

(4) An action comparable to any of those described in paragraphs (a) (1) through (3) of this section undertaken by a foreign customs or law enforcement agency, or in relation to a proceeding in a foreign country.

(b)(1) Information may be provided to foreign customs and law enforcement agencies under paragraph (a) of this section only if the Commissioner or his designee obtains assurances from such agencies that such information will be held in confidence and used only for the law enforcement purposes for which such information is provided to such agencies by the Commissioner or his designee.

(2) No information may be provided under paragraph (a) of this section to any foreign customs or law enforcement agency that has violated any assurances described in paragraph (b)(1) of this section.

[T.D. 86-196, 51 FR 40792, Nov. 10, 1986. Redesignated by T.D. 96-36, 61 FR 19838, May 3, 1996]

**§103.34 Sanctions for improper actions by Customs officers or employees.**

(a) The improper disclosure of the confidential information contained in Customs documents, or the disclosure of information relative to the business of one importer or exporter that is acquired by a Customs officer or employee in an official capacity to any person not authorized by law or regulations to receive this information is a ground for dismissal from the United States Customs Service, suspension, or other disciplinary action, and if done for a valuable consideration subjects that person to criminal prosecution.

(b) Sanctions for improper denials of information by Customs officers or employees are set forth in §103.9(c).

[T.D. 81-168, 46 FR 32565, June 24, 1981. Redesignated by T.D. 96-36, 61 FR 19838, May 3, 1996]

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AUTHORITY: 19 U.S.C. 66, 1202 (General Note 20, Harmonized Tariff Schedule of the United States), 1624, 1641.

Section 111.3 also issued under 19 U.S.C. 1484, 1498;

Section 111.96 also issued under 19 U.S.C. 58c, 31 U.S.C. 9701.

SOURCE: T.D. 70-134, 35 FR 9254, June 13, 1970, unless otherwise noted.

### § 111.0 Scope.

This part sets forth regulations providing for the licensing of, and granting of permits to, persons desiring to transact customs business as customs brokers, the qualifications required of applicants, and the procedures for applying for licenses and permits. This

part also prescribes the duties and responsibilities of brokers, the grounds and procedures for disciplining brokers, including the assessment of monetary penalties, and the revocation or suspension of licenses.

[T.D. 86-161, 51 FR 30340, Aug. 26, 1986]

## Subpart A—General Provisions

### § 111.1 Definitions.

When used in this part, the following terms shall have the meanings indicated:

*Broker.* “Broker” means “customs broker”.

*Customs broker.* “Customs broker” means a person who is licensed under this part to transact customs business on behalf of others.

(c) *Customs business.* “Customs business” means those activities involving transactions with Customs concerning the entry and admissibility of merchandise, its classification and valuation, the payment of duties, taxes, or other charges assessed or collected by Customs upon merchandise by reason of its importation, or the refund, rebate, or drawback thereof.

*District.* “District” means the geographic area covered by a Customs broker permit issued under this part. A listing of each district, and the ports thereunder, will be published on or before October 1, 1995, and whenever updated.

*District director.* “District director” means the port director of Customs at the port designated as a district for purposes of this part.

*Freight forwarder.* “Freight forwarder” means a person engaged in the business of dispatching shipments on behalf of other persons for a consideration in foreign commerce between the United States, its territories or possessions, and foreign countries, and of handling the formalities incident to such shipments.

*Officer of an association or corporation.* “Officer of an association or corporation” means a person who has been elected, appointed, or designated as an officer of an association or corporation in accordance with statute, the articles of incorporation, articles of agreement,

charter, or bylaws of the association or corporation.

*Person.* "Person" includes individuals, partnerships, associations, and corporations.

*Records.* "Records" means those documents identified in §162.1a of this chapter and kept as provided in §162.1b of this chapter.

*Region.* "Region" means the geographic area covered by a waiver issued pursuant to §111.19(d).

*Treasury Department or any representative thereof.* "Treasury Department or any representative thereof" includes any office, officer, or employee of the Treasury Department, wherever located.

[T.D. 70-134, 35 FR 9254, June 13, 1970, as amended by T.D. 70-224, 35 FR 16243, Oct. 16, 1970; T.D. 86-161, 51 FR 30340, Aug. 26, 1986; T.D. 95-77, 60 FR 50019, Sept. 27, 1995]

#### **§111.2 License and district permit required.**

A person shall obtain the license provided for in this part in order to transact the business of a broker. A separate permit is required for each Customs district in which a licensee conducts customs business.

[T.D. 86-161, 51 FR 30340, Aug. 26, 1986]

#### **§111.3 Transactions for which license is not required.**

A license is not required to engage in the following transactions with the Treasury Department or any representative thereof:

(a) *For one's own account.* An importer or exporter transacting Customs business solely on his own account and in no sense on behalf of another is not required to be licensed, nor are his authorized regular employees or officers who act only for him in the transaction of such business.

(b) *As employee of brokers.* An employee of a broker, acting solely for his employer, is not required to be licensed where:

(1) *Authorized to sign Customs documents.* The broker has authorized the employee to sign Customs documents on his behalf, and has executed a power of attorney for that purpose. The broker is not required to file the power of attorney with the port director, but shall provide proof of its existence to

Customs upon request. Only employees who are residents of the United States may be authorized to sign Customs documents; or

(2) *Authorized to transact other business.* The broker has filed with the port director a statement identifying the employee as authorized to transact business on his behalf. Such statement shall also be filed at each port within the district where the broker wishes the employee to act for him.

Where the employee is given authority under either paragraph (b)(1) or (2) of this section, the broker must promptly give notice of the withdrawal of authority of any such employee and must exercise such supervision of his employees as will insure proper conduct on the part of the employees in the transaction of Customs business. Each broker will be held strictly responsible for the acts or omissions of his employees within the scope of their employment, and for acts or omissions of such employees which, in the exercise of reasonable care and diligence, the broker should have foreseen.

(c) *Marine transactions.* A person transacting business in connection with entry or clearance of vessels or other regulation of vessels under the navigation laws is not required to be licensed as a broker.

(d) *Transportation in bond.* Any carrier bringing merchandise to the port of arrival or any bonded carrier transporting merchandise for another may make entry for such merchandise for transportation in bond without being licensed as a broker.

(e) *Informal entries.* A person entering merchandise qualifying for, and entered under, the informal entry procedures authorized by 19 U.S.C. 1498 is not required to be licensed as a broker, unless required to be so licensed under §143.26 of this chapter, issued under the authority of 19 U.S.C. 1498.

[T.D. 70-134, 35 FR 9254, June 13, 1970, as amended by T.D. 78-99, 43 FR 13061, Mar. 29, 1978; T.D. 84-93, 49 FR 17754, Apr. 25, 1984; T.D. 94-51, 59 FR 30294, June 13, 1994]

#### **§111.4 Transacting customs business without a license.**

Any person who intentionally transacts customs business, other than as provided in §111.3, without holding a

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valid broker's license, shall be liable for a monetary penalty for each such transaction as well as for each violation of the requirements of 19 U.S.C. 1641. The penalty shall be assessed in accordance with subpart E of this chapter.

[T.D. 86-161, 51 FR 30340, Aug. 26, 1986]

**§ 111.5 Representation before Government agencies.**

(a) *Agencies within the Treasury Department.* A broker who represents a client in the importation or exportation of merchandise may represent the client before the Treasury Department or any representative thereof on any matter concerning such merchandise except that he shall not represent the client before Customs officers in a Customs district in which he has not been granted a permit.

(b) *Agencies not within the Treasury Department.* In order to represent a client before any agency not within the Treasury Department, a broker shall comply with any regulations of such agency governing the appearance of representatives before it.

[T.D. 70-134, 35 FR 9254, June 13, 1970. Redesignated and amended by T.D. 86-161, 51 FR 30340, Aug. 26, 1986]

**Subpart B—Procedure To Obtain License or Permit**

**§ 111.11 Basic requirements.**

(a) *Individual.* An individual must:

(1) Be a citizen of the United States, but not an officer or employee of the United States;

(2) Be at least 21 years of age;

(3) Be of good moral character; and

(4) Establish through an examination that he has sufficient knowledge of Customs and related laws, regulations and procedures, bookkeeping, accounting, and all other appropriate matters to render valuable service to importers and exporters. Satisfactory knowledge is established in part by attaining a grade of at least 75 percent on the examination.

(b) *Partnership.* A partnership must:

(1) Have at least one member of the partnership who is a licensed broker, and

(2) Establish that it will have an office at the customs port where it has applied for a permit in which its customs transactions will be performed by the licensed member of the partnership, or an employee under the responsible supervision and control of the licensed member.

(c) *Association or corporation.* An association or corporation must:

(1) Be empowered under its articles of association or articles of incorporation to transact customs brokerage business;

(2) Have at least one officer who is a licensed broker; and

(3) Establish that it will maintain an office at the customs port where it has applied for a permit. Further, customs transactions in that office must be performed by a licensed officer or an employee under the responsible supervision and control of the licensed officer.

