

DEPARTMENT OF THE TREASURY (TREAS)

Statement of Regulatory Priorities

The primary missions of the Department of the Treasury are: Protecting and collecting the revenue under the Internal Revenue Code and customs laws; supervising national banks and thrift institutions; managing the Community Development Financial Institutions Program and the Bank Enterprise Award Program; managing the fiscal operations of the Federal Government; enforcing laws relating to counterfeiting, Federal Government securities, firearms and explosives, money laundering, foreign commerce in goods and financial instruments, and smuggling and trafficking in contraband; protecting the President, Vice President, and certain foreign diplomatic personnel; training Federal, State, and local law enforcement officers; and producing coins and currency.

Consistent with these missions, most regulations of the Department and its constituent bureaus are promulgated to interpret and implement the laws as enacted by the Congress and signed by the President. Unless circumstances require otherwise, it is the policy of the Department to issue a notice of proposed rulemaking (NPRM) and carefully consider public comments before adopting final regulations. Also, in particular cases, the Department invites interested parties to submit views on rulemaking projects while the NPRM is being developed and to hold public hearings to discuss a proposed rule.

To the extent permitted by law, it is the policy of the Department to adhere to the regulatory philosophy and principles set forth in Executive Order 12866 and to develop regulations that maximize aggregate net benefits to society while minimizing the economic and paperwork burdens imposed on persons and businesses subject to those regulations.

Pursuant to the President's regulatory reform initiative, each of the Department's regulatory offices and bureaus conducted a thorough page-by-page review of all of its regulations. As a result of this process, which included consultation with regulated entities, the Department identified over 2,200 pages of its non-tax regulations in the Code of Federal Regulations (CFR) that will be streamlined or eliminated. In addition, the Internal Revenue Service identified over 1,200 pages of CFR regulations and other ruling documents that will be streamlined or eliminated. During fiscal

year 1996, the Department accorded priority to implementing as many of these changes as possible, taking into consideration its ongoing regulatory responsibility to issue regulations necessary to implement or interpret the laws as enacted by the Congress. As a result of these efforts, the Department initiated or completed rulemakings or other actions to eliminate or streamline over 3,000 pages of its regulations and other ruling documents. The Department will aggressively continue this project during fiscal year 1997.

Internal Revenue Service

The Internal Revenue Service (IRS), working with the Office of the Assistant Secretary (Tax Policy), promulgates regulations that interpret and implement the Internal Revenue Code and related tax statutes. In developing these regulations, every effort is made to carry out the tax policy determined by Congress in a fair, impartial, and reasonable manner, taking into account the intent of Congress, the realities of relevant transactions, the need for the Government to administer the rules and monitor compliance, and the overall integrity of the Federal tax system. The goal is to make the regulations practical and user-friendly by providing guidance that is as clear and simple as possible.

Most IRS regulations interpret tax statutes to resolve ambiguities or fill gaps in the tax statutes. This includes interpreting particular words, applying rules to broad classes of circumstances, and resolving apparent and potential conflicts between various statutory provisions.

During fiscal year 1997, the IRS will accord priority to the following regulations:

- **Classification of Business Organizations.** The existing regulations for classifying business organizations as associations (which are taxable as corporations) or as partnerships are based on the historical differences under local law between partnerships and corporations. However, many States have revised their statutes to provide that partnerships and other unincorporated organizations may possess characteristics that traditionally have been associated with corporations. In light of these and other developments, in 1996, Treasury and the IRS proposed regulations that would replace the increasingly formalistic rules for classifying business organizations under the current regulations. The proposed rules provide a much

simpler approach that generally is elective. To further simplify this area, the proposed regulations provide similar rules for organizations that have a single owner. Final regulations are expected to be issued in fiscal year 1997.

