of-service attacks on Web sites. Cyber attacks may be carried out by third parties or insiders using techniques that range from highly sophisticated efforts to electronically circumvent network security or overwhelm Web sites to more traditional intelligence gathering and social engineering aimed at obtaining information necessary to gain access. Cyber security risk disclosures reported must adequately describe the nature of the material risks and specify how each risk affects the Postage Evidencing System.

(c) Within a time limit corresponding to the potential revenue risk to postal revenue as determined by the Postal Service, the provider must submit a written report to the Postal Service. The report must include the circumstances, proposed investigative procedure, and the anticipated completion date of the investigation. The provider must also provide periodic status reports to the Postal Service during subsequent investigation and, on completion, must submit a summary of the investigative findings.

(d) The provider must establish and adhere to timely and efficient procedures for internal reporting of potential security weaknesses and shall provide a copy of such internal reporting procedures and instructions to the Postal Service for review.

(e) Failure to comply with this section may result in suspension of approval under § 501.6 or the imposition of sanctions under § 501.12.

[71 FR 65733, Nov. 9, 2006, as amended at 77 FR 23396, Apr. 19, 2012]

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### § 501.12 Administrative sanctions.

(a) An authorized Postage Evidencing System provider may be responsible to the Postal Service for revenue losses caused by failure to comply with § 501.11.

(b) The Postal Service shall determine all costs and revenue losses measured from the date that the provider knew, or should have known, of a potential security weakness, including, but not limited to, administrative and investigative costs and documented revenue losses that result from any Postage Evidencing System for which the provider failed to comply with any provision in § 501.11. The Postal Service issues a written demand for reimbursement of any and all such costs and losses (net of any amount collected by the Postal Service from the customers) with interest. The demand shall set forth the facts and reasons on which it is based.

(c) The provider may present the Postal Service with a written defense to the proposed action within thirty (30) calendar days of receipt. The defense must include all supporting evidence and state with specificity the reasons for which the sanction should not be imposed.

(d) After receipt and consideration of the defense, the Postal Service shall advise the provider of the decision, and the facts and reasons for it; the decision shall be effective upon receipt unless it provides otherwise. The decision shall also advise the provider that it may, within thirty (30) calendar days of receiving written notice, appeal that determination to the Chief Information Officer of the Postal Service, who shall issue a written decision upon the appeal, which will constitute the final Postal Service decision.

(e) The imposition of an administrative sanction under this section does not preclude any other criminal or civil statutory, common law, or administrative remedy that is available by law to the Postal Service, the United States, or any other person or entity.

(f) An authorized Postage Evidencing System provider, who without just cause fails to follow any Postal Service

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approved procedures, perform adequately any of the Postal Service approved controls, or fails to obtain approval of a required process in § 501.14 in a timely fashion, is subject to an administrative sanction under this provision § 501.12.

[71 FR 65733, Nov. 9, 2006, as amended at 78 FR 44439, July 24, 2013]

### § 501.13 False representations of Postal Service actions.

Providers, their agents, and employees must not intentionally misrepresent to customers of the Postal Service decisions, actions, or proposed actions of the Postal Service respecting its regulation of Postage Evidencing Systems. The Postal Service reserves the right to suspend and/or revoke the authorization to manufacture or distribute Postage Evidencing Systems throughout the United States or any part thereof pursuant to § 501.6 when it determines that the provider, its agents, or employees failed to comply with this section.

### § 501.14 Postage Evidencing System inventory control processes.

(a) Each authorized provider of Postage Evidencing Systems must permanently hold title to all Postage Evidencing Systems that it manufactures or distributes, except those purchased by the Postal Service or distributed outside the United States.

(b) An authorized provider must maintain sufficient facilities for and records of the business relationship, distribution, control, storage, maintenance, repair, replacement, and destruction or disposal of all Postage Evidencing Systems and their components to enable accurate accounting and location thereof throughout the entire life cycle of each Postage Evidencing System. A complete record shall entail a list by serial number of all Postage Evidencing Systems manufactured or distributed showing all movements of each system from the time that it is produced until it is scrapped, and the reading of the ascending register each time the system is checked into or out of service. These records must be available for inspection by Postal Service officials at any time during business hours.

(c) To ensure adequate control over Postage Evidencing Systems, plans for the following subjects must be submitted for prior approval, in writing, to the Office of Commercial Payment.

(1) *Service procedures for all Postage Evidencing Systems*—these are procedures to address the process to be used for new Postage Evidencing Systems as well as those previously leased to another customer.

(2) *Transportation and storage of Postage Evidencing Systems*—these are procedures that provide reasonable precautions to prevent use by unauthorized individuals. Providers must ship all postage meters by Postal Service Registered Mail® service unless given written permission by the Postal Service to use another carrier. The provider must demonstrate that the alternative delivery carrier employs security procedures equivalent to those for Registered Mail service.

(3) *Postage Evidencing System examination/inspection procedures and schedule*—the provider is required to perform postage meter examinations or inspections based on an approved schedule. Failure to complete the postage meter examination or inspections by the due date may result in the Postal Service requiring the provider to disable the meter's resetting capability. If necessary, the Postal Service shall notify the customer that the postage meter is to be removed from service and the authorization to use a Postage Evidencing System revoked, following the procedures for revocation specified by regulation. The Postal Service shall notify the provider to remove the postage meter from the customer's location.

(4) *Out-of-service procedures for a non-faulty Postage Evidencing System*—these procedures must be used when the system is to be removed from service for any reason.