(d) *Responsible supervision and control.* The term "responsible supervision and control" means that degree of supervision and control necessary to ensure that the employee provides substantially the same quality of service in handling customs transactions that the licensed broker is required to provide. While the determination of what is necessary to maintain responsible supervision and control will vary depending upon the circumstances in each instance, factors which Customs will consider include, but are not limited to: The frequency of visits to offices of the licensee by the licensed broker(s); the training required of employees; the issuance of written instructions and guidelines to the employees; the volume and type of business of the licensee; the reject rate for the various customs transactions; the maintenance of current editions of the Customs Regulations, Harmonized Tariff Schedule of the United States, and Customs issuances; the availability of the licensed broker(s) for consultation with the employee(s), when necessary; the frequency of audits and reviews by the licensed broker(s) of the customs transactions handled by the employee(s); and any circumstance which indicates whether a licensed broker of the firm

has a real interest in the firm's operations.

[T.D. 70-134, 35 FR 9254, June 13, 1970, as amended by T.D. 86-161, 51 FR 30340, Aug. 26, 1986; T.D. 89-1, 53 FR 51255, Dec. 21, 1988]

**§ 111.12 Application for license.**

(a) *Submission of application and fee.* An application for a broker's license shall be submitted in duplicate to the director of the port where the applicant intends to do business. The application shall be under oath and executed on Customs Form 3124. The application shall be accompanied by the fee prescribed in § 111.96 of this part and one copy of the attachment required by the application form (Articles of Agreement or an affidavit signed by all partners, Articles of Agreement of the association, or the Articles of Incorporation). If the applicant proposes to operate under a trade or fictitious name in one or more States at a port, evidence of the applicant's authority to use the name in each such State must accompany the application. An application for an individual license must be submitted not later than 30 days before the scheduled examination which the applicant wishes to take. Applications may be accepted within 30 days before the scheduled examination in the port director's discretion. The port director may require the applicant to submit fingerprints on Standard Form 87 at the time of filing the application, or after the applicant obtains a passing score on the broker examination.

(b) *Posting notice of application.* Upon receipt of the application the port director shall post a notice that the application has been filed. The notice shall be posted conspicuously for at least 2 weeks in the customhouse at the headquarters port and at the subports where the applicant proposes to maintain an office. The notice shall give the name and address of the applicant and, if the applicant is a partnership, association, or corporation, the names of the members or officers thereof who are licensed as brokers. The notice shall invite written comments or information regarding the issuance of the license.

(c) *Withdrawal of application.* If the applicant advises before the date of an examination that he wishes to with-

draw his application, the application shall be treated as withdrawn and the port director shall refund the application fee to the applicant.

[T.D. 70-134, 35 FR 9254, June 13, 1970, as amended by T.D. 74-200, 39 FR 27128, July 25, 1974; T.D. 78-99, 43 FR 13061, Mar. 29, 1978; T.D. 86-161, 51 FR 30341, Aug. 26, 1986; T.D. 93-18, 58 FR 15772, Mar. 24, 1993]

**§ 111.13 Examination of applicant for individual license.**

(a) *Examination.* The written examination shall be designated to determine the applicant's knowledge of Customs and related laws, regulations and procedures, bookkeeping, accounting, and all other appropriate matters and his fitness to render valuable service to importers and exporters. The examination will be prepared and graded in Headquarters, U.S. Customs Service.

(b) *Date and place of examination.* Examinations will be given at each district office on the first Monday in April and October. The port director shall give the applicant notice of the exact time and place where the examination will be given.

(c) *Special examination.* When a partnership, association, or corporation loses the licensed member or officer and its license will lapse under the provisions of 19 U.S.C. 1641(b)(5) before the next scheduled examination, the Commissioner may authorize a special examination for an applicant who will serve as the licensed member or officer. He may also authorize a special examination for one who will be authorized to continue the business of an individual broker. A special examination may also be authorized when a licensed brokerage firm loses its qualifying individual exercising responsible supervision and control over a district office and that office's permit will lapse before the next scheduled examination. Application and a statement of the reasons for the necessity of a special examination shall be filed with the port director in accordance with § 111.12.

(d) *Failure to appear for examination.* If the applicant fails to appear for a scheduled examination without notification in advance or explanation of the

circumstances which made it impossible or impracticable to give such notification, the port director shall notify him that the application is denied because of failure to appear for examination to establish his qualifications for a license.

(e) *Failure to pass examination.* If the applicant does not obtain a grade of at least 75 percent, the Commissioner will notify him and the port director that the application for a license is denied because of failure to pass the examination.

[T.D. 70-134, 35 FR 9254, June 13, 1970, as amended by T.D. 76-329, 41 FR 53001, Dec. 3, 1976; T.D. 86-161, 51 FR 30341, Aug. 26, 1986; T.D. 95-77, 60 FR 50019, Sept. 27, 1995]

#### § 111.14 Investigation of the applicant.

(a) *Individual license.* If the applicant passes the examination, the port director shall refer the application to the special agent in charge for an investigation and report.

(b) *Partnership, association, or corporation license.* The district director shall immediately refer an initial application for a partnership, association, or corporation license to the special agent in charge for investigation and report.

(c) *Scope of investigation.* The investigation shall ascertain facts relevant to the question whether the applicant is qualified and shall cover, but need not be limited to:

(1) The accuracy of the statements made in the application;

(2) The business integrity of the applicant; and

(3) When the applicant is an individual (including a member of a partnership or an officer of an association or corporation), the character and reputation of the applicant.

(d) *Report and return of the application.* The special agent in charge shall return the application with his report and recommendation to the district director who requested the investigation. The district director shall forward the originals of the application and the agent's report to the Commissioner. The district director shall also submit his recommendation for action on the application.

(e) *Additional investigation or examination.* The Commissioner may require further investigation to be conducted if

additional facts are deemed necessary to pass upon the application. The Commissioner may also require the applicant (or in the case of a partnership, association, or corporation, one or more of its members or officers) to appear in person before him or before one or more representatives of the Commissioner for the purpose of undergoing additional written or oral examination into the applicant's qualifications for a license.

[T.D. 70-134, 35 FR 9254, June 13, 1970, as amended by T.D. 82-181, 47 FR 42727, Sept. 29, 1982]

#### § 111.15 Issuance of license.

If the Commissioner finds that the applicant is qualified, he will issue a license. A license for an individual who is a member of a partnership or an officer of an association or corporation will be issued in the name of the individual licensee and not in his capacity as a member or officer of the organization with which he is connected. The license shall be forwarded to the port director, who shall deliver it to the licensee. The port director shall maintain an alphabetical list of brokers licensed at his port which list shall be available to the public.

#### § 111.16 Denial of license.

(a) *Notice of denial.* If the Commissioner determines that the application for a license should be denied for any reason, notice of denial shall be given by him to the applicant and to the director of the port at which the application was filed. The notice of denial shall state the reasons why the license was not issued.

(b) *Grounds for denial.* The causes sufficient to justify denial of an application for a license shall include, but need not be limited to:

(1) Any cause which would justify suspension or revocation of the license of a broker under the provisions of § 111.53;

(2) The failure to meet any requirement set forth in § 111.11;

(3) A failure to establish the business integrity and good character of the applicant;

(4) Any willful misstatement of pertinent facts in the application;

(5) Any conduct which would be deemed unfair in commercial transactions by accepted standards;

(6) A reputation imputing to the applicant criminal, dishonest, or unethical conduct, or a record of such conduct.

**§ 111.17 Review of the denial of a license.**

(a) *By the Commissioner.* Upon the denial of an application for a license, the applicant may file with the Commissioner of Customs, in writing, a request that further opportunity be given for the presentation of information or arguments in support of the application by personal appearance, or in writing, or both. This request must be received by the Commissioner within 60 days of the denial.

(b) *By the Secretary.* Upon the decision of the Commissioner affirming the denial of an application for a license, the applicant may file with the Secretary of the Treasury, in writing, a request for such additional review as the Secretary shall deem appropriate. This request must be received by the Secretary within 60 days of the Commissioner's affirmation of the denial of an application for a license.

(c) *By the Court of International Trade.* Upon a decision of the Secretary of the Treasury affirming the denial of an application for a license, the applicant may appeal the decision to the Court of International Trade provided the appeal action is commenced within 60 days after the date of entry of the Secretary's decision.

[T.D. 74-272, 39 FR 37051, Oct. 17, 1974, as amended by T.D. 85-90, 50 FR 21431, May 24, 1985]

**§ 111.18 Reapplication for license.**

An applicant who has been denied a license may reapply at any time by complying with the provisions of § 111.12 of this part.

**§ 111.19 Permits.**

(a) *General.* Each person granted a broker's license under this part shall be concurrently issued a permit for the district through which the application was submitted, without the payment of the fee required by § 111.96 if it is shown to the satisfaction of the port director

that the person intends to transact customs business within the district through which the broker's license application is submitted and the person otherwise complies with the requirements of this part.