- **Tax Treatment of Inflation-Indexed Securities.** A priority of the Bureau of the Public Debt for fiscal year 1997 is the issuance of regulations governing inflation-indexed securities (see discussion below). The IRS will issue regulations to provide guidance on the Federal income tax treatment of inflation-indexed securities and other debt instruments with similar terms.
- **Withholding Tax Regulations Under Section 1441.** Section 1441 of the Internal Revenue Code requires withholding of income tax on most payments of U.S. source income made to foreign persons. The IRS recently proposed regulations under section 1441 to streamline and modernize the existing regulations by coordinating the domestic reporting and backup withholding provisions and the section 1441 withholding requirements. Special provisions for omnibus accounts also will be provided. These proposed regulations are expected to be finalized in fiscal year 1997.
- **Amortization of Intangible Assets.** The Omnibus Budget Reconciliation Act (OBRA) of 1993 added section 197 to the Internal Revenue Code, which provides for a 15-year amortization of goodwill and certain other intangible assets. OBRA 1993 also amended section 167 of the Code to provide specified amortization periods for certain computer software and mortgage servicing rights. These provisions are generally effective for intangibles acquired after August 10, 1993. Proposed regulations will be issued to implement these two Code sections and provide guidance to taxpayers on the meaning and scope of certain provisions of the statute and its anti-churning rules.
- **Substantiation and Disclosure Requirements for Certain Charitable Contributions.** OBRA 1993 amended the Internal Revenue Code to require a taxpayer desiring an income tax deduction for a charitable contribution of \$250 or more to obtain a written acknowledgement of the contribution from the donee organization containing information not typically provided by donee organizations. OBRA 1993 also amended the Code to require donee organizations to supply a disclosure statement to the donor when the

organization provided goods or services in return for a payment in excess of \$75. In fiscal year 1995, the IRS issued proposed regulations providing a number of simplifying and clarifying provisions to facilitate taxpayers' compliance with the new provisions. For example, the proposed regulations provide that certain token items and customary membership benefits that are offered to donors can be disregarded when calculating charitable contribution deductions or preparing acknowledgement and disclosure statements. Final regulations providing additional guidance will be published in fiscal year 1997.

- **Mark-to-Market Accounting for Dealers in Securities.** OBRA 1993 amended the Internal Revenue Code to require dealers in securities to account for their securities by marking them to market. The statutory definitions of the terms "security" and "dealer in securities" are extremely broad. Preliminary guidance in the form of temporary regulations was provided in 1993. A regulation providing additional guidance will be published in fiscal year 1997.

Office of the Comptroller of the Currency

The Office of the Comptroller of the Currency (OCC) is responsible for overseeing the approximately 3,000 national banks that make up the national banking system. In this role, the OCC regulates, supervises, and examines national banks; makes determinations regarding their corporate powers; and assesses their relationships with their customers. The substantive content of the OCC's regulations reflects four organizing principles that support this mission:

- The OCC's regulations help ensure safety and soundness by establishing standards that set the limits of acceptable conduct for national banks.
 - The OCC's regulations promote competitiveness by facilitating a national bank's ability to develop new lines of business, subject to any safeguards that are necessary to ensure that the bank has the expertise to manage risk effectively and adapt its business practices to deal responsibly with its customers.
 - The OCC's goal is to improve efficiency and reduce burden by updating and streamlining its regulations and eliminating those that no longer contribute significantly to the fulfillment of its mission.
 - The OCC's regulations help assure fair access to financial services for all Americans by removing unnecessary impediments to the flow of credit to consumers and small businesses, by encouraging national banks' involvement in community development activities, and by implementing Federal laws designed to protect consumers of financial services.
- In mid-1993, the OCC initiated its Regulation Review Program, which comprises a top-to-bottom review of all of the OCC's regulations. The program is part of the OCC's overall effort to promote an environment where risk is prudently managed by banks and appropriately monitored by the OCC without imposing unnecessary regulatory burdens that undermine the ability of banks to operate efficiently, compete vigorously, and provide credit and other financial products and services to the public. The program also responds to the need for regulation that is effective but sensible and cost-conscious.
- The OCC's regulatory priorities for fiscal year 1997 include completion, by the end of calendar year 1996, of the review of all of its rules under the Regulation Review Program. Among these regulatory projects are:
- **Investment Securities:** The OCC is substantially revising its rules that prescribe the standards under which national banks may purchase, sell, deal in, and underwrite investment securities. The new regulations group related subjects together, clarify areas where the current rules are unclear, and update various provisions to address market developments and to incorporate significant OCC interpretations, judicial decisions, and amendments to the governing statute.
 - **Disposition of Credit Life Insurance:** The OCC is revising its regulations regarding the provision of credit life insurance by national banks which are both outdated and incomplete.
 - **Fiduciary Activities of National Banks:** The proposal seeks to make less burdensome the requirements regarding the exercise of fiduciary powers, while preserving appropriate protection for trust customers. The proposal reflects recent court and administrative decisions relating to, among other things, collective funds for IRA and Keogh accounts.
 - **Recordkeeping and Confirmation Requirements for Securities Transactions:** The OCC has proposed to revise its regulations specifying the recordkeeping and confirmation requirements for bank securities transactions to bring them up to date, as well as to streamline and clarify them.
 - **Community Development Corporation and Project Investments:** The OCC rules relating to community development corporations and project investments are being revised to conform the regulation's standards and procedures to the processes and concepts used in other OCC regulations. This revision also proposes to give banks greater flexibility in conducting their community development activities and investments.
 - **Extensions of Credit to National Bank Insiders:** The OCC has proposed to revise its rules limiting extensions of credit to national bank insiders to reduce burden and complexity and to clarify differences between the standards applied under part 31 and those contained in the OCC's lending limits regulations.
- Also a priority during fiscal year 1997 will be the continuation of the OCC's work with the other Federal banking agencies to achieve greater uniformity in regulations that implement common statutory provisions or supervisory policies, as required by section 303 of the Community Development and Regulatory Improvement Act of 1994 (CDRIA). Section 303 requires the Federal banking agencies to work to make uniform their regulations and guidelines implementing common statutory or supervisory policies. Among these and other regulatory projects are:
- **Collateralized Transactions:** This proposed rule, which is a joint agency effort with the Federal Reserve Board (FRB), the Federal Deposit Insurance Corporation (FDIC), and the Office of Thrift Supervision (OTS), would clarify the capital treatment of certain qualifying collateralized transactions, as well as make uniform the various capital rules of the banking agencies.
 - **Capital Rules:** The OCC, the FRB, the FDIC, and the OTS are considering various amendments to the risk-based capital guidelines of each agency to achieve greater uniformity by eliminating existing certain interagency differences in capital treatment. Specific areas in the risk-based capital guidelines under consideration include (1) second liens on one- to four-family residential mortgages, (2) presold one- to four-family construction loans, (3) mutual funds, and (4) the leverage ratio.