(5) *Postage Evidencing System repair process*—any physical or electronic access to the internal components of a postage meter, as well as any access to software or security parameters, must be conducted within an approved facility under the provider's direct control and active supervision. To prevent unauthorized use, the provider or any third party acting on its behalf must keep secure any equipment or other

component that can be used to open or access the internal, electronic, or secure components of a postage meter.

(6) *Handling procedures for faulty meters*—the provider must maintain handling procedures for faulty meters, including those that are inoperable, misregistering, have unreadable registers, inaccurately reflect their current status, show any evidence of possible tampering or abuse, and those for which there is any indication that the postage meter has some mechanical or electrical malfunction of any critical security component, such as any component the improper operation of which could adversely affect Postal Service revenues, or of any memory component, or that affects the accuracy of the registers or the accuracy of the value printed.

(7) *Lost or stolen postage meter procedures*—the provider must promptly report to the Postal Service the loss or theft of any postage meter or the recovery of any lost or stolen postage meter. Such notification to the Postal Service will be made by completing and filing a standardized lost and stolen meter incident report within 10 calendar days of the provider's determination of a meter loss, theft, or recovery.

(8) *Postage meter destruction*—when required, the postage meter must be rendered completely inoperable by the destruction process, and associated components must be destroyed. Manufacturers or distributors of meters must submit the proposed destruction method; a schedule listing the postage meters to be destroyed, by serial number and model; and the proposed time and place of destruction to Commercial Payment for approval prior to any meter destruction. Providers must record and retain the serial numbers of the meters to be destroyed and provide a list of such serial numbers in electronic form in accordance with Postal Service requirements for meter accounting and tracking systems. Providers must give sufficient advance notice of the destruction to allow Commercial Payment to schedule observation by its designated representative who shall verify that the destruction is performed in accordance with a Postal Service-approved method or process. To the extent that the Postal Service

elects not to observe a particular destruction, the provider must submit a certification of destruction, including the serial number(s), to the Postal Service within 5 calendar days of destruction. These requirements for meter destruction apply to all postage meters, Postage Evidencing Systems, and postal security devices included as a component of a Postage Evidencing System.

(d) If the provider uses a third party to perform functions that may have an impact upon a Postage Evidencing System (especially its security), including, but not limited to, business relationships, repair, maintenance, and disposal of Postage Evidencing Systems, Commercial Payment must be advised in advance of all aspects of the relationship, as they relate to the custody and control of Postage Evidencing Systems and must specifically authorize in writing the proposed arrangement between the parties.

(1) Postal Service authorization of a third-party relationship to perform specific functions applies only to the functions stated in the written authorization but may be amended to embrace additional functions.

(2) No third-party relationship shall compromise the Postage Evidencing System, or its components, including, but not limited to, the hardware, software, communications, and security components, or of any security-related system with which it interfaces, including, but not limited to, the resetting system, reporting systems, and Postal Service support systems. The functions of the third party with respect to a Postage Evidencing System, its components, and the systems with which it interfaces are subject to the same scrutiny as the equivalent functions of the provider.

(3) Any authorized third party must keep adequate facilities for and records of Postage Evidencing Systems and their components in accordance with paragraph (b) of this section. All such facilities and records are subject to inspection by Postal Service representatives, insofar as they are used to distribute, control, store, maintain, repair, replace, destroy, or dispose of Postage Evidencing Systems.

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(4) The provider must ensure that any party acting on its behalf in any of the functions described in paragraph (b) of this section maintains adequate facilities, records, and procedures for the security of the Postage Evidencing Systems. Deficiencies in the operations of a third party relating to the custody and control of Postage Evidencing Systems, unless corrected in a timely manner, can place at risk a provider's approval to manufacture and/or distribute Postage Evidencing Systems.

(5) The Postal Service reserves the right to review all aspects of any relationship if it appears that the relationship poses a threat to Postage Evidencing System security and may require the provider to take appropriate corrective action. By entering into any relationship under this section, the provider is not relieved of any responsibility to the Postal Service, and such must be stated in any memorialization of the relationship.

[77 FR 23618, Apr. 20, 2012, as amended at 85 FR 21777, Apr. 20, 2020]

### § 501.15 Computerized Meter Resetting System.

(a) *Description.* The Computerized Meter Resetting System (CMRS) permits customers to reset their postage meters at their places of business. Authorized providers, who operate CMRS services, are known as resetting companies (RCs).

(b) A customer is required to have funds available on deposit with the Postal Service before resetting a Postage Evidencing System or the provider may opt to provide a funds advance in accordance with paragraph (c) of this section.

(c) If the RC chooses to offer advancement of funds to customers, the RC is required to maintain a deposit with the Postal Service equal to at least one (1) day's average funds advanced. The total amount of funds advanced to customers on any given day shall not exceed the amount the provider has on deposit with the Postal Service. The Postal Service shall not be liable for any payment made by the RC on behalf of a customer that is not reimbursed by the customer, since the RC is solely responsible for the collection of advances made by the RC.

(d) The CMRS customer is permitted to make deposits in one of three ways: check, electronic funds transfer (or wire transfer), or automated clearinghouse (ACH) transfer. These deposits must be remitted to the Postal Service's designated bank account.

(e) The RC must require each CMRS customer that requests a meter resetting to provide the meter serial number, the CMRS account number, and the meter's ascending and descending register readings. The RC must verify that there are sufficient funds in the customer's CMRS account to cover the postage setting requested before proceeding with the setting transaction (unless the RC opts to provide the customer a funds advance).

(f) The Postal Service requires that the RC publicize to all CMRS customers the following payment options (listed in order of preference):

(1) Automated clearinghouse (ACH) debits/credits.