(b) *Submission of application for permits for additional ports.* A licensed person who intends to conduct customs business at additional customs ports, or a licensed person who was not concurrently granted a permit with the broker's license under paragraph (a) of this section, shall submit an application for each additional port to the director of that port on Customs Form 3124. If the information set forth by the applicant on the Customs Form 3124 submitted pursuant to § 111.12 is current, a copy of that application may be submitted in place of a new Customs Form 3124. The Customs Form 3124 shall be modified to indicate that it is an application for a permit. The applicant shall comply with the requirements set forth in § 111.12(a). Each application for a permit shall identify the broker's license number and date of issuance. The broker shall list in its application all ports for which a permit has been granted. When a broker applies for a permit at additional customs ports, he must provide the director of that port with a document which reserves the business name with the state or local government, in order to avoid the use of the same or a confusingly similar name by two brokers.

(c) *Fee.* Each application for a permit shall be accompanied by the fees set forth in § 111.96.

(d) *Responsible supervision and control.* The applicant shall have a place of business at the port where the application is filed, or shall have made firm arrangements satisfactory to the port director to establish such a place of business. The applicant shall exercise responsible supervision and control over the office as defined by § 111.11(d). On and after October 31, 1987, other than as provided below, the applicant shall employ in each district for which a permit is granted at least one individual licensed under this subpart to exercise responsible supervision and control over the customs business conducted in the district. If the applicant can demonstrate to the satisfaction of

the Commissioner that he regularly employs, in the region in which the district is located, at least one individual who is licensed, and that adequate procedures exist for the person employed in that region to exercise responsible supervision and control, as defined by § 111.11(d), over the customs business conducted in the district, the Commissioner may waive the requirement for a licensed broker in that district. A request for a waiver, supported by information on the volume and type of customs business conducted, or planned to be conducted, and evidence demonstrating that the applicant is able to exercise responsible supervision and control, shall be sent to the port director in the district in which the waiver is sought. The port director shall review the request for a waiver and make recommendations which will be sent to the Trade Compliance Division, Customs Headquarters.

(e) *Action on application.* Upon receipt of the application for a permit, the district director shall immediately notify the district director in each other district in which the applicant has a permit and request comments as to the applicant's compliance with the duties and responsibilities of a broker in the other district. The district director in the other district shall timely submit his comments and recommendation to the district director making the request. The district director who received the application shall make a decision on it after considering all of the facts and circumstances. An application shall be approved unless action is pending in another district to suspend or revoke the applicant's license.

(f) *Investigation.* The district director may require an investigation to be conducted if additional facts are deemed necessary before making a decision upon the application.

[T.D. 86-161, 51 FR 30341, Aug. 26, 1986, as amended by T.D. 91-77, 56 FR 46115, Sept. 10, 1991; T.D. 95-77, 60 FR 50019, Sept. 27, 1995]

### Subpart C—Duties and Responsibilities of Customs Brokers

#### § 111.21 Record of transactions.

Each broker shall keep current in a correct, orderly, and itemized manner records of account reflecting all his fi-

ancial transactions as a broker. He shall keep and maintain on file a copy of each entry made by him with all supporting records, except those documents he is required to file with Customs, and copies of all his correspondence and other records relating to his Customs business.

[T.D. 70-134, 35 FR 9254, June 13, 1970, as amended by T.D. 86-161, 51 FR 30341, Aug. 26, 1986]

#### § 111.22 Additional record of transactions.

(a) *Additional requirement.* In addition to the regular records of account required by § 111.21, each broker shall keep current a record of all his Customs transactions in the format set forth in paragraph (d) of this section, unless an exemption has been granted under the authority of paragraph (b) of this section. If a transaction has been handled only in part by the broker, he shall supply only the information required by this section which relates to his transaction.

(b) *Exemption.* If the information required in paragraph (a) is disclosed in other records regularly kept and maintained by a broker and if such information is in a systematic, convenient, and readily available form, the port director may in writing exempt the broker from the requirements of paragraph (a) of this section. A written request for exemption shall be addressed to the port director and shall include:

(1) A statement of facts as to the records kept; and

(2) An agreement that, if the exemption is granted, no change in the system of records or the manner of keeping and maintaining them will be made without prior written approval of the port director.

(c) *Withdrawal of exemption.* Whenever an audit by a Customs regulatory auditor indicates that a broker to whom an exemption has been granted as provided for in paragraph (b) of this section is not keeping and maintaining records in conformity with the requirements of that paragraph, the exemption of such broker shall be withdrawn by notice in writing from the port director, and such broker shall thereafter keep and maintain records as required by paragraph (a) of this section.

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(d) *Prescribed format.* Each licensed customhouse broker shall keep in the format set forth below and in the detailed manner indicated therein, a complete, correct, itemized record revealing all of his financial transactions as a broker. A separate sheet shall be used for the transactions with each of the broker's clients and all entries shall be made immediately after the transactions are accomplished. For those transactions filed electronically, brokers must be able to provide Customs with the information shown on the prescribed format. However, a separate ledger need not be maintained for these transactions.

Entry number (1)	Symbol (footnote) (2)	Date of entry 19— (3)	Amounts deposited with United States (4)	Amounts refunded payee by United States (5)	Amounts disbursed to client on account of refunds made by U.S. Government (6)	Broker's fee (7)	Bond premium (8)	Foreign forwarding charge (9)	Inland freight or express (10)	Storage or cartage (11)	Dock and messenger service (12)	Public stores (13)	Warehouse withdrawal (14)	Miscellaneous (15)	Cash received from clients		Remarks disposition of merchandise if entry not completed (18)
															Amount (16)	Date 19— (17)	

NOTE: The following symbols shall be used to show the class of entry: "C", consumption; "W", warehouse; "WVC", warehouse withdrawal for consumption; "WWT", warehouse withdrawal for transportation; "R", re-warehouse; "R & W", re-warehouse and withdrawal for consumption; "IT", immediate transportation; "T & E", transportation and exportation; "D", exportation with benefit of drawback; "EWW", exportation under warehouse withdrawal; "E", exportation; "A", appraisalment; "I", informal; "PP", packed packages.

(e) *Authorization.* The director of the port where a broker has given notification to maintain records of financial transactions on a centralized system basis, as set forth in §111.23(e), is responsible for providing an exemption or withdrawal of exemption under paragraphs (b) and (c) of this section.

[T.D. 78-138, 43 FR 21878, May 22, 1978, as amended by T.D. 82-33, 47 FR 6615, Feb. 16, 1982; T.D. 86-161, 51 FR 30341, Aug. 26, 1986; T.D. 90-92, 55 FR 49884, Dec. 3, 1990]

### § 111.23 Retention of records.

(a) *Place and period of retention—(1) Place.* The records, as defined in §111.1(f), and required by §§111.21 and 111.22 to be kept by the broker, shall be retained at the port, unless notification of centralized accounting records is given under paragraph (e) of this section, or notification is provided by electronic entry filers under part 143, subpart D, of this chapter.

(2) *Period.* The records described in paragraph (a)(1) of this section, other than powers of attorney, shall be retained for at least 5 years after the date of entry. Powers of attorney shall be retained until revoked, and revoked powers of attorney and letters of revocation shall be retained for 5 years after either the date of revocation or the date the client ceases to be an "active client" as defined in §111.29(b)(2)(ii). When merchandise is withdrawn from a bonded warehouse, copies of papers relating to the withdrawal shall be retained for 5 years from the date of withdrawal of the last merchandise withdrawn under the entry.

(b) *Microfilming of records.* A broker, with the approval of the director of the port at which he has been granted a permit and the records are located, may maintain on microfilm or similar medium, in lieu of an original, any records other than powers of attorney required to be retained under the provisions of paragraph (a) of this section, at any time after the entry to which these records pertain has been liquidated, upon the following conditions:

(1) *Approval of microfilming.* The broker shall submit to the director of the port at which he is licensed a request for approval to microfilm records containing the following certification:

This certifies that the records for which this approval is requested shall be microfilmed in accordance with the standards set forth in §111.23(c) of the Customs Regulations (19 CFR 111.23(c)).

(2) *Retention of microfilm records.* The broker shall retain and keep available an original and one reproduction of each microfilm for the period specified by paragraph (a) of this section.

(3) *Use of microfilm records.* The reproduction copy of the original negative microfilm of books and papers may be used for reference purposes. However, the original negative microfilm shall not be used for reference purposes, and adequate measures shall be taken to keep the original negative clean and free from scratches.

(4) *Hard-copy reproductions.* Brokers microfilming their records shall use microfilm equipment having the capability of making direct hard-copy reproductions of the microfilmed records.

(5) *Expense of reproductions.* Brokers shall bear the expense of making hardcopy reproductions of any or all microfilmed records required by the Field Director, Regulatory Audit, the special agent in charge, or other proper official of the U.S. Customs Service for the audit or inspection of books and records.

(c) *Standards required for microfilming.* Brokers microfilming their records shall maintain the integrity of the original records by insuring that the microfilm copies are true reproductions of the original records and serve the purpose for which such records were created. The following shall be observed in any microfilming:

(1) Copies shall contain all significant record detail shown on the original.