- **Servicing Rights:** In 1995, the banking agencies published an interim rule to eliminate the accounting distinctions between originated mortgage servicing rights and purchased mortgage servicing rights, and to clarify that both categories are subject to the deduction requirements for regulatory capital. This interim rule was developed to respond to the Financial Accounting Standards Board (FASB) Financial Accounting Statement (FAS) 122, which addressed mortgage servicing rights. Subsequent to the interim rule, FASB published FAS 125, which eliminated the distinction between excess and normal servicing fees relating to servicing rights. The agencies are planning to issue a new proposed rule on the capital treatment of excess servicing fees; a final rule will address both mortgage servicing rights and excess servicing fees.
- **Recourse on Small Business Loan Obligations:** This rule, which implements CDRIA section 208, generally would permit banks to hold capital against the face amount of recourse obligation (rather than the amount of the asset transferred with recourse) on qualifying small business loans if the bank establishes a reserve equal to the bank's reasonable estimate liability under the recourse obligation.
- **Recourse and Direct Credit Substitutes:** This proposal by the banking agencies will amend the risk-based capital guidelines to provide consistency with respect to the capital treatment of recourse arrangements and direct credit substitutes. The agencies expect to propose one or more approaches that would enable them to match the risk-based capital assessment more closely to an institution's relative risk of loss in asset securitization.
- **Government Securities Sales Practices:** The OCC, in coordination with the FRB and the FDIC, has issued proposed rules regarding the responsibilities of banks that are Government securities brokers or dealers when making recommendations to their customers concerning Government securities.
- **Prohibition Against Deposit Production Offices:** The OCC, together with the FRB, the FDIC, and the OTS, will issue a regulation required by section 109 of the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 (12 U.S.C. 1835a), which is intended to insure that out-of-State banks do not use their new interstate branching

authority primarily for the purpose of deposit production.

Finally, the OCC expects during fiscal year 1997 to develop a new initiative to assess the effectiveness of its regulations in meeting articulated policy goals. This initiative is intended to facilitate the OCC's efforts to keep its regulations current by making revisions when necessary to keep pace with changes in legal requirements, as well as with developments in the financial services business.

Office of Thrift Supervision

As the primary Federal regulator of the thrift industry within the United States, the Office of Thrift Supervision (OTS) has established regulatory objectives and priorities to effectively and efficiently supervise thrift institutions. These objectives include maintaining and enhancing: The safety and soundness of the thrift industry; a flexible, responsive regulatory structure that enables savings associations to provide credit and other financial services to their communities, particularly housing credit; and an approach to supervision that is risk-focused and proactive. The OTS believes that its objectives and priorities are consistent with those established by the President.