(2) Electronic funds transfers (wire transfers).

(3) Checks.

(g) The RC must reimburse the Postal Service for returned payments promptly, comply with NACHA rules, and maintain customer ACH debit agreements.

(1) *Financial responsibility for returned payments.* The RC is required to reimburse the Postal Service upon request for any returned payments. The RC must, upon first becoming aware of a returned payment, immediately lock the customer's CMRS account to prevent a meter reset until the RC receives confirmation of payment for the returned payment. If a fee, penalty or fine is assessed against the Postal Service for returned payments from an RC's customer, the Postal Service may request reimbursement for such fee, penalty or fine from the RC. The RC is required to remit the amount of the returned payment to the Postal Service plus the reimbursement request, to the extent applicable, within ten (10) banking days. Invoices will be created monthly for returns and/or applicable penalties or fines incurred for the previous month. The ten (10) banking days will start once the invoice is mailed. The RC has discretion to decide whether to charge its customer for any such

reimbursement costs (of fees, penalties, or fines) the RC pays to the Postal Service in connection with the customer's returned payment.

(2) *Responsibility to comply with NACHA rules.* The RC is required to comply with the most recent edition of the NACHA rules, published annually by the North American Clearing House Association. Failure to comply may result in revocation of access to applicable Postal Service ACH programs.

(3) *Responsibility to maintain customer ACH agreements.* The RC must obtain and store an agreement with each and every customer utilizing ACH debit as a payment method. The customer agreement must authorize the RC to debit the designated bank account identified to pay for postage through the Postal Service account of its choice. The agreement must have at least the following elements: Company Name (if applicable), Name and Title and Address of the person entering into the agreement, Contact Information (Phone Number, Fax Number and eMail Address as applicable), Date and Signature (or appropriate electronic signature evidence) of Agreement, Customer's Bank Name, Bank Routing Number, Account Number and Account Type (Checking or Savings, Business or Personal) being agreed to transact upon, an Attestation that the person submitting the form is authorized to act on behalf of the account, and Termination Date of the Agreement (if applicable). A revision period until August 31, 2024, will be provided to update agreement forms to include the minimum data elements listed. The agreement must be stored for at least two years after termination of the agreement, must be easily reproducible, and must be provided electronically to the Postal Service within three business days of electronic written request by the Postal Service in a format that can be easily and readily used for all NACHA and ACH related purposes including, without limitation, audit and defense of claims. The Postal Service will provide specific written guidance separately if requested. Failure to comply may result in revocation of access to applicable Postal Service ACH programs.

(h) *Refunds.* The Postal Service will issue a refund in the amount remaining in a customer's Computerized Meter Resetting System account, after such time as the customer provides a written request to the provider, as long as the request meets the Postal Service approved minimum and time frame.

(i) *Security and revenue protection.* To receive Postal Service approval to continue to operate systems in the postage meters environment, the RC must submit to a periodic examination and provide a System and Organization Control (SOC) 1 Type II Report of its meter system and any other applications and technology infrastructure that may have a material impact on Postal Service revenues, as determined by the Postal Service. Additionally, RC must submit to a periodic examination and provide a SOC 2 Type II Report of its meter system data security, accuracy, processing integrity and data integrity for any applications, reports, and technology infrastructure that may have a material impact on the RC's reports, which the Postal Service relies upon. For the initial SOC 2 Type I report, the Postal Service will provide the control objectives by March 18, 2020. The due date for the initial SOC 2 Type I is July 1, 2020, with the SOC 2 Type II due on August 15, 2021. Both the SOC 1 and SOC 2 examinations shall be performed by a qualified, independent audit firm and shall be conducted in accordance with the Statements on Standards for Attestation Engagements (SSAEs) No. 18, Service Organizations, developed by the American Institute of Certified Public Accountants (AICPA), as amended or superseded. Expenses associated with such examination shall be incurred by the RC. The examination shall include testing of the operating effectiveness of relevant RC internal controls (SOC 1 Type II SSAE 18 & SOC 2 Type II SSAE 18 Reports). If the service organization uses another service organization (sub-service provider), the RC should consider the nature and materiality of the transactions and data processed by the sub-service organization and the contribution of the sub-service organization's processes and controls in the achievement of the

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Postal Service's control objectives. Resetting companies are expected to submit any request for changes to control objectives by December 31 of each year, which will be taken under consideration by the Postal Service for review and approval. The Postal Service will provide common control objectives to be covered by the SOC 1 Type II SSAE 18 by January 31 each year. As a result of the examination, the service auditor shall provide the RC and the Postal Service with an opinion on the design and operating effectiveness of the RC's internal controls related to the meter system and any other applications and technology infrastructure considered material to the services provided to the Postal Service by the RC. SOC 1 and SOC 2 examinations are to be conducted on no less than an annual basis, and are to be as of and for the 12 months ended June 30 of each year (except for new contracts for which the examination period will be no less than the period from the contract date to the following June 30, unless otherwise agreed to by the Postal Service). The SOC 1 and SOC 2 examination reports are to be provided to the Postal Service by August 15 of each year. To the extent that internal control weaknesses are identified in a SOC report, the Postal Service requires prompt communication and remediation of such weaknesses and shall have the right to review working papers and engage in discussions about the work performed with the service auditor. The Postal Service requires that all remediation efforts (if applicable) are completed and reported by the RC prior to the Postal Service's fiscal year end (September 30). In addition, the RC will be responsible for evaluating its internal control environment related to the meter system and any other applications and technology infrastructure considered material to the services provided to the Postal Service by the RC, in particular, disclosing changes to internal controls for the period of July 1 to September 30. This evaluation should be documented and submitted to the Postal Service by October 15 of each year. The RC will be responsible for all costs related to the examinations conducted by the service auditor and the RC.