(2) Copies of the records, on either roll microfilm or unit microfilm systems, shall be so arranged, identified, and indexed that any individual document or component of the records can be located with reasonable facility.

(3) Any indexes, registers or other finding aids shall be microfilmed at the beginning of the records to which they relate.

(d) *Other methods of reproduction for record retention.* If approved by the port director at which a broker has been granted a permit and in which he has

records located, a broker may use, in lieu of original documents, methods of reproduction other than microfilm, including microfiche, for the reproduction of records, provided the requirements of paragraphs (b) and (c) of this section are met. While original powers of attorney must be retained, copies also may be retained.

(e) *Notification*—(1) *Applicability*. The procedure to maintain financial records on a centralized system basis is generally available to brokers who have been granted permits to do business in more than one district.

(2) *Form and content*. If centralized storage is desired by the broker, he must submit a written notice addressed to the Office of Field Operations, Headquarters. The written notice shall include:

(i) The address at which the broker intends to maintain the centralized accounting records. This location must be within a district where the broker has been granted a permit;

(ii) A detailed statement describing all the records of financial transactions to be maintained at the centralized location, the methodology of record maintenance, a description of any automated data processing to be applied, and a list of all the broker's customs business activity locations; and

(iii) An agreement that there will be no change in the records, the manner of recordkeeping, or the location at which they will be maintained, unless Customs is first notified.

(f) *Reproduction of centralized accounting records*. The Office of Field Operations, Headquarters, is responsible for approving requests for the reproduction of centralized financial records provided under paragraphs (b) and (d) of this section.

[T.D. 70-134, 35 FR 9254, June 13, 1970, as amended by T.D. 72-299, 37 FR 23100, Oct. 28, 1972; T.D. 78-138, 43 FR 21880, May 22, 1978; T.D. 86-161, 51 FR 30342, Aug. 26, 1986; T.D. 90-92, 55 FR 49884, Dec. 3, 1990; T.D. 95-77, 60 FR 50019, Sept. 27, 1995]

#### § 111.24 Records confidential.

The records referred to in this part and pertaining to the business of the clients serviced by the broker shall be considered confidential, and the broker shall not disclose their contents or any

information connected therewith to any persons other than such clients and the Field Director, Regulatory Audit, the special agent in charge, or other duly accredited agents of the United States except on subpoena by a court of competent jurisdiction.

[T.D. 78-138, 43 FR 21880, May 22, 1978, as amended by T.D. 86-161, 51 FR 30342, Aug. 26, 1986]

#### § 111.25 Records shall be available.

During the period of retention, the broker shall maintain his records in such manner that they may readily be examined, and they shall be made available for inspection, copying, reproduction or other official use by Customs regulatory auditors or special agents in accordance with the provisions of §§ 162.1a through 162.1i within the period of retention or within any longer period of time during which they remain in the possession of the broker.

[T.D. 78-138, 43 FR 21880, May 22, 1978, as amended by T.D. 79-159, 44 FR 31968, June 4, 1979; T.D. 86-161, 51 FR 30342, Aug. 26, 1986]

#### § 111.26 Interference with examination of records.

Except in accordance with the provisions of §§ 162.1a through 162.1i, a broker shall not refuse access to, conceal, remove, or destroy the whole or any part of any record relating to his transactions as a broker which is being sought, or which the broker has reasonable grounds to believe may be sought, by the Treasury Department or any representative thereof, nor shall he otherwise interfere, or attempt to interfere, with any proper and lawful efforts to procure or reproduce information contained in such records.

[T.D. 70-134, 35 FR 9254, June 13, 1970, as amended by T.D. 79-159, 44 FR 31968, June 4, 1979; T.D. 86-161, 51 FR 30342, Aug. 26, 1986]

#### § 111.27 Audit or inspection of records

The Field Director, Regulatory Audit, shall make such audit or inspection of the records required by this subpart to be kept and maintained by a broker as may be necessary to enable the port director and other proper officials of the Treasury Department to determine whether or not the broker is

complying with the requirements of this part. Furthermore, the Field Director, Regulatory Audit, and/or the special agent in charge, may inspect such records to obtain information regarding specific Customs transactions for the purpose of protecting importers or the revenue of the United States. The Field Director, Regulatory Audit, and the special agent in charge conducting an audit or inspection under this section shall submit a report of the findings to the Commissioner and the port director.

[T.D. 78-138, 43 FR 21880, May 22, 1978, as amended by T.D. 86-161, 51 FR 30342, Aug. 26, 1986]

**§ 111.28 Responsible supervision.**

(a) *General rule.* Every licensed broker operating as a sole proprietor and every licensed member of a partnership and every licensed officer of an association or corporation which is licensed as a broker shall exercise responsible supervision and control over the transaction of the Customs business of such sole proprietorship, partnership, association, or corporation.

(b) *Employee information*—(1) *Current employees; General.* Each broker shall submit, in writing, to each port director where the broker has a permit to transact customs business, a list of the names of persons currently employed at that port. For each such employee, the broker also shall provide the current home address, last prior home address, social security number, date and place of birth, and if the employee has been employed by the broker for less than 3 years, the name and address of each former employer and dates of employment for the 3-year period preceding current employment with the broker. After the initial submission, the list shall be updated and submitted with the status report required by § 111.30(d) of this part.

(2) *New employees.* Within 10 days after a new employee has been employed for 30 days, the broker shall submit, in writing, to the port director, the same information as set forth above for any new employee.

(3) *Terminated employees.* Within 30 days after the termination of employment of any employee employed longer than 30 days, the broker shall submit,

in writing, to the port director, the name of the terminated employee.

(4) *Broker's responsibility.* A broker is responsible for providing the information required in paragraphs (b)(1), (b)(2), and (b)(3) of this section. However, in the absence of culpability by the broker, Customs will not hold him responsible for the accuracy of information provided to the broker by the employee.

(c) *Termination of qualifying member or officer.* If a licensed broker who is a qualifying member of a partnership, or officer of an association or corporation, ceases his employment as a qualified member or officer, that broker shall give written notice immediately of that fact to the Commissioner and send a copy of the written notice to each port director where a permit has been granted to the partnership, association, or corporation.

[T.D. 71-70, 36 FR 1892, Feb. 3, 1971, as amended by T.D. 86-161, 51 FR 30342, Aug. 26, 1986; 51 FR 31760, Sept. 5, 1986]

**§ 111.29 Diligence in correspondence and paying monies.**

(a) *Due diligence by broker.* Each broker shall exercise due diligence in making financial settlements, in answering correspondence, and in preparing or assisting in the preparation and filing of records relating to any customs business matter handled by him as a broker. Payment of duty, tax, or other debt or obligation owing to the Government for which the broker is responsible, or for which the broker has received payment from a client, shall be made to the Government on or before the date that payment is due. Payments received by a broker from a client after the due date shall be transmitted to the Government within 5 working days from receipt by the broker. Each broker shall provide a written statement to a client accounting for funds received for the client from the Government, or received from a client where no payment has been made, or received from a client in excess of the Governmental or other charges properly payable as part of the client's customs business, within 60 days of receipt. No written statement is required if there is actual payment by a broker of such funds.

(b) *Notice to client of method of payment.* (1) All brokers shall provide their clients with a written notification as follows:

If you are the importer of record, payment to the broker will not relieve you of liability for Customs charges (duties, taxes, or other debts owed Customs) in the event the charges are not paid by the broker. Therefore, if you pay by check, Customs charges may be paid with a separate check payable to the "U.S. Customs Service" which shall be delivered to Customs by the broker.

(2) Brokers shall provide the information statement in paragraph (b)(1) as follows:

(i) On, or attached to, any power of attorney executed on or after September 27, 1982; and

(ii) To each active client no later than February 28, 1983, and at least once at any time within each subsequent 12-month period thereafter. An active client means a client from whom a broker has obtained a power of attorney, and for whom the broker has transacted Customs business on at least two occasions within the 12-month period preceding notification.

[T.D. 70-134, 35 FR 9254, June 13, 1970, as amended by T.D. 82-134, 47 FR 32419, July 27, 1982; T.D. 82-219, 47 FR 52139, Nov. 19, 1982; T.D. 86-161, 51 FR 30343, Aug. 26, 1986]

**§ 111.30 Notification of change of business address, organization, name, or location of business records; status report.**

(a) *Business address.* When a broker changes his business address, he shall immediately give written notice of his new address to the Commissioner and the director of the port where the change of address occurs.

(b) *Organization.* A partnership, association, or corporation shall immediately inform the Commissioner and each port director where it has a permit, of the following changes:

(1) The date on which the licensed member or officer who is the qualifying member or officer ceases to be a member or officer and the name of the broker who will succeed as the qualifying member or officer; or

(2) Any change in the Articles of Agreement, Charter, or Articles of Incorporation relating to the transaction of customs business.