Pursuant to section 303 of the Community Development and Regulatory Improvement Act of 1994 (CDRIA) and the Regulatory Reinvention Initiative of the Vice President's National Performance Review, OTS has conducted a page-by-page review of its regulations to determine whether each regulation is necessary, imposes the least possible burden consistent with safety and soundness, and is written in a clear, straightforward manner. The results of this review were published in December 1995.

During fiscal year 1996, OTS issued a series of substantive rules to make more significant burden-reducing changes in a number of key areas of its regulations, including regulations governing lending, subsidiaries, corporate governance, and conflicts of interest.

During fiscal year 1997, under the auspices of the Federal Financial Institutions Examination Council, OTS and the other Federal banking agencies expect to issue regulations implementing section 303 of CDRIA. This project will make uniform all regulations and guidelines implementing common statutory provisions or supervisory policies. Several of these joint initiatives are addressed above in the fiscal year 1997

regulatory plan of the Office of the Comptroller of the Currency.

Finally, the agency has identified and brought to Congress's attention certain statutory impediments to streamlining some regulations or providing additional flexibility. These include section 6 of the Home Owners' Loan Act (HOLA), which requires the liquidity regulation at part 566, section 5(f) of the HOLA, which requires that Federal savings associations maintain membership in a Federal Home Loan Bank, and section 10(m) of the HOLA, which mandates the Qualified Thrift Lender test.

United States Customs Service

The United States Customs Service is responsible for administering laws concerning the importation of goods into the United States. This includes inspecting imports, collecting applicable duties, over-seeing the activities of persons and businesses engaged in importing, and enforcing the laws concerning smuggling and trafficking in contraband. The regulatory priorities of Customs for fiscal year 1997 are to continue to facilitate procedures for legitimate commercial transactions and to provide further obstacles to the flow of narcotics and other contraband into the United States.

During fiscal year 1996, one of Customs priorities was to amend its regulations to reflect a reorganization the purpose of which is to make the agency more efficient and responsive to its customers by eliminating two management layers (7 regions, 42 districts). Customs amended its regulations on an interim basis to put this reorganization into effect and expects to finalize these amendments this fiscal year.

One of Customs regulatory responsibilities is to issue regulations that clearly set forth for the importing public the requirements that they must follow when importing merchandise subject to certain international agreements. During fiscal year 1996, Customs updated regulations implementing provisions of the Uruguay Round Agreements Act, which set forth standards governing the determination of the country of origin of textile and apparel products, and issued interim regulations establishing procedural and other requirements that apply to the collection, waiver and reduction of duties under the duty-deferral program provisions of the North American Free Trade Agreement (NAFTA). During fiscal year 1997, Customs plans to finalize the NAFTA duty-deferral

program regulations and to issue and finalize regulations regarding a United States-Canada Softwood Lumber Agreement.

During fiscal year 1997, Customs also plans to undertake several other regulatory actions that will affect the traveling and importing public, customs brokers, carriers and commercial importers. Customs will be continuing the reinvention of its regulatory procedures begun under authority granted by the Customs Modernization provisions of the North American Free Trade Agreement Implementation (NAFTA) Act. Customs reinvention efforts, in accordance with the principles of E.O. 12866, have involved and will continue to involve much input from the importing public. During fiscal year 1997, Customs will accord priority to several regulatory actions focusing on the development of a more automated environment to expedite the entry, processing and release of imported commercial merchandise. These regulations will benefit the importing public by facilitating the work of Customs officers and the trade community. Among the actions that Customs will pursue in this regard, which will improve the efficiency of Customs operations, reduce paperwork and administrative costs, are: 174•

- Allowing for paperless procedures regarding extension and suspension of liquidation notices and generally improving and clarifying the administrative process and simplifying the regulations pertaining to liquidations and extensions and suspensions of liquidation.
- Allowing elements of an entry, other than those relating to the admissibility of merchandise, that are undetermined at the time an entry summary or an import activity summary statement is required to be submitted, to be provided to Customs at a later date. This reconciliation process will expedite the release of commercial merchandise.
- Accrediting commercial laboratories to permit them to analyze a wide range of commercial products for Customs purposes. This change will facilitate the release of merchandise because it will enable importers to receive laboratory results earlier.

Bureau of Alcohol, Tobacco and Firearms

The Bureau of Alcohol, Tobacco and Firearms (ATF) issues regulations to enforce the Federal laws relating to the manufacture and commerce of alcohol products, tobacco products, firearms and explosives.