(j) *Inspection of records and facilities.* The RC must make its facilities that handle the operation of the computerized resetting system and all records about the operation of the system available for inspection by representatives of the Postal Service at all reasonable times. At its discretion, the Postal Service may continue to fund inspections as it has in the past, provided the costs are not associated with a particular security issue related to the RC's meter systems and supporting infrastructure.

(k) The RC is required to incorporate the following language into its meter rental agreements:

### ACKNOWLEDGMENT OF DEPOSIT REQUIREMENT—METERS

By signing this meter rental agreement, you the customer represent that you have read the *Acknowledgment of Deposit Requirement—Meters* and are familiar with its terms. You agree that, upon execution of this agreement with the RC, you will also be bound by all terms and conditions of the Acknowledgment of Deposit Requirement—Meters, as it may be amended from time to time.

[71 FR 65733, Nov. 9, 2006, as amended at 75 FR 56472, Sept. 16, 2010; 77 FR 56554, Sept. 13, 2012; 79 FR 10994, Feb. 27, 2014; 85 FR 12872, Mar. 5, 2020; 89 FR 13981, Feb. 26, 2024]

### § 501.16 PC postage payment methodology.

(a) The PC Postage customer is permitted to make payments for postage in one of two ways: Automated clearinghouse (ACH) transfer or credit card.

(b) The provider must make payments on behalf of the customer to the Postal Service in accordance with contractual and/or regulatory responsibilities.

(c) The Postal Service requires that the provider publicize to all PC Postage customers the following payment options (listed in order of preference):

(1) Automated clearinghouse (ACH) debits/credits.

(2) Credit cards.

(d) The provider must reimburse the Postal Service for returned payments promptly, comply with NACHA rules, and maintain customer ACH agreements.

(1) *Financial responsibility for returned payments.* The provider must reimburse the Postal Service upon request for any

returned payments. The provider must, upon first becoming aware of a returned payment, immediately lock the customer account to prevent resetting the account until the provider receives confirmation of payment for the returned payment. If a fee, penalty or fine is assessed against the Postal Service for returned payments from a provider's customer, the Postal Service may request reimbursement for such fee, penalty or fine from the provider. The provider is required to remit the amount of the returned payment plus the amount of the reimbursement request, to the extent applicable, to the Postal Service within ten (10) banking days. Invoices will be created monthly for returns and/or applicable penalties or fines incurred for the previous month. The ten (10) banking days will start once the invoice is mailed. The provider has discretion to decide whether to charge its customer for any such reimbursement costs (of fees, penalties or fines) the provider pays to the Postal Service in connection with the customer's returned payment.

(2) *Responsibility to comply with NACHA rules.* The provider is required to comply with the most recent edition of the NACHA rules, published annually by the North American Clearing House Association. Failure to comply may result in revocation of access to applicable Postal Service ACH programs.

(3) *Responsibility to maintain customer ACH agreements.* The provider must obtain and store an agreement with each and every customer utilizing ACH debit as a payment method. The customer agreement must authorize the provider to debit the designated bank account identified to pay for postage through the Postal Service account of its choice. The agreement must have at least the following elements: Company Name (if applicable), Name and Title and Address of the person entering into the agreement, Contact Information (Phone Number, Fax Number and eMail Address as applicable), Date and Signature (or appropriate electronic signature evidence) of Agreement, Customer's Bank Name, Bank Routing Number, Account Number and Account Type (Checking or Savings, Business or Personal) being agreed to transact

upon, an Attestation that the person submitting the form is authorized to act on behalf of the account, and Termination Date of the Agreement (if applicable). A revision period until August 31, 2024, will be provided to update agreement forms to include the minimum data elements listed. The agreement must be stored for at least two years after termination of the agreement, must be easily reproducible, and must be provided electronically to the Postal Service within three business days of electronic written request by the Postal Service in a format that can be easily and readily used for all NACHA and ACH related purposes including, without limitation, audit and defense of claims. The Postal Service will provide specific written guidance separately if requested. Failure to comply may result in revocation of access to applicable Postal Service ACH programs.

(4) *Credit cards.* Unless otherwise established in a written agreement between the Postal Service and the provider, the provider is fully responsible for its own credit card compliance.

(e) *Refunds.* The provider issues a refund to a customer for any unused postage in a Postage Evidencing System. After verification by the Postal Service, the provider will be reimbursed by the Postal Service for the individual refunds provided to customers by the provider.

(f) *Security and revenue protection.* To receive Postal Service approval to continue to operate PC Postage systems, the provider must submit to a periodic examination and provide a SOC 1 Type II Report of its PC Postage system and any other applications and technology infrastructure that may have a material impact on Postal Service revenues, as determined by the Postal Service. Additionally, provider must submit to a periodic examination and provide a SOC 2 Type II Report of its meter system data security, accuracy, processing integrity and data integrity for any applications, reports, and technology infrastructure that may have a material impact on the provider's reports, which the Postal Service relies upon. The examination shall be performed by a qualified, independent audit firm and shall be conducted in