(c) *Name.* A broker who changes his name, or who proposes to operate under a trade or fictitious name in one or more States within the district in which he has been granted a permit and is authorized by State law to do so, shall submit evidence of his authority to use such name. The name shall not be used until the approval of the Commissioner has been received. In the case of a trade or fictitious name, the broker shall affix his own name in conjunction with each signature of the trade or fictitious name when signing Customs documents.

(d) *Status report.* Each broker shall file a status report with Customs on February 1, 1979, and on February 1 of each third year thereafter. The report shall be accompanied by a fee as set forth in § 111.96. A report received during the month of February will be considered filed timely. The report shall be addressed to the U.S. Customs Service, Attention: Trade Compliance Division, Washington, DC 20229. A copy also shall be filed with the district director in each district where the broker has been granted a permit to transact customs business. No form or particular format is required. Each individual broker shall state whether he is actively engaged in transacting business as a broker. If so, he shall state the name under, and the address at which, his business is conducted (if he is a sole proprietor); or the name and address of his employer, unless his employer is a corporation, partnership or association broker for which he is a qualifying officer or member. The report of each corporation, partnership or association shall state the name under which its business as a broker is being transacted, its business address, the names and addresses of the members of the partnership or officers of the corporation or association qualifying it for a license, and whether it is actively engaged in transacting business as a broker. If the licensed person fails to file the required report by March 1 of the reporting year, the license is suspended by operation of law on that date. By March 31 of the reporting year, the Commissioner shall transmit written notice of the suspension to the

licensee by certified mail, return receipt requested, at the address reflected in Customs records. If the licensed person files the required report within 60 days of receipt of the notice, the license shall be reinstated upon payment of \$100. If the licensed person does not file the required report within the 60-day period, the license shall be revoked without prejudice to the filing of an application for a new license. Notice of the revocation shall be published in the Customs Bulletin.

(e) *Location.* Upon the permanent termination of a brokerage business, both the Commissioner and the district director of each Customs district for which a permit has been issued shall be provided written notification of the name and address of the party having legal custody of the brokerage business records. Responsibility for notification shall be as follows:

- (1) The broker, upon the permanent termination of his brokerage business;
- (2) The licensed partner(s), upon the permanent termination of the partnership brokerage business;
- (3) The licensed association or corporate officer(s), upon the permanent termination of the association or corporate brokerage business.

[T.D. 70-134, 35 FR 9254, June 13, 1970, as amended by T.D. 86-161, 51 FR 30343, Aug. 26, 1986; T.D. 91-77, 56 FR 46115, Sept. 10, 1991]

#### **§ 111.31 Conflict of interest.**

(a) *Former officer or employee of U.S. Government.* A broker who was formerly an officer or employee in the Government service shall not represent a client before the Treasury Department or any representative thereof in any matter to which the broker gave personal consideration or gained knowledge of the facts while in the Government service, except as provided in 18 U.S.C. 207.

(b) *Assisting former officer or employee of U.S. Government.* A broker shall not knowingly assist, accept assistance from, or share fees with a person who has been employed by a client in a matter pending before the Treasury Department or any representative thereof to which matter such person gave personal consideration or gained personal knowledge of the facts or is-

sues thereof while in the Government service.

(c) *Importations by broker or employee.* A broker who is an importer himself shall not act as broker for an importer who imports merchandise of the same general character as that imported by the broker unless the client has full knowledge of the facts. The same restriction shall apply if a broker's employee is an importer.

#### **§ 111.32 False information.**

A broker shall not file or procure or assist in the filing of any claim, or of any document, affidavit, or other papers, known by such broker to be false; nor shall he knowingly give, or solicit or procure the giving of, any false or misleading information or testimony in any matter pending before the Treasury Department or any representative thereof.

#### **§ 111.33 Government records.**

A broker shall not procure or attempt to procure, directly or indirectly, information from Government records or other Government sources of any kind to which access is not granted by proper authority.

#### **§ 111.34 Undue influence upon Government employees.**

A broker shall not influence or attempt to influence the conduct of any representative of the Treasury Department in any matter pending before the Treasury Department or any representative thereof by the use of a threat, false accusation, duress, or the offer of any special inducement or promise of advantage, or by bestowing any gift or favor or other thing of value.

#### **§ 111.35 Acceptance of fees from attorneys.**

With respect to customs transactions, a broker shall not demand or accept from any attorney (whether directly or indirectly, including, for example, from a client as a part of any arrangement with an attorney) on account of any case litigated in any court of law or on account of any other legal service rendered by an attorney any fee or remuneration in excess of an amount measured by or commensurate with the time, effort and skill expended

by the broker in performing his services.

[T.D. 70-134, 35 FR 9254, June 13, 1970, as amended by T.D. 86-161, 51 FR 30343, Aug. 26, 1986]

**§ 111.36 Relations with unlicensed persons.**

(a) *Service to others not to benefit unlicensed person.* A broker shall not enter into any agreement with an unlicensed person to transact Customs business for others in such manner that the fees or other benefits resulting from the services rendered for others inure to the benefit of the unlicensed person except as provided in paragraph (b) of this section. When a broker is employed for the transaction of Customs business by an unlicensed person who is not the actual importer, the broker must transmit to the actual importer a copy of his bill for services rendered, unless the merchandise was purchased for delivery on an all-free basis (duty and brokerage charges paid by the unlicensed person).

(b) *Employment by a freight forwarder.* A broker may compensate a freight forwarder for services rendered in obtaining brokerage business, providing:

(1) The importer is notified in advance by the forwarder or broker of the name of the broker selected by the forwarder for the handling of his Customs transactions;

(2) The broker transmits directly to the importer:

(i) A true copy of his brokerage charges if the fees and charges are to be collected by or through the forwarder, or

(ii) A statement of his brokerage charges and an itemized list of any charges to be collected for the account of the freight forwarder if the fees and charges are to be collected by or through the broker;

(3) No part of the agreement of compensation between the broker and the forwarder, nor any action taken pursuant thereto, shall forbid or prevent direct communication between the importer and the broker; and

(4) In making the agreement and in all actions taken pursuant thereto, the broker shall be subject to all other provisions of these regulations.

**§ 111.37 Misuse of license or permit.**

A broker shall not permit his license, permit or his name to be used by or for any unlicensed person, other than his own employees authorized to act for him, or by or for any broker whose license or permit is under suspension in the solicitation, promotion or performance of any customs business or transaction.

[T.D. 86-161, 51 FR 30343, Aug. 26, 1986]

**§ 111.38 False representation to procure employment.**

A broker shall not knowingly use false or misleading representations to procure employment in any Customs matter, nor shall he represent to a client or prospective client that he can obtain any favors from the Treasury Department or any representative thereof.

**§ 111.39 Advice to client.**

(a) *Withholding or false information.* A broker shall not withhold information relative to any Customs business from a client who is entitled to the information. He shall exercise due diligence to ascertain the correctness of any information which he imparts to a client, and he shall not knowingly impart to a client false information relative to any Customs business.

(b) *Error or omission by client.* A broker who knows that a client has not complied with the law or has made an error in, or omission from, any document, affidavit, or other paper which the law requires such client to execute, shall advise his client promptly of the fact of such noncompliance, error, or omission.

(c) *Illegal plans.* A broker shall not suggest to a client or a prospective client a plan known to be illegal for evading payment of any duty, tax, or other debt or obligation owing to the Government.

**§ 111.40 Protests.**

A broker shall not act in behalf of any person, or attempt to represent any person, in respect of any protest, unless he shall previously have been authorized to do so in accordance with § 174.3 of this chapter.

[T.D. 70-181, 35 FR 13435, Aug. 22, 1970]

**§ 111.41 Endorsement of checks.**

A broker shall not endorse or accept without authority of his client any Government draft, check, or warrant drawn to the order of such client.

**§ 111.42 Relations with person who is notoriously disreputable or whose license has been suspended, canceled "with prejudice," or revoked.**

A broker shall not knowingly and directly or indirectly:

(a) Accept employment to effect a Customs transaction as associate, correspondent, officer, employee, agent, or subagent from any person who is notoriously disreputable or whose license as broker shall have been revoked for any cause, or whose license is under suspension, or who has had his license canceled "with prejudice;"

(b) Assist the furtherance of any Customs business or transactions of such person;

(c) Employ, or accept such assistance from, any such person, without the approval of the Commissioner (see § 111.79);

(d) Share fees with any such person, or

(e) Permit any such person directly or indirectly to participate, whether through ownership or otherwise, in the promotion, control, or direction of the business of the broker. Nothing herein shall be deemed to prohibit any broker from acting as a broker for any bona fide importer or exporter, notwithstanding such importer or exporter may have had his license as a custom-house broker revoked or suspended, or may be notoriously disreputable.

**§ 111.43 Display of license and permits.**

Each licensee shall display its permit in the principal office within the district so it may be seen by anyone transacting business in the office. Photocopies of the permit shall be conspicuously posted in each branch office within the district. Photocopies of the license also may be posted.