ATF's regulations carry out these missions and are designed to:

- Curb illegal traffic in and criminal use of firearms and assist State, local, and other Federal law enforcement agencies in reducing crime and violence;
- Facilitate investigations of violations of Federal explosives laws, including arson-for-profit schemes;
- Regulate the alcohol, tobacco, firearms, and explosives industries, including the issuance of licenses and permits;
- Assure the collection of all alcohol, tobacco, firearms, and ammunition tax revenues and obtain a high level of voluntary compliance with those laws;
- Suppress commercial bribery, consumer deception and other prohibited practices in the alcoholic beverage industry;
- Suppress the illicit manufacture and sale of alcoholic beverages for which Federal tax has not been paid; and
- Assist the States in their efforts to eliminate interstate trafficking in and the sale and distribution of cigarettes in avoidance of State taxes.

In its regulatory plan for fiscal year 1996, ATF accorded priority to issuing a rule implementing Public Law 103-322, the Violent Crime Control and Law Enforcement Act of 1994. Temporary regulations implementing Public Law 103-322 were issued on April 6, 1996, and another temporary regulation related to this law was issued on July 29, 1996.

ATF made significant progress in accomplishing the goals of the President's regulatory reform initiative. The page-by-page review of all its regulations—and its outreach effort with the public and the regulated industries—resulted in the identification of more than 675 pages of its regulations in the Code of Federal Regulations that it will streamline or eliminate. For example, ATF expects to replace the alcohol beverage label and formula approval system with a simplified registration system and to reduce the administrative burdens associated with the current basic permit application process for producers, wholesalers, and importers of alcohol beverages. ATF accorded priority to making as many of these changes as possible. ATF has either completed or is in the final stages of the elimination or reduction of more than 500 identified pages of regulations.

ATF is also according priority during fiscal year 1997 to issuing a notice to review and reassess a rule issued in

1990. This rule concerns explosives storage and recordkeeping requirements for members of the fireworks industry, many of which are small businesses. This notice will be issued to ascertain whether the 1990 rule should be amended, rescinded, or remain unchanged in order to minimize the economic impact on small businesses while continuing to adhere to established statutes. Another priority project during fiscal year 1997 is the issuing of a notice of proposed rulemaking of streamline regulations applying to the brewing industry. These proposed changes will streamline brewery reports and operations, eliminate obsolete regulatory provisions, and establish a separate group of simplified regulations that would apply to brewpubs. Both of these projects are described in Part II of The Regulatory Plan. A potential priority project is the preparation of a temporary rule to implement anticipated statutory changes regarding use of distilled spirits in nonbeverage products. These changes, which would allow the removal of distilled spirits from a distilled spirits plant without the payment of the full excise tax, would benefit users of distilled spirits for nonbeverage products, especially small businesses.

Financial Management Service

The Financial Management Service (FMS) issues regulations to implement its mission of improving the quality of Government financial management by linking program and financial management objectives, and providing financial services, information, advice, and assistance. The FMS serves taxpayers, the Treasury Department, Federal program agencies, and Government policymakers.

FMS's regulatory priorities for fiscal year 1997 include the implementation of the Debt Collection Improvement Act of 1996, including the provisions authorizing administrative offsets to assist families by collecting delinquent child support obligations. The Act also contains important provisions governing the use of electronic funds transfer (EFT) for most Federal payments and establishes Treasury as the lead agency for Federal debt collection efforts. FMS will promulgate new regulations to provide guidance for Federal agencies in making payments by EFT and in utilizing the Act's debt collection tools. The rule concerning EFT payments is discussed in Part II of The Regulatory Plan.

FMS will also continue implementing the Electronic Federal Tax payment System to eliminate paper processing. In addition, FMS plans to revise the Government's Automated Clearing House standards to meet the needs of the new tax payment system. These changes will speed the flow of funds to the Treasury and ease the regulatory burden on private industry.

These initiatives relate to the President's goals of improving technology to streamline Government payments and collections, and of using EFT where possible.

Bureau of the Public Debt

The Bureau of the Public Debt administers regulations governing transactions in Government securities effected by Government securities brokers and dealers and regulations that implement Treasury's borrowing authority, including rules governing the sale and issue of Treasury securities.

The Government Securities Act of 1986 (GSA), as amended, authorizes the Secretary of the Treasury to prescribe rules governing financial responsibility, the protection of customer funds and securities, recordkeeping, reporting, audit, and large position reporting for all Government securities brokers and dealers, including financial institutions. These rules fulfill the Treasury's statutory responsibility to safeguard the efficient functioning of the Government securities market and are designed to prevent fraudulent and manipulative acts and practices and to protect the integrity, efficiency and liquidity of the market. The Department is committed to implementing rules that make sense from both a regulatory and market efficiency perspective. Accordingly, the Department seeks to balance the benefits of regulation with the compliance costs imposed on the Government securities market and its participants.

The rules setting out the terms and conditions for the sale and issue by the Department to the public of marketable book-entry Treasury bills, notes and bonds are also known as the uniform offering circular. These rules apply to securities held in accounts in the book-entry system established by the Department and operated by the Federal Reserve Banks, known as the Treasury/Reserve Automated Debt Entry System (TRADES), as well as to securities held in accounts directly with Treasury in the TREASURY DIRECT system. The uniform offering circular describes the types of securities offered for sale, the auction methods by which they are sold, the process by which

bidders submit bids, the process for awarding securities to successful bidders and the authorized payment methods.

During fiscal year 1997, priority will be given to issuing final rules setting out the terms, conditions, and features for a new security product—Treasury Inflation-Indexed Securities. The Department intends to issue inflation-indexed securities, in which the nominal return is linked to the inflation rate in prices or wages, as officially published by the U.S. Government, in order to save on interest costs and to broaden the types of debt instruments available to investors in U.S. financial markets. These new securities would offer explicit inflation protection to investors, which has heretofore been unavailable in a Treasury debt instrument and may prove to be attractive investments to investors who do not now purchase Treasury securities to any significant extent. This broadening of the market for Treasury securities should also result in lower overall interest costs to the Treasury over time. A priority of the IRS for fiscal year 1997 is the issuance of regulations providing guidance on the Federal income tax treatment of these securities.

Financial Crimes Enforcement Network

The regulations of the Financial Crimes Enforcement Network (FinCEN) constitute the core of Treasury's anti-money laundering initiative and an essential component of Treasury's anti-narcotics effort. The Bank Secrecy Act (BSA) authorizes the Secretary of the Treasury to issue regulations requiring financial institutions to keep records and file reports that are determined to have a high degree of usefulness in criminal, tax, or regulatory proceedings and to implement counter-money laundering programs and compliance procedures.

Since mid-1994, FinCEN has been engaged in a thorough review of its regulatory policies and has been building a partnership between Government and the financial sector to fight money laundering. The keystone of that partnership is the recognition that only a cooperative relationship between Government and industry can provide a way to implement a three-pronged strategy of prevention, detection, and enforcement against those who truly seek to use the financial system to promote or further illegal activity. FinCEN recognizes that BSA compliance imposes costs on the financial community and it should require recordkeeping and reporting

only when the benefits to law enforcement efforts are clear.

During fiscal year 1996, FinCEN completed a number of important regulatory projects, including the following:

- Funds Transfer Regulations. In response to concerns raised by the banking industry, FinCEN finalized amendments to its funds transfer recordkeeping regulations.
- Tribal Gaming. Implementing a 1994 amendment to the BSA, FinCEN issued final regulations subjecting tribal casinos to the reporting and recordkeeping rules for casinos.
- Suspicious Transaction Reports. FinCEN issued a final rule requiring suspicious transaction reporting by banks.
- Exemption from Cash Transaction Reporting (CTR) Requirements. As required by legislation enacted in 1994, FinCEN is seeking to reduce the number of CTRs required to be filed by 30 percent. FinCEN issued an interim rule, with request for comment, that exempted many transactions from the CTR filing requirement.

During fiscal year 1997, FinCEN will continue to review and revise its existing regulations. In all cases, FinCEN will continue to work with the financial community to reduce administrative burdens associated with complying with the statutes while enhancing the usefulness of BSA information for law enforcement, financial regulators, and policy makers. During fiscal year 1997, FinCEN is continuing a general revision and simplification of all of its regulations, and will accord priority to the following projects:

- Suspicious Transaction Reporting. FinCEN plans to extend the requirement to report suspicious transactions to non-bank financial institutions, beginning with notices of proposed rulemaking concerning securities brokers and dealers and casinos.
- "Know your Customer" and Other Anti-Money Laundering Programs. Closely related to the suspicious transaction reporting requirement is FinCEN's plan to require banks and other financial institutions to implement certain "know your customer" and other anti-money laundering programs.
- Federal Registration of Money Transmitters. In response to a specific statutory directive, FinCEN will undertake to issue a notice of proposed rulemaking to establish the

terms and conditions under which non-bank financial institutions (money transmitters) must register with the Treasury Department.

- Foreign Bank Drafts. FinCEN will propose to expand the definition of monetary instrument, for purposes of the reporting of cross-border transportation, to include certain foreign bank drafts. The proposed expansion would implement only as much of the broad authority granted by a 1994 amendment to the BSA as FinCEN believes is required to address the issue of the sale of these foreign bank drafts.
- Delegation of Civil Penalty Authority for Bank Secrecy Act Violations to Bank Regulatory Agencies. Also pursuant to a specific statutory directive, FinCEN intends to delegate to the five financial institutions' supervisory agencies and the Securities and Exchange Commission the authority to impose and collect civil monetary penalties for BSA violations committed by their respective regulated institutions.

Community Development Financial Institutions Fund

The Community Development Financial Institutions Fund was established by the Community Development Banking and Financial Institutions Act of 1994 (12 U.S.C. 4701 et seq.) The primary purpose of the Fund is to provide investments in and assistance to community development financial institutions (CDFIs), principally through the CDFI Program. The Fund also administers the Bank Enterprise Award (BEA) Program, which encourages insured depository institutions to engage in certain eligible development activities and to make equity investments in CDFIs. The Fund's regulatory priorities for fiscal year 1997 is to revise its existing regulations to streamline the application and review process for CDFIs.

TREAS—Financial Management Service (FMS)

FINAL RULE STAGE

90. • MANAGEMENT OF FEDERAL AGENCY DISBURSEMENTS

Priority:

Other Significant

Legal Authority:

5 USC 301; 31 USC 321; 31 USC 3301; 31 USC 3302; 31 USC 3321; 31 USC

3325; 31 USC 3327; 31 USC 3328; 31 USC 3332; 31 USC 3335; 31 USC 6503

CFR Citation:

31 CFR 208

Legal Deadline:

Final, Statutory, January 1999.

Abstract:

Public Law 104-134 amended 12 USC 3332 to require Federal agencies to convert all Federal payments (other than payments under the Internal Revenue Code) from checks to electronic funds transfer in two phases. On July 26, 1996, an interim rule was published to implement the provisions of section 3332 that took effect on that date. An NPRM will be published in the spring of 1997 to implement the provisions of section 3332 that take effect in January 1999.

Statement of Need:

Section 31001(x) of the Debt Collection Improvement Act of 1996 (Act) requires Federal agencies to convert from checks to electronic funds transfers (EFT) in two phases. During Phase 1, which began on July 26, 1996, all recipients of Federal payments (other than payments under the Internal Revenue Code of 1986) who become eligible to receive those payments on or after July 26, 1996, must receive them electronically unless the recipient certifies that the recipient does not have an account at a financial institution or authorized payment agent. Phase 2 covers the conversion from checks to EFT for all Federal payments (except payments under the Internal Revenue Code of 1986). The Act provides, subject to waivers that may be granted by the Secretary of the Treasury, that all Federal payments made after January 1, 1999, must be made by EFT. FMS issued an interim rule to implement the Phase 1 requirements. FMS plans to publish a notice of proposed rulemaking and final rule in 1997 to provide necessary guidance to agencies regarding implementation of Phase 2.

Summary of the Legal Basis:

Section 31001(x) of the Act amends 31 U.S.C. to require Federal agencies to convert from paper-based payment methods to EFT in two phases under regulations prescribed by the Secretary of the Treasury.

Alternatives:

FMS is evaluating options for implementing the Secretary's authority to grant waivers from the EFT requirements.

Anticipated Costs and Benefits:

Costs for implementing the regulation include the collection of information about the financial institution to which EFT payments will be transmitted. This information collection is required by the Act. Cost savings will accrue to the Government from the elimination of Federal payments by paper checks.

Risks:

Not applicable.

Timetable:

Action	Date	FR Cite
Interim Final Rule	07/26/96	61 FR 39254
Interim Rule	11/25/96	
Comment Period		
End		
NPRM	12/00/97	
Final Action	12/00/97	

Small Entities Affected:

None

Government Levels Affected:

Federal

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TREAS—Bureau of Alcohol, Tobacco and Firearms (BATF)

PRERULE STAGE

91. • EXPLOSIVES MATERIALS IN THE FIREWORKS INDUSTRY

Priority:

Other Significant

Legal Authority:

5 USC 522(a); 18 USC 847; 18 USC 921 to 930; 18 USC 1261; 19 USC 1612 to 1613; 19 USC 1618; 26 USC 7101; 26 USC 7322 to 7326; 31 USC 9301; 31 USC 9303 to 9304; 40 USC 304(k)

CFR Citation:

27 CFR 55

Legal Deadline:

None

Abstract:

Complying with the Regulatory Flexibility Act (Pub. L. 96-354), ATF

is required to amend regulations in 27 CFR part 55, as a result of T.D. ATF-293, effective March 7, 1990. This document request comments from members of explosives industry and other interested persons as to the effectiveness to the changes in T.D. ATF-293.

Statement of Need:

This general notice will initiate the periodic review under the Regulatory Flexibility Act (5 USC 610) of a final rule issued in 1990 affecting the fireworks industry. That rule amended certain regulations codified at 27 CFR part 55, mostly concerning the recordkeeping and storage of fireworks explosive materials. The regulations also codified two fireworks related rulings issued in 1979 and 1985, and the provisions of PL 99-308 relating to black powder. The 1990 regulations were issued as result of the number and severity of explosions occurring on the premises of special fireworks plants. Following public comments on the existing regulations, ATF will determine whether they should be eliminated, modified, or continued without change.

Summary of the Legal Basis:

Section 847 of title 18, United States Code, grants to the Secretary of the Treasury broad discretion to promulgate regulations necessary for the importation, manufacture, distribution and safe storage of explosive materials. Section 846 of title 18, United States Code, authorizes the Secretary to prescribe precautionary measures to prevent the recurrence of accidental explosions in which explosive materials were involved. This notice is being issued pursuant to section 610 of the Regulatory Flexibility Act (5 USC 610), which requires an agency to review within ten years of publication rules for which an agency prepared a final regulatory flexibility analysis with respect to the impact of the rule on small businesses or other small entities.

Alternatives:

Not applicable to this notice; alternatives will be examined in the context of public comments to the current regulations.

Anticipated Costs and Benefits:

Unknown at this time.

Risks:

Not applicable.

Timetable:

Action	Date	FR Cite
ANPRM	01/00/97	
ANPRM Comment Period End	03/00/97	

Small Entities Affected:

Businesses

Government Levels Affected:

None

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RIN: 1512-AB48

TREAS—BATF

PROPOSED RULE STAGE

92. REVISION OF BREWERY REGULATIONS AND ISSUANCE OF REGULATIONS FOR TAVERNS ON BREWERY PREMISES (BREW PUBS)

Priority:

Other Significant

Reinventing Government:

This rulemaking is part of the Reinventing Government effort. It will revise text in the CFR to reduce burden or duplication, or streamline requirements.

Legal Authority:

26 USC 5401 to 5417; 27 USC 205

CFR Citation:

27 CFR 7; 27 CFR 25

Legal Deadline:

None

Abstract:

ATF intends to streamline regulations applying to breweries. ATF will eliminate obsolete regulatory provisions. A formula system for manufactured beer products will replace statements of process attached to the brewers notice. The annual notice for small brewers to pay reduced rate of tax will be eliminated. Separate regulations for brewpubs will be added to part 25. A section will be added to part 25 to authorize and regulate the

alternating use of brewery premises by different brewers.

Statement of Need:

ATF intends to streamline its regulations applying to the brewing industry. These changes will simplify brewery reports and operations and eliminate obsolete regulatory provisions. Specific changes would include the implementation of a formula system for the breweries to replace the statement of process, the establishment of a separate subpart containing simplified regulations for brewpubs, and the regulatory authorization of alternating brewery premises among different proprietors. The annual notice to pay reduced rate of tax for most brewers would be eliminated. Additional brewers would be authorized to file the Brewer's Report of Operations on a quarterly basis, and many brewers would be permitted to take inventories quarterly rather than monthly. Minimum production standards for beer would be prescribed in regulations which would permit the filing of fewer formulas than now required. The statement of net contents requirement would be revised for certain container sizes.

Summary of the Legal Basis:

AFT has undertaken this review of brewery regulations as part of the President's Regulatory Initiative. These regulations are issued under the general authority of the Secretary of the Treasury to promulgate regulations to implement the Internal Revenue Code and the Federal Alcohol Administration Act.

Alternatives:

Not applicable. ATF believes that industry will support these regulatory changes because they will streamline regulatory requirements applying to the brewing industry.

Anticipated Costs and Benefits:

The proposed regulations will benefit the brewing industry by reducing required inventories, notices, and other submissions to ATF. ATF does not foresee added costs to brewers as a result of the proposed regulations.

Risks:

Not applicable.

Timetable:

Action	Date	FR Cite
NPRM	12/00/96	
NPRM Comment Period End	03/00/97	
Final Action	12/00/97	

Small Entities Affected:

None

Government Levels Affected:

None

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