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accordance with the Statements on Standards for Attestation Engagements (SSAEs) No. 18, Service Organizations, developed by the American Institute of Certified Public Accountants (AICPA), as amended or superseded. Expenses associated with such examination shall be incurred by the provider. The examination shall include testing of the operating effectiveness of relevant provider internal controls (SOC 1 Type II SSAE 18 Report). If the service organization uses another service organization (sub-service provider), the provider should consider the nature and materiality of the transactions processed by the sub-service organization and the contribution of the sub-service organization's processes and controls in the achievement of the Postal Service's control objectives. The control objectives to be covered by the SOC 1 Type II SSAE 18 report are subject to Postal Service review and approval, and are to be provided to the Postal Service 30 days prior to the initiation of each examination period. Re-setting companies are expected to submit any request for changes to control objectives by December 31 of each year, which will be taken under consideration by the Postal Service for review and approval. The Postal Service will provide common control objectives to be covered by the SOC 1 Type II SSAE 18 by January 31 each year. As a result of the examination, the service auditor shall provide the provider and the Postal Service with an opinion on the design and operating effectiveness of the provider's internal controls related to the meter system, and any other applications and technology infrastructure considered material to the services provided to the Postal Service by the RC. SOC 1 and SOC 2 examinations are to be conducted on no less than an annual basis, and are to be as of and for the 12 months ended June 30 of each year (except for new contracts for which the examination period will be no less than the period from the contract date to the following June 30, unless otherwise agreed to by the Postal Service). The SOC 1 and SOC 2 examination reports are to be provided to the Postal Service by August 15 of each year. To the extent that internal control weaknesses are identified in a SOC

1 Type II SSAE 18 report, the Postal Service requires prompt communication and remediation of such weaknesses and will review working papers and engage in discussions about the work performed with the service auditor. The Postal Service requires that all remediation efforts (if applicable) are completed and reported by the provider to the Postal Service's fiscal year end (September 30). In addition, the provider will be responsible evaluating its internal control environment related to the meter system and any other applications and technology infrastructure considered material to the services provided to the Postal Service by the provider, in particular, disclosing changes to internal controls for the period of July 1 to September 30. This evaluation should be documented and submitted to the Postal Service by October 15 each year. The provider will be responsible for all costs related to the examinations conducted by the service auditor and the RC.

(g) *Inspection of records and facilities.* The provider must make its facilities, which handle the operation of the PC Postage system and all records about the operation of the system, available for inspection by representatives of the Postal Service at all reasonable times.

(h) To the extent that the customer maintains funds on deposit for the payment of postage, the provider is required to incorporate the following language into its agreements with PC Postage customers:

### ACKNOWLEDGMENT OF DEPOSIT REQUIREMENT—PC POSTAGE

By signing this agreement with the provider, you represent that you have read the Acknowledgment of Deposit Requirement—PC Postage and are familiar with its terms. You agree that, upon execution of this agreement with the provider, you will also be bound by all terms and conditions of the Acknowledgment of Deposit Requirement—PC Postage, as it may be amended from time to time.

(i) *Revenue assurance.* (1) The PC Postage provider must support business practices to assure Postal Service revenue and accurate payment from customers. For purposes of this paragraph, *PC Postage provider* shall mean: providers who offer *PC Postage products* (as such terms are defined in § 501.1);

Click-N-Ship® service; and postage resellers when such resellers transmit postage revenue to the Postal Service in any manner other than through a PC Postage provider. With respect to the reseller transactions described above, the resellers, and not the PC Postage providers who provide the labels, are responsible for complying with this paragraph. For the purpose of this paragraph, a *reseller* is an entity that obtains postage through a PC Postage provider and is authorized to resell such postage to its customers pursuant to an agreement with the Postal Service. For example, an entity that sells postage to its customers, but uses a PC Postage provider to enable its customers to print postage labels, is a reseller hereunder. If that entity collects postage revenue from its customers and transmits it to the Postal Service directly (instead of through the PC Postage provider) that entity shall be deemed a PC Postage provider hereunder. For the purpose of this paragraph, a *customer* is the person or entity that deposits the mail piece into the mail system. PC Postage providers must comply with these revenue assurance requirements regardless of whether they have a direct relationship with the customer or sell postage to the customer through one or more resellers.

(2)(i) For the purposes of this paragraph, a *postage adjustment* is defined as the difference between the postage or fee actually paid to the Postal Service for a specific service, and the actual postage due to the Postal Service under the published or negotiated rate for that service, as applicable, which shall be calculated as of the time the mail piece is entered into the mailstream.

(ii) When the collection of a postage adjustment or the provision of a refund is appropriate because a customer has underpaid or overpaid the amount of postage that should have been paid, and such postage adjustment exceeds a threshold amount to be set by the Postal Service from time to time in its discretion, the PC Postage provider must, upon receiving notice from the Postal Service, pay, attempt to collect, or refund, as applicable, the postage adjustment in accordance with paragraph (1)(2)(iii) of this section. The

Postal Service will supply the PC Postage provider with the details necessary to explain the correction and the amount of the postage adjustment to be used in the adjustment process. As part of this process, the PC Postage provider shall enable customers to submit disputes concerning the postage adjustment to the Postal Service, in a method approved by the Postal Service, including via phone call to the customer care center or API in the PC Postage provider's user interface of postage collections. In addition, the PC Postage provider must convey the Postal Service's dispute decision to the customer. If the Postal Service determines the customer's dispute was valid, and the customer had already paid the postage adjustment, the PC Postage provider must return the postage adjustment to the customer when notified by the Postal Service according to the rules set forth in paragraph (1)(2)(iii)(B) of this section.

(iii)(A) In the case of an underpayment that exceeds the threshold amount, within 14 business days of receiving notice of the underpayment from the Postal Service the PC Postage provider must pay the postage adjustment directly to the Postal Service, or seek to collect the postage adjustment from the customer in accordance with this paragraph. If the PC Postage provider opts to pursue collection activity, it must notify the customer of the details of the postage adjustment (including the dispute process), retain evidence that such notice was actually received by the customer, and attempt to collect the postage adjustment by adjusting the funds available to the customer in the Postage Evidencing System, or if funds are not available, facilitating customer payment by invoicing the customer or by pursuing other methods available to collect against the customer or access funds of the customer. If the customer has a Postage Evidencing System account, the PC Postage provider must process any refunds due to the customer under paragraph (1)(2)(iii)(B) of this section before processing any collections due to the Postal Service hereunder. If the PC Postage provider opts to pursue collection activity, it shall continue to make affirmative efforts to collect the

postage adjustment from the customer until the postage adjustment is satisfied in whole or the collection period (as defined in paragraph (i)(2)(iii)(C) of this section) expires. Immediately upon receiving or securing access to funds of the customer, the PC Postage provider shall remit to the Postal Service any and all available funds from the customer's account from the Postage Evidencing System or that are otherwise recovered by the PC Postage provider to the extent necessary to satisfy the postage adjustment. The postage adjustment must be paid in full; no partial payments will be accepted by the Postal Service, except for payments made under paragraph paragraph (i)(2)(iii)(C) of this section.

(B) In the case of an overpayment that exceeds the threshold amount, the Postal Service shall within 14 business days of identifying the overpayment, provide notice of the postage adjustment to the PC Postage provider and instruct the PC Postage provider to give the customer a credit and adjust the funds available to the customer in the Postage Evidencing System. If the Postage Evidencing System account has been closed or for customers who do not have individual Postage Evidencing System accounts, the Postal Service shall instruct the PC Postage provider to issue a refund to the customer and the Postal Service shall either refund the postage adjustment to the PC Postage provider or permit the PC Postage provider to submit a reconciliation to the Postal Service. The PC Postage provider must immediately upon receiving notice of the overpayment from the Postal Service, notify the customer and, consistent with the Postal Service's instructions, adjust the funds available to the customer in the Postage Evidencing System, refund the postage adjustment to the customer, or provide a credit to the customer. If the PC Postage provider is unable to comply with the above requirements within 2 business days, the PC Postage provider must immediately notify the Postal Service.

(C) The *collection period* is a time period to be set by the Postal Service not to exceed 60 calendar days after initial notification by the Postal Service, subject to any applicable notification peri-

ods and dispute mechanisms that may be available to customers for these corrections. If an underpayment has not been satisfied within this collection period, the PC Postage provider shall adjust any funds available to the customer in the Postage Evidencing System to satisfy the postage adjustment to the greatest extent possible, and assist the Postal Service in its efforts to pursue any remedies that may be available in law or equity, including seeking payment directly from the customer.

(iv)(A) In the case of an underpayment that exceeds the threshold amount, immediately upon receiving notice of the underpayment from the Postal Service the PC Postage provider shall prohibit the customer from printing additional postage labels until the postage adjustment is satisfied in accordance with paragraph (i)(2)(iii)(A) of this section, or the customer disputes the adjustment and prevails. The Postal Service may, in its discretion, waive or delay this prohibition in specific instances.

(B) Separately, without regard to any threshold, in certain cases (such as where a customer is suspected of having intentionally or repeatedly underpaid postage) the Postal Service may, in its discretion, instruct the PC Postage provider to shut down temporarily or permanently a customer's ability to print PC Postage, and the PC Postage provider shall promptly comply with such instruction.

(C) In no event shall the Postal Service be liable to any PC Postage provider, customer or other party for any direct, indirect, exemplary, special, consequential, or punitive damages (including without limitation damages relating to loss of profit or business interruption) arising from or related to any customer's permanent or temporary inability to print postage labels in accordance with this paragraph (i)(2)(iv) or as a result of funds offset in accordance with this paragraph.

(v) The Postal Service, in its discretion, may adopt and modify from time to time, and the PC Postage providers shall comply with, business rules setting forth processes (including time constraints) for payments, refunds, account suspensions, collections, notifications, dispute resolutions and other

activities to be performed hereunder. Such business rules will be published in the FEDERAL REGISTER.

(3)(i) Without regard to any threshold, if the PC Postage provider incorrectly programmed postage rates, delayed programming postage rate changes, or otherwise provided systems or software which caused customers to pay incorrect postage amounts, then within two calendar weeks of the PC Postage provider being made aware of such error, the PC Postage provider shall:

(A) Correct the programming error;

(B) Provide the Postal Service with a detailed breakdown of how the error affected the PC Postage provider's collection of revenue; and

(C) Pay the Postal Service for the postage deficiency caused by the programming error, except in instances where the error was caused by the Postal Service or as a direct result of incorrect specifications provided by the Postal Service.

(4) The PC Postage provider is responsible for ensuring that:

(i) All customers pay (and the Postal Service receives) the current published prices that are available to customers who purchase postage through an approved PC Postage provider, or negotiated contracted prices where applicable in accordance with this paragraph; and

(ii) All payments to the Postal Service (or the log files necessary for the Postal Service to collect payments directly from customers) are complete and accurate and are initiated or transmitted, as applicable, to the Postal Service each day.

(5) Each PC Postage provider shall:

(i) Before each customer's first transaction following the implementation date of August 1, 2017, provide notice to such customer of the terms, conditions and processes described in this paragraph—including, without limitation, that the customer may be charged for deficient payments and prevented from printing additional postage labels while a postage adjustment remains unpaid—and obtain a certification from each customer that the customer has read, understands and agrees to such terms, conditions and processes,

as they may be amended or supplemented from time to time;

(ii) Ensure that each customer certifies that it:

(A) Will comply with all laws and regulations applicable to Postal Service services, including, without limitation, the provisions of the Domestic Mail Manual and the International Mail Manual,

(B) Does not owe any money to the Postal Service and is not a controlling member or officer of an entity that owes money to the Postal Service, and

(C) Authorizes the PC Postage provider to disclose the customer's personal information to the Postal Service, and such other information retained by the PC Postage provider that may enable the Postal Service to collect debts owed to it, and has the proper authority to disclose such information;

(iii) Maintain a complete and accurate record for each customer, which includes such customer's current name and a valid U.S. address that is sufficient for service of process under the law, as well as a copy of all terms agreed to by the customer and the date of such agreements;

(iv) Comply with applicable laws, rules, regulations and guidelines and ensure that its Postage Evidencing Systems, software, interfaces, communications and other properties that are used to sell or market Postal Service products accurately describe such products;

(v) Cover any costs or damages that the Postal Service may incur as a result of such PC Postage provider or its employees, contractors, or representatives failing to comply with the terms of this section, or any applicable law, regulation, rule, or government policy; and

(vi) In performing its obligations hereunder, comply with the business rules that shall be published in the FEDERAL REGISTER from time to time and provide all agreed-upon interface documentation (as updated from time to time).

(6) In the event that the Postal Service fails to exercise or delays exercising any right, remedy, or privilege under this paragraph, such failure or delay shall not operate as a waiver

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thereof or of any other provision hereof, nor shall any single or partial exercise of any right, remedy, or privilege preclude any further exercise of the same. The rights and remedies available to the Postal Service under this paragraph are cumulative and in addition to, and do not diminish, any rights or remedies otherwise available to the Postal Service.

[72 FR 33163, June 15, 2007, as amended at 75 FR 56472, Sept. 16, 2010; 79 FR 10995, Feb. 27, 2014; 80 FR 42392, July 17, 2015; 82 FR 15465, Mar. 29, 2017; 85 FR 12873, Mar. 5, 2020; 89 FR 13981, Feb. 26, 2024]

### § 501.17 Decertified Postage Evidencing Systems.

(a) A Decertified Postage Evidencing System is a device for which the provider's authority to distribute has been withdrawn by the Postal Service as a result of any retirement plan for a given class of meters published by the Postal Service in the FEDERAL REGISTER; a suspension or revocation under § 501.6; or a voluntary withdrawal undertaken by the provider.

(b) A Decertified Postage Evidencing System must be withdrawn from service by the date agreed to by the Postal Service and provider.

(c) To the extent postage meters are involved, the provider must utilize the approved procedures for lost and stolen meters under § 501.14(c)(7) to locate the meter and remove it from service by the agreed upon date.

(d) Decertified Postage Evidencing Systems that are not submitted to the Postal Service for refund within one hundred and eighty (180) days of the agreed upon withdrawal from service date will not be eligible for refund of unused postage.

(e) Postage indicia printed by Decertified Postage Evidencing Systems may no longer be considered valid postage one hundred and eighty (180) days from the agreed upon withdrawal from service date.

(f) Postage Evidencing Systems that do not comply with the then current Intelligent Mail Indicia Performance Criteria will be Decertified Postage Evidencing Systems on June 30, 2024. The

withdrawal date for those systems will be December 31, 2024.

[71 FR 65733, Nov. 9, 2006, as amended at 85 FR 78235, Dec. 4, 2020]

### § 501.18 Customer information and authorization.

(a) Authorized providers must electronically transmit the necessary customer information to the designated Postal Service central data processing facility, in Postal Service-specified format, in order for the Postal Service to authorize a customer to use a Postage Evidencing System. Postal Service receipt and acceptance of the customer information provides the customer with the authorization to possess or use a Postage Evidencing System in accordance with DMM 604 Postage Payment Methods, 4.0 Postage Meters and PC Postage Products (Postage Evidencing Systems).

(b) The Postal Service may refuse to issue a customer authorization to use a Postage Evidencing System for the following reasons:

(1) The customer submitted false or fictitious information.

(2) Within five years preceding submission of the information, the customer violated any standard for the care or use of the Postage Evidencing System, including any unresolved identified postage discrepancies that resulted in revocation of that customer's authorization.

(3) Or there is sufficient reason to believe that the Postage Evidencing System is to be used in violation of the applicable standards.

(c) The Postal Service will notify the provider of the revocation of a customer's authorization to use a Postage Evidencing System. Within ten (10) days of receipt of the notice of revocation, the provider must cancel any lease or other agreement and remove the Postage Evidencing System from service. A customer's authorization to use a Postage Evidencing system is subject to revocation for any of the following reasons:

(1) A Postage Evidencing System is used for any illegal scheme or enterprise.

(2) The customer's Postage Evidencing System is not used for twelve (12) consecutive months.

(3) Sufficient control of a Postage Evidencing System is not exercised or the standards for its care or use are not followed.

(4) The Postage Evidencing System is kept or used outside the customs territory of the United States or those U.S. territories and possessions where the Postal Service operates.

(5) The customer is in possession of a Decertified Postage Evidencing System.

(6) The customer has any unresolved postage discrepancies.

(d) The provider must electronically transmit any updates to the necessary customer information to the designated Postal Service central data processing facility, in Postal Service-specified format.

(e) No one other than an authorized provider may possess a Postage Evidencing System without a valid rental or other agreement with the provider. Other parties in possession of a Postage Evidencing System must immediately surrender it to the provider or the Postal Service.

(f) The Postal Service may use customer information consistent with the Privacy Act and the Postal Service's privacy policies posted on <http://www.usps.com>. Examples include the following:

(1) Communication with customers who may no longer be visiting a traditional Postal Service retail outlet or communication with customers through any new retail channels.

(2) Issuance (including re-authorization, renewal, transfer, revocation or denial, as applicable) of authorization to use a Postage Evidencing System to a postal patron that uses a Postage Evidencing System, and communications with respect to the status of such authorization.

(3) Disclosure to a meter provider of the identity of any meter required to be removed from service by that meter provider, and any related customer data, as the result of revocation of an authorization to use a Postage Evidencing System, questioned accurate registration of that meter, or decertification by the Postal Service of any particular class or model of postage meter.

(4) Tracking the movement of meters between a meter provider and its customers and communications to a meter provider (but not to any third party other than the customer) concerning such movement. The term meter provider includes a meter provider's dealers and agents.

(5) To transmit general information to all Postage Evidencing System customers concerning rate and rate category changes implemented or proposed for implementation by the Postal Service.

(6) To advertise Postal Service services relating to the acceptance, processing, and delivery of, or postage payment for, metered mail.

(7) To allow the Postal Service to communicate with Postal Service customers on products, services, and other information otherwise available to Postal Service customers through traditional retail outlets.

(8) Any internal use by Postal Service personnel, including identification and monitoring activities relating to Postage Evidencing Systems, provided that such use does not result in the disclosure of applicant information to any third party or will not enable any third party to use applicant information for its own purposes; except that the applicant information may be disclosed to other governmental agencies for law enforcement purposes as provided by law.

(9) Identification of authorized Postage Evidencing System providers or announcement of the de-authorization of an authorized provider, or provision of currently available public information, where an authorized provider is identified.

(10) To promote and encourage the use of Postage Evidencing Systems as a form of postage payment, provided that the same information is provided to all Postage Evidencing System customers and no particular Postage Evidencing System provider will be recommended by the Postal Service.

(11) To contact customers in cases of revenue fraud or revenue security.

(12) Disclosure to a Postage Evidencing System provider of applicant information pertaining to that provider's customers that the Postal Service views as necessary to enable the Postal

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Service to carry out its duties and purposes.

(13) To transmit to a Postage Evidencing System provider all applicant and system information pertaining to that provider's customers and systems that may be necessary to permit such provider to synchronize its computer databases with information contained in the computer files of the Postal Service.

(14) Subject to the conditions stated herein, to communicate in oral or written form with any or all applicants any information that the Postal Service views as necessary to enable the Postal Service to carry out its duties and purposes under part 501.

[71 FR 65733, Nov. 9, 2006, as amended at 80 FR 42393, July 17, 2015]

### § 501.19 Intellectual property.

Providers submitting Postage Evidencing Systems to the Postal Service for approval are responsible for obtaining all intellectual property licenses that may be required to distribute their product in commerce and to allow the Postal Service to process mail bearing the indicia produced by the Postage Evidencing System. To the extent approval is granted and the Postage Evidencing System is capable of being used in commerce, the provider shall indemnify the Postal Service for use of such intellectual property in both the use of the Postage Evidencing System and the processing of mail bearing indicia produced by the Postage Evidencing System.

### § 501.20 Discontinued Postage Evidencing Indicia.

(a) *Decertified indicia* (evidence of pre-paid postage) are indicia that have been withdrawn by the Postal Service as valid forms of postage evidence through publication by the Postal Service in the FEDERAL REGISTER, or by voluntary withdrawal undertaken by the provider.

(b) Effective December 31, 2024 all Postage Evidencing Systems that do not to produce Intelligent Mail Indicia (IMI) for evidence of pre-paid postage must be withdrawn from service. Non-IMI indicia, which are not compliant with the then-current version of the IMI-PC, will be decertified and may

not be used as a valid form of postage evidence. These decertified indicia may not be recognized as valid postage for use or refunds, after June 30, 2025.

[78 FR 8407, Feb. 6, 2013, as amended at 85 FR 78235, Dec. 4, 2020; 85 FR 79432, Dec. 10, 2020]

## PART 551—SEMIPOSTAL STAMP PROGRAM

Sec.

551.1 Semipostal Stamp Program.

551.2 Semipostal stamps.

551.3 Procedure for selection of causes and recipient executive agencies.

551.4 Submission requirements and selection criteria.

551.5 Frequency and other limitations.

551.6 Pricing.

551.7 Calculation of funds for recipient executive agencies.

551.8 Cost offset policy.

AUTHORITY: 39 U.S.C. 101, 201, 203, 401, 403, 404, 410, 414, 416.

SOURCE: 66 FR 31826, June 12, 2001, unless otherwise noted.

### § 551.1 Semipostal Stamp Program.

The Semipostal Stamp Program is established under the Semipostal Authorization Act, Public Law 106-253, 114 Stat. 634 (2000), as amended by Public Law 107-67, section 652, 115 Stat. 514 (2001). The Office of Stamp Services has primary responsibility for administering the Semipostal Stamp Program. The Office of Accounting, Finance, Controller has primary responsibility for the financial aspects of the Semipostal Stamp Program.

[67 FR 5215, Feb. 5, 2002]

### § 551.2 Semipostal stamps.

Semipostal stamps are stamps that are sold for a price that exceeds the postage value of the stamp. The difference between the price and postage value of semipostal stamps, also known as the differential, less an offset for reasonable costs, as determined by the Postal Service, consists of a contribution to fund causes determined by the Postal Service to be in the national public interest and appropriate. Funds are to be transferred to selected recipient executive agencies, as defined under 5 U.S.C. 105. The office of Stamp Services determines the print quantities of semipostal stamps. The use of