[T.D. 86-161, 51 FR 30344, Aug. 26, 1986]

**§ 111.44 Limitation of liability.**

A broker may not limit his liability to a client with respect to a claim by

the client arising out of the wrongful or negligent action of the broker in connection with a matter handled by him as a broker. Further, no broker shall enter into a contract which purports to so limit his liability.

[T.D. 72-193, 37 FR 13976, July 15, 1972]

**§ 111.45 Revocation by operation of law.**

(a) *License.* The failure of a broker that is licensed as a corporation, association, or partnership to have, for any continuous period of 120 days, at least one officer of the corporation or association, or at least one member of the partnership, validly licensed, shall, in addition to causing the broker to be subject to any other sanction, result in the revocation by operation of law of its license and any permits issued to a corporation, association, or partnership. The Commissioner will notify the broker in writing of an impending revocation or lapse by operation of law 30 days before the revocation or lapse is due to occur.

(b) *Permit.* On or after October 31, 1987, the failure of a broker who has been granted a permit, to employ, for any continuous period of 180 days, at least one individual who is licensed within the district (or region, if an exception has been granted pursuant to § 111.19(d)), for which a permit was issued, shall, in addition to causing the broker to be subject to any other sanction, result in the revocation of the permit by operation of law.

(c) *Notification.* If the license or permit of a partnership, association, or corporation is revoked by operation of law, the Commissioner will notify the organization of the revocation. If an individual broker's permit is revoked by operation of law, the Commissioner will notify the broker. Notice to the public of the revocation will be given by publication in the Customs Bulletin.

[T.D. 86-161, 51 FR 30344, Aug. 26, 1986, as amended by T.D. 95-77, 60 FR 50019, Sept. 27, 1995]

**Subpart D—Cancellation, Suspension, or Revocation of License or Permit, or Monetary Penalty in Lieu Thereof**

**§ 111.50 General.**

This subpart relates to cancellation, suspension, or revocation of a license or a permit, or assessment of a monetary penalty in lieu thereof under the provisions of section 641(d)(2)(B), Tariff Act of 1930, as amended (19 U.S.C. 1641(d)(2)(B)). The provisions for assessment of a monetary penalty under sections 641(b)(6) and 641(d)(2)(A), Tariff Act of 1930, as amended (19 U.S.C. 1641(b)(6), 1641(d)(2)(A)), are contained in subpart E.

[T.D. 86–161, 51 FR 30344, Aug. 26, 1986]

**§ 111.51 Cancellation of license or permit.**

(a) *Without prejudice.* The Commissioner may cancel a broker's license or permit "without prejudice" upon written application by the broker if the Commissioner determines that the application for cancellation was not made in order to avoid proceedings for the suspension or revocation of the license or permit. If he determines that the application for cancellation was made in order to avoid such proceedings, the Commissioner may cancel the license or permit "without prejudice" if authorized by the Secretary of the Treasury.

(b) *With prejudice.* The Commissioner may cancel a broker's license or permit "with prejudice" when specifically requested to do so by the broker. The effect of a cancellation "with prejudice" is in all respects the same as if the license or permit had been revoked for cause by the Secretary.

[T.D. 70–134, 35 FR 9254, June 13, 1970, as amended by T.D. 86–161, 51 FR 30344, Aug. 26, 1986]

**§ 111.52 Voluntary suspension of license or permit.**

The Commissioner may accept a broker's written voluntary offer of suspension for a specific period of time of the broker's license or permit under such

terms and conditions as the parties may agree.

[T.D. 86–161, 51 FR 30344, Aug. 26, 1986]

**§ 111.53 Grounds for suspension or revocation of license or permit or monetary penalty in lieu thereof.**

Other than as set forth below, the appropriate Customs official may suspend, for a specific period of time, or revoke the license or permit of any broker or assess a monetary penalty in lieu of suspension or revocation, for the following reasons:

(a) The broker has made or caused to be made in any application for any license or permit under this part, or report filed with Customs, any statement which was, at the time and in light of the circumstances under which it was made, false or misleading with respect to any material fact, or has omitted to state in any application or report any material fact which was required.

(b) The broker has been convicted, at any time after filing of an application for a license under § 111.12, of any felony or misdemeanor which the appropriate Customs officer finds:

(1) Involved the importation or exportation of merchandise;

(2) Arose out of the conduct of customs business; or

(3) Involved larceny, theft, robbery, extortion, forgery, counterfeiting, fraudulent concealment, embezzlement, fraudulent conversion, or misappropriation of funds (infractions set forth in this subparagraph may form the basis for an action to suspend or revoke only);

(c) The broker has violated any provision of any law enforced by Customs or the rules or regulations issued under any such provision;

(d) The broker has counseled, commanded, induced, procured, or knowingly aided or abetted the violation by any other person of any provision of any law enforced by Customs or the rules or regulations issued under any such provision;

(e) The broker has knowingly employed, or continues to employ, any person who has been convicted of a felony, without the written approval of the Commissioner; or

(f) The broker has, in the course of customs business, with intent to defraud, in any manner willfully and knowingly deceived, misled or threatened any client or prospective client.

[T.D. 86-161, 51 FR 30344, Aug. 26, 1986]

**§ 111.54 Appropriate officer of the Customs.**

Unless otherwise indicated in this part, the port director shall be the appropriate officer of the Customs within the scope of section 641(d)(2), Tariff Act of 1930, as amended (19 U.S.C. 1641(d)(2)). In the case of sickness or absence of the port director, another Customs officer designated by the port director shall be the appropriate officer of the Customs. If the office of port director is vacant or the port director is unable to designate a Customs officer, Headquarters shall designate a Customs officer to be the appropriate officer of the Customs.

[T.D. 75-58, 40 FR 11562, Mar. 12, 1975, as amended by T.D. 86-161, 51 FR 30344, Aug. 26, 1986]

**§ 111.55 Investigation of complaints.**

Every complaint or charge against a broker which may be the basis for disciplinary action shall be forwarded for investigation to the special agent in charge of the area in which the broker is located. The special agent in charge shall submit a report on the investigation to the director of the port and send a copy of it to the Commissioner.

**§ 111.56 Review of report on investigation.**

The port director shall review the report of investigation to determine if there is sufficient basis to recommend that charges be preferred against the broker. He shall then submit his recommendation with supporting reasons to the Commissioner for final determination together with a proposed statement of charges when recommending that charges be preferred.

**§ 111.57 Determination by Commissioner.**

(a) *Determination not to prefer charges.* If the Commissioner determines that charges will not be preferred, he shall notify the port director of his decision.

(b) *Determination to prefer charges.* If the Commissioner determines that charges will be preferred, he shall notify the port director of his determination and require that a proposed statement of charges be prepared for his review, if not previously submitted.

[T.D. 70-134, 35 FR 9254, June 13, 1970, as amended by T.D. 86-161, 51 FR 30344, Aug. 26, 1986]

**§ 111.58 Content of statement of charges.**

The statement of charges shall give a plain and concise, but not necessarily detailed, description of the facts claimed to constitute grounds for suspension or revocation of the license. The statement of charges also shall specify the sanction being proposed (e.g., suspension of the broker's license, or revocation of the license) but if a suspension is proposed the charges need not state a specific period of time for which suspension is proposed. A statement of charges which fairly informs the accused of the charges against him so that he is able to prepare his response shall be deemed sufficient. Different means by which a purpose might have been accomplished or different intents with which acts might have been done so as to constitute grounds for suspension or revocation of license may be alleged in the statement of charges in a single count in the alternative.

[T.D. 70-134, 35 FR 9254, June 13, 1970, as amended by T.D. 86-161, 51 FR 30344, 30345, Aug. 26, 1986]

**§ 111.59 Preliminary proceedings.**

(a) *Opportunity to participate.* The port director shall advise the broker of his opportunity to participate in preliminary proceedings with an opportunity to avoid formal proceedings against his license.

(b) *Notice of preliminary proceedings.* The port director shall serve upon the broker, as set forth in § 111.63, written notice that:

(1) Transmits a copy of the proposed statement of charges;

(2) Informs him that formal proceedings are available to him;

(3) Informs him that 5 U.S.C. 554 and 558 will be applicable if formal proceedings are necessary;

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(4) Invites him to show cause why the formal proceedings should not be instituted;

(5) Informs him that he may make submissions and demonstrations of the character contemplated by the cited statutory provisions;

(6) Invites any negotiation for settlement of the complaint or charge that the broker deems it desirable to enter into;

(7) Advises him of his right to be represented by counsel;

(8) Specifies the place where the broker may respond in writing; and

(9) Advises the broker that the response must be received within 30 days of the date of the notice.

[T.D. 70-134, 35 FR 9254, June 13, 1970, as amended by T.D. 86-161, 51 FR 30344, Aug. 26, 1986]

**§ 111.60 Request for additional information.**

If, in order to prepare his response, the broker desires additional information as to the time and place of the alleged misconduct, or the means by which it was committed, or any other more specific information concerning the alleged misconduct, he may request such information in writing. He shall set forth in his request in what respect the proposed statement of charges leaves him in doubt and describe the particular language of the proposed statement of charges as to which additional information is needed. If in the opinion of the port director such information is reasonably necessary to enable the broker to prepare his response, he shall furnish the broker with such information.

[T.D. 70-134, 35 FR 9254, June 13, 1970, as amended by T.D. 86-161, 51 FR 30345, Aug. 26, 1986]

**§ 111.61 Decision on preliminary proceedings.**

The port director shall prepare a summary of any oral presentations made by the broker or his attorney and forward it to the Commissioner together with a copy of each paper filed by the broker. The port director shall also give to the Commissioner his recommendation on action to be taken as a result of the preliminary proceedings. If the Commissioner determines that

the broker has satisfactorily responded to the proposed charges, and that further proceedings are not warranted he shall so inform the port director who shall notify the broker. If no response is filed or the Commissioner determines that the broker has not satisfactorily responded to the proposed charges, he shall so advise the port director and instruct him to prepare, sign, and serve a notice of charges and the statement of charges. If one or more of the charges in the proposed statement of charges was satisfactorily answered by the broker, the Commissioner shall instruct the port director to omit those charges from the statement of charges.

[T.D. 70-134, 35 FR 9254, June 13, 1970, as amended by T.D. 86-161, 51 FR 30345, Aug. 26, 1986]

**§ 111.62 Contents of notice of charges.**

The notice of charges shall inform the broker that:

(a) Sections 554 and 558, Title 5, United States Code, are applicable to the formal proceedings;

(b) He may be represented by counsel;

(c) He will have the right to cross-examine witnesses;

(d) He will be notified within 10 days after service of this notice of the time and place of a hearing on the charges; and

(e) Prior to the hearing on the charges, he may file, in duplicate with the port director, a verified answer to the charges.

**§ 111.63 Service of notice and statement of charges.**

(a) *Individual licensee.* The port director shall serve the notice of charges and the statement of charges against an individual licensee as follows:

(1) By delivery to the broker personally;

(2) By certified mail, with demand for a return card signed solely by the addressee;

(3) By any other means which the broker may have authorized in a written communication to the port director; or

(4) If attempts to serve the broker by the above methods are unsuccessful, the port director may serve the notice and statement by leaving them with

the person in charge of the broker's office.

(b) *Partnership, association or corporation.* The port director shall serve the notices of charges and the statement of charges against a partnership, association, or corporation as follows:

(1) By delivery to any member of the partnership personally or to any officer of the association or corporation personally;

(2) By certified mail addressed to any such member or officer with demand for a return card signed by the addressee;

(3) By any other means which the broker may have authorized in a written communication to the port director; or

(4) If attempts to serve the broker by the above methods are unsuccessful, the port director may serve the notice and statement by leaving them with the person in charge of the broker's office.

(c) *Certified mail; evidence of service.* When the service is by certified mail, the receipt of the return card duly signed shall be satisfactory evidence of service.

**§ 111.64 Service of notice of hearing and other papers.**

(a) *Notice of hearing.* Within 10 days after service of the notice and statement of charges, the port director shall serve upon the broker or his attorney, by one of the methods enumerated in § 111.63 or by ordinary mail, a written notice of the time and place of the hearing. The hearing shall be scheduled to take place within 15 days after service of the notice of hearing.

(b) *Other papers.* Other papers relating to the hearing may be served by ordinary mail or by one of the methods set forth in § 111.63 or upon the broker's attorney.

[T.D. 70-134, 35 FR 9254, June 13, 1970, as amended by T.D. 86-161, 51 FR 30345, Aug. 26, 1986]

**§ 111.65 Extension of time for hearing.**

If the broker or his attorney requests in writing a delay in the hearing for good cause, the hearing officer designated pursuant to § 111.67(a) may reschedule the hearing, notifying the broker or his attorney in writing of the

extension and the new time for which the hearing has been scheduled.

[T.D. 75-58, 40 FR 11562, Mar. 12, 1975, as amended by T.D. 86-161, 51 FR 30345, Aug. 26, 1986]

**§ 111.66 Failure to appear.**

When an accused broker or his attorney fails to appear for a scheduled hearing, the hearing officer designated pursuant to § 111.67(a) shall proceed with the hearing as scheduled, and shall hear evidence submitted by the parties. The regulations of this part shall apply as though the broker were present, and the Secretary of the Treasury may issue an order of suspension for a specified period of time or revocation or monetary penalty in lieu thereof if he finds it to be in order.

[T.D. 75-58, 40 FR 11562, Mar. 12, 1975, as amended by T.D. 86-161, 51 FR 30345, Aug. 26, 1986]

**§ 111.67 Hearing.**

(a) *Hearing officer.* The hearing officer shall be an administrative law judge appointed pursuant to 5 U.S.C. 3105.

(b) *Rights of the accused.* The broker or his attorney shall have the right to examine all exhibits offered at the hearing and shall have the right to cross-examine witnesses and to present witnesses who shall be subject to cross-examination by the Government representatives.

(c) *Interrogatories.* Upon the written request of either party, the hearing officer may permit deposition upon oral or written interrogatories to be taken before any officer duly authorized to administer oaths for general purposes or in Customs matters. The other party to the hearing shall be given a reasonable time in which to prepare cross-interrogatories and, if the deposition is oral, shall be permitted to cross-examine the witness. The deposition shall become part of the hearing record.

(d) *Transcript of record.* The port director shall provide a competent reporter to make a record of the hearing. When the record of the hearing has been transcribed by the reporter, the port director shall deliver a copy to the hearing officer, the broker and the Government representative without charge.

§ 111.68

(e) *Government representatives.* The Commissioner shall designate one or more persons to represent the Government at the hearing.

[T.D. 70-134, 35 FR 9254, June 13, 1970, as amended by T.D. 75-58, 40 FR 11563, Mar. 12, 1975; T.D. 86-161, 51 FR 30345, Aug. 26, 1986]

**§ 111.68 Proposed findings and conclusions.**

The hearing officer shall allow the parties a reasonable period of time after delivery of the transcript of record in which to submit proposed findings and conclusions and supporting reasons therefor as contemplated by 5 U.S.C. 557(c).

[T.D. 75-58, 40 FR 11563, Mar. 12, 1975]

**§ 111.69 Recommended decision by hearing officer.**

After review of the proposed findings and conclusions submitted by the parties pursuant to § 111.68, the hearing officer shall make his recommended decision in the case and certify the entire record to the Secretary of the Treasury. The hearing officer's recommended decision shall conform with the requirements of 5 U.S.C. 557.

[T.D. 75-58, 40 FR 11563, Mar. 12, 1975]

**§ 111.70 Additional submittals.**

Upon receipt of the record, the Secretary of the Treasury will afford the parties a reasonable opportunity to make such additional submittals as required by 5 U.S.C. 557(c) and by the circumstances of the case.

**§ 111.71 Immaterial mistakes.**

The Secretary of the Treasury will disregard an immaterial misnomer of a third person, an immaterial mistake in the description of any person, thing, or place, or the ownership of any property, any other immaterial mistake in the statement of charges or a failure to prove immaterial allegations in the description of the accused's conduct.

**§ 111.72 Dismissal subject to new proceedings.**

If the Secretary of the Treasury finds that the evidence produced at the hearing indicates that a proper disposition of the case cannot be made on the basis of the charges preferred, he may in-

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struct the port director to serve appropriate charges as a basis for new proceedings to be conducted in accordance with the procedure set forth in this subpart.

**§ 111.73 Partial proof of charges.**

If the Secretary of the Treasury finds that one or more of the charges in the statement of charges is not sufficiently proved, he may base his decision on any remaining charges if the facts alleged in the charges are established by the evidence.

**§ 111.74 Decision and notice of suspension or revocation or monetary penalty.**

If the Secretary of the Treasury, in the exercise of his discretion based solely on the record, issues an order of suspension for a specified period of time or revocation of the license of a broker or a monetary penalty in lieu thereof, the Commissioner will notify the broker in writing and publish a notice of suspension or revocation or monetary penalty in lieu thereof in the FEDERAL REGISTER and in the Customs Bulletin unless an appeal is filed by the broker in the Court of International Trade as provided for under section 641(e), Tariff Act of 1930, as amended (19 U.S.C. 1641(e)). The order of suspension or revocation shall become effective 60 days after the issuance of such order unless the Secretary finds that a more immediate effective date is in the national or public interest. If a monetary penalty is assessed and no appeal is filed, that penalty shall be tendered within 120 days of the issuance of the order, or the license shall automatically be suspended until payment is made.

[T.D. 86-161, 51 FR 30345, Aug. 26, 1986]

**§ 111.75 Appeal from the Secretary's decision.**

An appeal from the order of the Secretary of the Treasury suspending or revoking a license or permit or assessing a monetary penalty in lieu thereof may be taken in accordance with the provisions of section 641(e), Tariff Act of 1930, as amended (19 U.S.C. 1641(e)). The commencement of such proceedings shall, unless specifically ordered

by the Court, operate as a stay of the Secretary's order.

[T.D. 86-161, 51 FR 30345, Aug. 26, 1986]

**§ 111.76 Reopening the case.**

(a) *Grounds for reopening.* Any person whose license has been suspended or revoked may make written application in duplicate to the Commissioner to have the order of suspension or revocation set aside or modified upon the ground of newly discovered evidence or that important evidence is now available which could not be produced at the original hearing by the exercise of due diligence. The application must set forth specifically the precise character of the evidence to be relied upon and shall state the reasons why the applicant was unable to produce it when the original charges were heard.

(b) *Procedure.* The Commissioner shall forward the application with his recommendation to the Secretary of the Treasury. The Secretary may grant or deny the application for reopening of the case and may order the taking of additional testimony before the Commissioner. The Commissioner shall notify the applicant of the Secretary's decision. If the Secretary grants the application and orders a hearing, the Commissioner shall set a time and place for such hearing and give due notice thereof to the applicant. The procedure governing the additional hearing and recommended decision of the Commissioner shall be the same as that governing the original proceeding.

[T.D. 75-58, 40 FR 11563, Mar. 12, 1975, as amended by T.D. 86-161, 51 FR 30345, Aug. 26, 1986]

**§ 111.77 Notice of reinstatement.**

If the Secretary of the Treasury issues an order vacating or modifying the prior order of suspension or revocation, the Commissioner will notify the broker and publish a notice of the new order in the FEDERAL REGISTER and the Customs Bulletin.

**§ 111.78 Reprimands.**

If a broker fails to observe and fulfill the duties and responsibilities of a broker as set forth in this part but such failure is not sufficiently serious to warrant initiation of suspension or

revocation proceedings Headquarters or the port director, with the approval of Headquarters, may serve the broker with a written reprimand. Such reprimand and the facts on which it is based, may be considered in connection with any future disciplinary proceeding that may be instituted.

[T.D. 70-134, 35 FR 9254, June 13, 1970, as amended by T.D. 77-242, 42 FR 54284, Oct. 5, 1977]

**§ 111.79 Employment of broker who has lost license.**

Five years after the revocation or cancellation "with prejudice" of a license, the ex-broker may petition the Commissioner for authorization to accept employment with or to assist a licensed broker. Such petition shall not be approved unless the Commissioner is satisfied that the petitioner has refrained from all activities in any way violative of the provisions of § 111.42 and that petitioner's conduct has been exemplary during the period of disability. The Commissioner shall also give consideration to the gravity of the misconduct which gave rise to the petitioner's disability. In any case in which such misconduct leads to pecuniary loss to the Government or to any person, the Commissioner shall also take into account whether the petitioner has made reimbursement for the losses incurred.

**§ 111.80 Saving provision.**

Any proceeding for revocation or suspension of a license instituted prior to October 30, 1984, shall be governed by the provisions of 19 CFR part 111 which were in force at the time the proceeding was instituted. For the purposes of this provision, the commencement of preliminary proceedings shall be considered the institution of proceedings for revocation or suspension, if preliminary proceedings were held.

[T.D. 86-161, 51 FR 30345, Aug. 26, 1986]

**§ 111.81 Settlement and compromise.**

The Commissioner, with the approval of the Secretary of the Treasury, may settle and compromise any disciplinary proceeding which has been instituted under this Part according to the terms

and conditions agreed to by the parties, including but not limited to the reduction of any proposed suspension or revocation to a monetary penalty.

[T.D. 86-161, 51 FR 30345, Aug. 26, 1986]

### Subpart E—Monetary Penalty

SOURCE: T.D. 86-161, 51 FR 30345, Aug. 26, 1986, unless otherwise noted.

#### § 111.91 Grounds for imposition of a monetary penalty; maximum penalty.

The Customs Service may assess a monetary penalty or penalties as follows: (a) An amount not to exceed an aggregate of \$30,000 for any of the reasons set forth in § 111.53, except for those listed in paragraph (b)(3) of that section; or (b) An amount not to exceed an aggregate of \$30,000 for all violations and \$10,000 for each violation of § 111.4.

#### § 111.92 Notice.

The Customs Service shall issue a written notice which advises the broker or other person of the allegations or complaints against him and explains that the person has a right to respond to the allegations or complaints in writing within 30 days of the date of mailing of the notice. The port director has discretion to provide additional time for good cause. Any notice, the basis of which is an alleged violation of § 111.53(b) or which exceeds an aggregate of \$10,000 for all alleged violations, shall be referred to the Director, International Trade Compliance Division, Customs Headquarters, for approval before it is issued.

[T.D. 70-134, 35 FR 9254, June 13, 1970, as amended by T.D. 91-77, 56 FR 46115, Sept. 10, 1991]

#### § 111.93 Application for relief.

The person shall follow the procedures set forth in part 171 of this chapter in filing an application for relief.

#### § 111.94 Decision of appropriate Customs officer.

The Customs Service shall follow the procedures set forth in part 171 of this chapter in considering the application for relief. After the appropriate Customs officers have considered the alle-

gations or complaints and any timely response made, a written decision shall be issued which sets forth the final determination and the findings of fact and conclusions of law on which the determination is based. If the final determination is that the person is liable for a monetary penalty, the person shall pay, or make arrangements for payment, within 60 days of the date of the final determination. If the monetary penalty is not paid or arrangements made for payment within the time limitations, the Customs Service shall refer the matter to the Department of Justice for institution of appropriate judicial proceedings.

#### § 111.95 Supplemental petition for relief.

A final determination of the Fines, Penalties, and Forfeiture Officer or other Customs Service in excess of \$1,000 may be the subject of a supplemental petition for relief under the provisions of § 171.33 of this Chapter. A final determination of \$1,000 or less is a final decision and is not subject to further administrative review.

[T.D. 86-161, 51 FR 30345, Aug. 26, 1986; 51 FR 31760, Sept. 5, 1986]

#### § 111.96 Fees.

(a) *License fee; fingerprint fee.* Each applicant for a broker's license pursuant to § 111.12, or by special examination pursuant to § 111.13(c), shall be charged a fee of \$300 to defray the costs to Customs for the preparation and administration of the examination and other expenses in processing the application. If an applicant either fails to appear for an examination without giving notice at least 24 hours before the examination, or does not pass the examination required by § 111.11(a)(4), \$100 of the fee will be refunded. Applicants receiving notice that they achieved a passing score on an examination are then liable for payment of a fingerprint fee. The port director shall inform the applicant of the current Federal Bureau of Investigation user fee for conducting fingerprint checks and the Customs administrative processing fee, the total of which must be paid to Customs before further processing of the application shall occur.

(b) *Permit fee.* Each application for a permit pursuant to § 111.19 shall be accompanied by a one-time fee of \$100 to defray the costs of processing the application. If for any reason a permit lapses or is revoked, payment of the permit fee is necessary before the permit can be reinstated.

(c) *User Fee.* An annual user fee of \$125 will be assessed for each permit held by an individual, partnership, association, or corporate broker. The fee is payable for each calendar year at each port in which a broker has a permit to do business, shall be paid by the due date as published annually in the FEDERAL REGISTER, and shall be remitted in accordance with the procedures set forth in § 24.22(i) of this chapter. When a broker submits an application for a permit under § 111.19(b) of this part, the full \$125 fee shall be remitted with the application regardless of the point during the calendar year at which the application is submitted. If a broker fails to pay the fee by the due date, the port director shall notify the broker in writing of the failure to pay and shall revoke the permit to operate. The notice will constitute revocation of the permit.

(d) *Status report fee.* The status report provided for in § 111.30 shall be accompanied by a fee of \$100 to defray the costs of administering the reporting requirement.

(e) *Payment of fee.* All fees shall be paid by check or money order payable to the U.S. Customs Service.

[T.D. 86-161, 51 FR 30345, Aug. 26, 1986, as amended by T.D. 86-195, 51 FR 39747, Oct. 31, 1986; T.D. 93-18, 58 FR 15772, Mar. 24, 1993; T.D. 93-85, 58 FR 54286, Oct. 21, 1993]

## PART 112—CARRIERS, CARTMEN, AND LIGHTERMEN

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AUTHORITY: 19 U.S.C. 66, 1551, 1565, 1623, 1624.

SOURCE: T.D. 73-140, 38 FR 13551, May 23, 1973, unless otherwise noted.

### § 112.0 Scope.

This part sets forth regulations providing for the bonding of carriers which will receive merchandise for transportation in bond, the licensing of cartmen and lightermen, and the procedures for applying for such bonds and licenses. This part also sets forth the regulations concerning the obtaining of identification cards by cartmen and lightermen, and their employees and the procedures for revoking or suspending licenses and identification cards. Provisions setting forth the duties and responsibilities of cartmen and lightermen are set forth in part 125 of this chapter.

[T.D. 73-140, 38 FR 13551, May 23, 1973, as amended by T.D. 94-81, 59 FR 51494, Oct. 12, 1994]

### Subpart A—General Provisions

#### § 112.1 Definitions.

When used in this part, the following terms shall have the meaning indicated: