

DEPARTMENT OF THE TREASURY

Statement of Regulatory Priorities

The primary mission of the Department of the Treasury is to maintain a strong economy and create economic and job opportunities by promoting the conditions that enable economic growth and stability at home and abroad, strengthen national security by combatting threats and protecting the integrity of the financial system, and manage the U.S. Government's finances and resources effectively.

Consistent with this mission, regulations of the Department and its constituent bureaus are promulgated to interpret and implement the laws as enacted by Congress and signed by the President. It is the policy of the Department to comply with applicable requirements to issue a Notice of Proposed Rulemaking and carefully consider public comments before adopting a final rule. Also, the Department invites interested parties to submit views on rulemaking projects while a proposed rule is being developed.

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 Orders 12866, 13563, 13609, and 13771 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.

ALCOHOL AND TOBACCO TAX AND TRADE BUREAU

The Alcohol and Tobacco Tax and Trade Bureau (TTB) issues regulations to implement and enforce Federal laws relating to alcohol, tobacco, firearms, and ammunition excise taxes and certain non-tax laws relating to alcohol. TTB's mission and regulations are designed to:

- 1) Collect the taxes on alcohol, tobacco products, firearms, and ammunition;
- 2) Protect the consumer by ensuring the integrity of alcohol products;
- 3) Ensure only qualified businesses enter the alcohol and tobacco industries; and
- 4) Prevent unfair and unlawful market activity for alcohol and tobacco products.

In FY 2021, TTB will continue its multi-year Regulations Modernization effort by prioritizing projects that reduce regulatory burdens, provide greater industry flexibility, and streamline the regulatory system, consistent with Executive Orders 13771 and 13777. TTB rulemaking priorities also include

proposing regulatory changes in response to petitions from industry members and other interested parties, and requesting comments on ways TTB may further reduce burden and support a level playing field for the regulated industry. Specifically, during FY 2021, TTB plans to publish deregulatory rules that will reduce the amount of information industry members must submit to TTB in connection with permit applications and similar applications to engage in regulated businesses, reduce the amount of information industry members must submit to TTB in connection with operational reports, and reduce the types of operational activities that require prior approval. Priority projects also include continuing rulemaking efforts that expand industry flexibility with regard to wine and distilled spirits beverage container sizes (standards of fill) and respond to industry member petitions to authorize new wine treating materials and processes, new grape varietal names for use on labels of wine, and new American Viticultural Areas (AVAs). None of the TTB rulemaking documents to be issued in FY 2021 are expected to be “regulatory actions” under Executive Order 13771 and subsequent OMB guidance.

This fiscal year TTB plans to prioritize the following measures:

- ***Proposal to Streamline and Modernize Permit Application Process (RINs: 1513-AC46, 1513-AC47, and 1513-AC48, Modernization of Permit and Registration Application Requirements for Distilled Spirits Plants, Permit Applications for Wineries, and Qualification Requirements for Brewers, respectively). (Deregulatory)***

Consistent with EO 13771 and 13777, in FY 2017, TTB engaged in a review of its regulations to identify any regulatory requirements that could potentially be eliminated, modified, or streamlined to reduce burdens on industry. Since that time, TTB has removed a number of requirements, particularly with regard to the information that is required to be submitted on TTB permit-related forms. In FY 2021, TTB intends to propose amending its regulations to further streamline the qualification and application requirements for new and existing businesses, including distilled spirits plants, wineries, and breweries.

- ***Revisions to the Regulations to Provide Greater Flexibility in the Use of Wine and Distilled Spirits Containers (RIN: 1513-AB56, Standards of Fill for Wine, and RIN: 1513-AC45, Standards of Fill for Distilled Spirits). (Deregulatory)***

In FY 2019, TTB issued two notices in which TTB addressed petitions to amend the regulations governing wine and distilled spirits containers to provide for additional authorized “standards of fill.” (The term “standard of fill” generally relates to the size of containers, although the specific regulatory meaning is the authorized amount of liquid in the container, rather than the size or capacity of the container itself.) In these proposals, TTB offered the opportunity to comment on several options, all of which would provide industry members greater flexibility in producing and sourcing containers and meeting consumer demand. TTB intends to finalize this deregulatory action in FY 2021.

- ***Modernizing the Alcohol Beverage Labeling and Advertising Requirements (RIN: 1513-AC66, Modernization of the Labeling and Advertising Regulations for Distilled Spirits and Malt Beverage, and RIN: 1513-AC67, Modernization of Wine Labeling and Advertising Regulations). (Deregulatory)***

The Federal Alcohol Administration Act requires that alcohol beverages introduced in interstate commerce have a label approved under regulations prescribed by the Secretary of the Treasury. In accordance with the mandate of Executive Order 13563 of January 18, 2011, regarding improving regulation and regulatory review, TTB conducted an analysis of its alcohol beverage labeling regulations to identify any that might be outmoded, ineffective, insufficient, or excessively burdensome, and to modify, streamline, expand, or repeal them in accordance with that analysis. These regulations were also reviewed to assess their applicability to the modern alcohol beverage marketplace. As a result of this review, and further review in FY 2017 and FY 2018 consistent with Executive Orders 13771 and 13777 regarding reducing regulatory burdens, in FY 2019, TTB proposed revisions to modernize the regulations concerning the labeling requirements for wine, distilled spirits, and malt beverages. TTB anticipated that these regulatory changes would assist industry in voluntary compliance, decrease industry burden, and result in the regulated industries being able to bring products to market without undue delay. TTB received over 1,100 comments in response to the notice, which included suggestions for further revisions. In FY 2020, TTB published in the Federal Register (85 FR 18704) a final rule amending its regulations to make permanent certain of the proposed liberalizing and clarifying changes, and to provide certainty with regard to certain other proposals that commenters generally opposed and that TTB did not intend to adopt. In FY 2021, TTB intends to address remaining aspects of this rulemaking initiative, including

incorporating a proposed reorganization of the regulatory provisions intended to make the regulations easier to read and understand, for which industry members expressed support.

- ***Streamlining of Tax Return and Report Requirements (RIN: 1513-AC68). (Deregulatory)***

In FY 2021, TTB intends to propose for notice and comment regulatory amendments to substantially streamline current requirements pertaining to tax returns and reports. This measure will also include updates to return and report requirements to improve overall tax oversight and enforcement. If the Craft Beverage Modernization and Tax Reform provisions of the Tax Cuts and Jobs Act (which were initially enacted through calendar year 2019 and subsequently extended through calendar year 2020) are extended into calendar year 2021 or beyond, this regulation could include changes that would enhance TTB's administration of those provisions.

In FY 2021, TTB also intends to complete additional rulemaking projects that TTB published as notices of proposed rulemaking in prior years, as well as propose additional liberalizing changes in response to industry member petitions to amend the TTB regulations:

- ***Proposals to Amend the Regulations to Authorize the Use of Additional Wine Treating Materials and to Solicit Comments on Proposed Changes to the Limits on the Use of Wine Treating Materials to Reflect "Good Manufacturing Practice" (RIN: 1513-AB61 and 1513-AC75). (Not yet determined)***

In FY 2017, TTB proposed to amend its regulations pertaining to the production of wine to authorize additional treatments that may be applied to wine and to juice from which wine is made. These proposed amendments were made in response to requests from wine industry members to authorize certain wine treating materials and processes not currently authorized by TTB regulations. Although TTB may administratively approve such treatments, such administrative approval does not guarantee acceptance in foreign markets of any wine so treated. Under certain international agreements, wine made with wine treating materials is not subject to certain restrictions if the authorization to use the treating materials is implemented through public notice; thus, rulemaking facilitates the acceptance of exported wine made using those treatments in foreign markets. In FY 2018, TTB reopened the comment period for the notice in response to industry member requests and, after consideration of the comments, TTB intends in FY 2021 to issue a final rule on those proposals. In FY 2021, TTB also intends to propose

for public comment additional changes to the regulations governing wine treating materials, in response to a petition to more broadly amend the regulations to allow more wine treating materials to be used within the limitations of “good manufacturing practice” rather than within specified numerical limits.

- ***Proposal to Amend the Regulations to Add New Grape Variety Names for American Wines (RIN: 1513–AC24). (Not significant)***

In FY 2017, TTB proposed to amend its wine labeling regulations by adding a number of new names to the list of grape variety names approved for use in designating American wines. The proposed deregulatory amendments would allow wine bottlers to use these additional approved grape variety names on wine labels and in wine advertisements in the U.S. and international markets. In 2018, TTB reopened the comment period for the notice in response to requests. TTB was unable to complete this project in FY 2020 because of redirected efforts to address COVID-19 guidance, TTB intends to issue a final rule in FY 2021.

OFFICE OF THE COMPTROLLER OF THE CURRENCY

The Office of the Comptroller of the Currency (OCC) charters, regulates, and supervises all national banks and Federal savings associations (FSAs). The agency also supervises the Federal branches and agencies of foreign banks. The OCC's mission is to ensure that national banks and FSAs operate in a safe and sound manner, provide fair access to financial services, treat customers fairly, and comply with applicable laws and regulations.

Regulatory priorities for fiscal year 2021 are described below.

- ***Computer Security Incident Reporting (12 CFR chapter I).***

The OCC, FRB, and FDIC plan to issue a proposed rule that would require a banking organization to report significant computer security incidents to its primary regulator on a timely basis.

- ***Regulatory Capital Rule: Temporary Changes to the Community Bank Leverage Ratio Framework (12 CFR part 3).***

The OCC, FRB, and FDIC finalized interim final rules that made temporary changes to the community bank leverage ratio (CBLR) requirement, pursuant to section 4012 of the Coronavirus Aid, Relief, and Economic Security (CARES) Act, and provide a graduated increase from the temporary 8

percent CBLR requirement to the 9 percent CBLR requirement as established under the CBLR final rule published in 2019. The rule provides a graduated transition to a community bank leverage ratio requirement of 9 percent from the temporary 8-percent community bank leverage ratio requirement (transition interim final rule). When the requirements in the transition interim final rule become applicable, the community bank leverage ratio will be 8 percent beginning in the second quarter of calendar year 2020, 8.5 percent through calendar year 2021, and 9 percent thereafter. The transition interim final rule also maintains a two-quarter grace period for a qualifying community banking organization whose leverage ratio falls no more than 1 percentage point below the applicable community bank leverage ratio requirement. The OCC, FRB, and FDIC issued concurrently an interim final rule that established an 8-percent community bank leverage ratio, as mandated under the CARES Act. The agencies issued the transition interim final rule to provide community banking organizations with sufficient time and clarity to meet the 9 percent leverage ratio requirement under the community bank leverage ratio framework while they also focus on supporting lending to creditworthy households and businesses given the recent strains on the U.S. economy caused by the coronavirus disease emergency. The interim final rules were published on April 23, 2020, 85 FR 22924 and 22930 and the final rule was published on October 9, 2020, 85 FR 64003.

- ***Regulatory Capital Rule: Payment Protection Program Lending Facility and Payment Protection Program Loans (12 CFR part 3).***

To provide liquidity to small business lenders and the broader credit markets, to help stabilize the financial system, and to provide economic relief to small businesses nationwide, the FRB authorized each of the Federal Reserve Banks to participate in the Paycheck Protection Program Lending Facility, pursuant to section 13(3) of the Federal Reserve Act. Under the PPPL Facility, each of the Federal Reserve Banks will extend non-recourse loans to eligible financial institutions to fund loans guaranteed by the Small Business Administration under the Paycheck Protection Program established by the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). To facilitate use of this Federal Reserve facility, the OCC, FRB, and FDIC finalized an interim final rule that allows banking organizations to neutralize the regulatory capital effects of participating in the facility. This treatment is similar to the treatment extended previously by the agencies in connection with the Federal Reserve's

Money Market Mutual Fund Liquidity Facility. In addition, as mandated by section 1102 of the CARES Act, loans originated under the Small Business Administration's Paycheck Protection Program will receive a zero percent risk weight under the agencies' regulatory capital rule. The interim final rule was published on April 13, 2020, 85 FR 20387. The final rule was published on October 28, 2020, 85 FR 68243.

- ***Regulatory Capital Rule: Temporary Exclusion of U.S. Treasury Securities and Deposits at Federal Reserve Banks from the Supplementary Leverage Ratio (12 CFR part 3).***

The OCC, the Board, and the FDIC are planning to finalize an interim final rule that temporarily revises the supplementary leverage ratio calculation for depository institutions. Under the interim final rule, any depository institution subsidiary of a U.S. global systemically important bank holding company or any depository institution subject to Category II or Category III capital standards may elect to exclude temporarily U.S. Treasury securities and deposits at Federal Reserve Banks from the supplementary leverage ratio denominator. Additionally, any depository institution making this election must request approval from its primary Federal banking regulator prior to making certain capital distributions so long as the exclusion is in effect. The interim final rule was published on June 1, 2020, 85 FR 32980.

- ***Basel III Revisions (12 CFR part 3).***

The OCC, FRB, and the FDIC are planning to issue a notice of proposed rulemaking that would comprehensively revise the agencies' risk-based capital rules, including revisions to the current standardized and advanced approaches capital rules.

- ***Credit Risk Transfer for Consolidated Traditional Securitization (12 CFR part 3).***

The OCC, FRB, the FDIC are planning to issue a notice of proposed rulemaking that would allow banking organizations to recognize the transfer of credit risk for consolidated traditional securitizations.

- ***Regulatory Capital Rule: Revised Transition of the Current Expected Credit Losses Methodology for Allowances (12 CFR part 3).***

The OCC, FRB, and the FDIC finalized an interim final rule that delays the estimated impact on regulatory capital stemming from the implementation of Accounting Standards Update No. 2016-13,

Financial Instruments--Credit Losses, Topic 326, Measurement of Credit Losses on Financial Instruments (CECL). The interim final rule provides banking organizations that implement CECL before the end of 2020 the option to delay for two years an estimate of CECL's effect on regulatory capital, relative to the incurred loss methodology's effect on regulatory capital, followed by a three-year transition period. The agencies are providing this relief to allow banking organizations to better focus on supporting lending to creditworthy households and businesses in light of recent strains on the U.S. economy as a result of the coronavirus disease 2019 (COVID-19) while also maintaining the quality of regulatory capital. The interim final rule was published on March 31, 2020, 85 FR 17723. The final rule was published on September 30, 2020, 85 FR 61577.

- ***Regulatory Capital Rule: Money Market Mutual Fund Liquidity Facility (12 CFR part 3).***

To provide liquidity to the money market sector to help stabilize the financial system, the Board of Governors of the Federal Reserve System authorized the Federal Reserve Bank of Boston to establish the Money Market Mutual Fund Liquidity Facility (MMLF), pursuant to section 13(3) of the Federal Reserve Act. Under the MMLF, the Federal Reserve Bank of Boston will extend non-recourse loans to eligible financial institutions to purchase certain types of assets from money market mutual funds (MMFs). To facilitate this Federal Reserve lending program, the Board, OCC and FDIC (together, the agencies) finalized an interim final rule that allows banking organizations to neutralize the regulatory capital effects of participating in the program. This treatment would extend to the community bank leverage ratio. The interim final rule was published on March 23, 2020, 85 FR 16232. The final rule was published on October 28, 2020, 85 FR 68243.

- ***Capital Requirements for Market Risk; Fundamental Review of the Trading Book (12 CFR part 3).***

The banking agencies plan to issue a notice of proposed rulemaking to revise their respective capital requirements for market risk, which are generally applied to banking organizations with substantial trading activity. The banking agencies expect the proposal to be generally consistent with the standards set forth in the Fundamental Review of the Trading Book published by the Basel Committee on Bank Supervision.

- ***Regulatory Capital Treatment for Investments in Certain Unsecured Debt Instruments of Global Systemically Important U.S. Bank Holding Companies, Certain Intermediate Holding Companies, and Global Systemically Important Foreign Banking Organizations (12 CFR part 3).***

The banking agencies plan to issue a final rule that specifies capital requirements applicable to banking organizations' investments in certain debt instruments issued by global systemically important banking institutions to meet regulatory loss-absorbing debt requirements such as the FRB's total loss absorbing capacity regulations and related types of debt instruments. The notice of proposed rulemaking was published on April 8, 2019, 84 FR 13814.

- ***Role of Supervisory Guidance (12 CFR part 4).***

The OCC, FRB, FDIC, NCUA, and CFPB issued a notice of proposed rulemaking that would codify the Interagency Statement Clarifying the Role of Supervisory Guidance issued by the agencies on September 11, 2018, (2018 Interagency Statement). The 2018 Statement reiterated well-established law by stating that, unlike a law or regulation, supervisory guidance does not have the force and effect of law. As such, supervisory guidance does not create binding legal obligations for the public. The proposal also clarifies that the 2018 Statement is binding on the agencies. The notice of proposed rulemaking was published on November 5, 2020, 85 FR 70512.

- ***Licensing Amendments (12 CFR part 5).***

The OCC plans to issue a final rule to amend its rules relating to policies and procedures for corporate activities and transactions involving national banks and Federal savings associations to update and clarify the policies and procedures, eliminate unnecessary requirements consistent with safety and soundness, and make other technical and conforming changes. The notice of proposed rulemaking was published on April 2, 2020, 81 FR 18728.

- ***National Banks and Federal Savings Associations as Lender (12 CFR part 7).***

The OCC issued a final rule on changes to subparts A-D to 12 CFR part 7, Activities and Operations. This rulemaking clarifies and codifies recent OCC interpretations, integrates certain regulations for national banks and Federal savings associations, updates or eliminates outdated regulatory requirements that no longer reflect the modern financial system, and makes technical changes.

The notice of proposed rulemaking was published on July 22, 2020, 85 FR 44223. The final rule was published on October 30, 2020, 85 FR 68742.

- ***Activities and Operations of National Banks and Federal Savings Associations (12 CFR part 7).***

The OCC is planning to issue a final rule on changes to subparts A-D to 12 CFR part 7, Activities and Operations. The notice of proposed rulemaking was published on July 7, 2020, 85 FR 40794.

- ***National Bank and Federal Savings Association Digital Activities (12 CFR part 7).***

The OCC is planning to issue a notice of proposed rulemaking regarding various areas of digital banking given technological advances since the last revision to 12 CFR part 7, subpart E, National Bank Electronic Activities. The advance notice of proposed rulemaking was published on July 7, 2020, 85 FR 40827.

- ***Assessment of Fees (12 CFR part 8).***

The Office of the Comptroller of the Currency (OCC) is planning to finalize an interim final rule that reduces assessments in response to the national emergency declared in connection with coronavirus disease 2019 (COVID19). Under the interim final rule, assessments due on September 30, 2020, for national banks, Federal savings associations, and Federal branches and agencies of foreign banks (collectively, banks under the jurisdiction of the OCC) will be calculated using the December 31, 2019, "Consolidated Reports of Condition and Income" (Call Report) for each institution, rather than the June 30, 2020, Call Report. This will result in lower assessments for most banks under the jurisdiction of the OCC. In the event a bank's assets as reported on the June 30, 2020, Call Report are lower than on the December 31, 2019, Call Report, the OCC will calculate the assessment due on September 30, 2020, for the institution using the June 30, 2020, Call Report. The interim final rule was published on June 24, 2020, 85 FR 37731.

- ***Collective Investment Funds: Prior Notice Period for Withdrawals (12 CFR part 9).***

OCC regulations permit a national bank or Federal Savings association (collectively, a bank) administering a collective investment fund (CIF) that is invested primarily in real estate or other assets that are not readily marketable to require a prior notice period, not to exceed one year, for withdrawals from the fund. The OCC interprets this notice provision as requiring the bank to withdraw an account

within the prior notice period or, if permissible under the CIF's written plan, within one year after prior notice was required. The OCC is planning to finalize an interim final rule that codified the standard withdrawal period and create a limited exception that allows a bank, with OCC approval, to withdraw an account from the CIF up to one year beyond the standard withdrawal period with opportunities for further extensions provided that certain conditions are satisfied. The exception is intended to enable a bank to preserve the value of the CIF's assets for the benefit of fund participants during unanticipated and severe market conditions such as those resulting from the current national health emergency concerning the coronavirus disease (COVID-19) outbreak. The interim final rule was issued on August 13, 2020, 85 FR 49229.

- ***Exemptions to Suspicious Activity Report Requirements (12 CFR parts 21 and 163).***

The OCC plans to issue a proposed rule that would modify the requirements for national banks and Federal savings associations to file Suspicious Activity Reports. The proposed rule would amend the OCC's Suspicious Activity Report regulations to allow the OCC to issue exemptions from the requirements of those regulations. The proposed rule would make it possible for the OCC to grant relief to national banks or federal savings associations that develop innovative solutions to meet Bank Secrecy Act requirements more efficiently and effectively.

- ***Community Reinvestment Act Regulations (12 CFR part 25).***

The OCC is planning to issue an NPR to set the benchmarks, thresholds, and minimums introduced in the Community Reinvestment Act (CRA) final rule. The OCC will also describe and seek comment on an information collection survey the agency will separately distribute to banks subject to the general performance standards in order to collect the data necessary to set the benchmarks, thresholds, and minimums under the CRA final rule.

- ***Liquidity Coverage Ratio Rule: Treatment of Certain Emergency Facilities (12 CFR part 50).***

To provide liquidity to the money market sector, small business lenders, and the broader credit markets in order to stabilize the financial system, the Board of Governors of the Federal Reserve System (Board) authorized the establishment of the Money Market Mutual Fund Liquidity Facility (MMLF) and the Paycheck Protection Program Liquidity Facility (PPPLF), pursuant to section 13(3) of the Federal Reserve Act. To facilitate use of these Federal Reserve facilities, and to ensure that the

effects of their use are consistent and predictable under the Liquidity Coverage Ratio (LCR) rule, the OCC, FRB, and FDIC finalized an interim final rule that requires banking organizations to neutralize the effect under the LCR rule of participating in the MMLF and the PPPLF. The interim final rule was published on May 6, 2020, 85 FR 26835. The final rule was published on October 28, 2020, 85 FR 68243.

- ***Net Stable Funding Ratio (12 CFR part 50).***

The banking agencies plan to issue a final rule that would require large, internationally active banking organizations to maintain sufficient stable funding to support their assets over a one-year time horizon. The notice of proposed rulemaking was published on June 1, 2016, 81 FR 35123.

CUSTOMS REVENUE FUNCTIONS

The Homeland Security Act of 2002 (the Act) provides that, although many functions of the former United States Customs Service were transferred to the Department of Homeland Security, the Secretary of the Treasury retains sole legal authority over customs revenue functions. The Act also authorizes the Secretary of the Treasury to delegate any of the retained authority over customs revenue functions to the Secretary of Homeland Security. By Treasury Department Order No. 100-16, the Secretary of the Treasury delegated to the Secretary of Homeland Security authority to prescribe regulations pertaining to the customs revenue functions subject to certain exceptions, but further provided that the Secretary of the Treasury retained the sole authority to approve such regulations.

During fiscal year 2021, CBP and Treasury plan to give priority to regulatory matters involving the customs revenue functions which streamline CBP procedures, protect the public, or are required by either statute or Executive Order. The examples of these efforts described below are exempt from Executive Order 13771 as they are non-significant rules as defined by Executive Order. Examples of these efforts are described below.

- ***Investigation of Claims of Evasion of Antidumping and Countervailing Duties. (Not significant)***

Treasury and CBP plan to finalize interim regulations (81 FR 56477) which amended CBP regulations implementing section 421 of the Trade Facilitation and Trade Enforcement Act of 2015, which set forth procedures to investigate claims of evasion of antidumping and countervailing duty orders.

- ***Enforcement of Copyrights and the Digital Millennium Copyright Act. (Significant)***

Treasury and CBP plan to finalize proposed amendments to the CBP regulations pertaining to importations of merchandise that violate or are suspected of violating the copyright laws, including the Digital Millennium Copyright Act (DMCA), in accordance with Title III of the Trade Facilitation and Trade Enforcement Act of 2015 (TFTEA) and Executive Order 13785, "Establishing Enhanced Collection and Enforcement of Anti-dumping and Countervailing Duties and Violations of Trade and Customs Laws." The proposed amendments are intended to enhance CBP's enforcement efforts against increasingly sophisticated piratical goods, clarify the definition of piracy, simplify the detention process relative to goods suspected of violating the copyright laws, and prescribe new regulations enforcing the DMCA.

- ***Inter Partes Proceedings Concerning Exclusion Orders Based on Unfair Practices in Import Trade. (Deregulatory)***

Treasury and CBP plan to publish a proposal to amend its regulations with respect to administrative rulings related to the importation of articles in light of exclusion orders issued by the United States International Trade Commission ("Commission") under section 337 of the Tariff Act of 1930, as amended. The proposed amendments seek to promote the speed, accuracy, and transparency of such rulings through the creation of an inter partes proceeding to replace the current ex parte process.

- ***Merchandise Produced by Convict or Forced Labor or Indentured Labor under Penal Sanctions. (Significant)***

Treasury and CBP plan to publish a proposed rule to update, modernize, and streamline the process for enforcing the prohibition in 19 U.S.C. 1307 against the importation of merchandise that has been mined, produced, or manufactured, wholly or in part, in any foreign country by convict or forced labor, of indentured labor under penal sanctions. The proposed rule would generally bring the forced labor regulations and detention procedures into alignment with other statutes, regulations and procedures that apply to the enforcement of restrictions against other types of prohibited merchandise.

FINANCIAL CRIMES ENFORCEMENT NETWORK

As administrator of the Bank Secrecy Act (BSA), the Financial Crimes Enforcement Network (FinCEN) is responsible for developing and implementing regulations that are the core of the Department's anti-money laundering (AML) and counter-terrorism financing (CFT) efforts. FinCEN's responsibilities and objectives are linked to, and flow from, that role. In fulfilling this role, FinCEN seeks to enhance U.S. national security by making the financial system increasingly resistant to abuse by money launderers, terrorists and their financial supporters, and other perpetrators of crime.

The Secretary of the Treasury, through FinCEN, is authorized by the BSA to issue regulations requiring financial institutions to file reports and keep records that are determined to have a high degree of usefulness in criminal, tax, or regulatory matters or in the conduct of intelligence or counter-intelligence activities to protect against international terrorism. The BSA also authorizes FinCEN to require that designated financial institutions establish AML programs and compliance procedures. To implement and realize its mission, FinCEN has established regulatory objectives and priorities to safeguard the financial system from the abuses of financial crime, including terrorist financing, money laundering, and other illicit activity.

These objectives and priorities include: (1) issuing, interpreting, and enforcing compliance with regulations implementing the BSA; (2) supporting, working with, and as appropriate, overseeing compliance examination functions delegated by FinCEN to other Federal regulators; (3) managing the collection, processing, storage, and dissemination of data related to the BSA; (4) maintaining a government-wide access service to that same data for users with overlapping interests; (5) conducting analysis in support of policymakers, law enforcement, regulatory and intelligence agencies, and the financial sector; and (6) coordinating with and collaborating on anti-terrorism and AML initiatives with domestic law enforcement and intelligence agencies, as well as foreign financial intelligence units.

FinCEN's regulatory priorities for fiscal year 2021 include:

Report of Foreign Bank and Financial Accounts. (Deregulatory)

On March 10, 2016, FinCEN issued a Notice of Proposed Rulemaking to expand the current signature authority exemptions to exempt all U.S. individuals from reporting signature authority over, but

no financial interest in, the foreign financial accounts of their employers, which would result in a burden reduction to the public. At the same time, the rule proposed to removes the “special rules” provisions that permit limited account information to be reported when a U.S. person has financial interest in, or signature authority over, 25 or more foreign financial accounts. As a result, significant additional useful financial information would be made available to law enforcement and regulators. FinCEN intends to finalize the rule as proposed, with certain modifications and clarifications in response to public comments on the proposal.

- ***Withdraw Obsolete Civil Money Penalty Provisions for BSA Violations. (Technical Change)***

FinCEN intends to withdraw the civil money penalty provisions for BSA violations that are obsolete. Statutory amendments have been made to specific civil BSA penalties since the regulation was last revised. In addition, the Federal Civil Penalties Inflation Adjustment Act of 1990, 28 U.S.C. § 2461 note, as amended requires agencies to issue regulations making annual adjustments reflecting the effect of inflation for civil penalties expressed in terms of a dollar amount. Those inflation adjustments are correctly captured in a separate regulation and therefore the obsolete and inconsistent provisions may create confusion for the public.

- ***Amendments to the Definitions of Broker or Dealer in Securities. (Regulatory)***

On April 4, 2016, FinCEN issued a Notice of Proposed Rulemaking proposing amendments to the regulatory definitions of broker or dealer in securities under the BSA’s regulations. The proposed changes would expand the current scope of the definitions to include funding portals and would require them to implement policies and procedures reasonably designed to achieve compliance with all of the BSA’s requirements that are currently applicable to brokers or dealers in securities. FinCEN intends to finalize the rule as proposed.

- ***Threshold for the Requirement To Collect, Retain, and Transmit Information on Funds Transfers and Transmittals of Funds That Begin or End Outside the United States, and Clarification of the Requirement To Collect, Retain, and Transmit Information on Transactions Involving Convertible Virtual Currencies and Digital Assets With Legal Tender Status (Regulatory)***

On October 27, 2020, the Board of Governors of the Federal Reserve System and FinCEN (collectively, the “Agencies”) issued a proposed rule to modify the threshold in the rule implementing the Bank Secrecy Act requiring financial institutions to collect and retain information on certain funds transfers and transmittals of funds. The proposed modification would reduce this threshold from \$3,000 to \$250 for funds transfers and transmittals of funds that begin or end outside the United States. FinCEN likewise proposed to reduce from \$3,000 to \$250 the threshold in the rule requiring financial institutions to transmit to other financial institutions in the payment chain information on funds transfers and transmittals of funds that begin or end outside the United States. The Agencies also proposed to clarify the meaning of “money” as used in these same rules to ensure that the rules apply to domestic and cross-border transactions involving convertible virtual currency, which is a medium of exchange (such as cryptocurrency) that either has an equivalent value as currency, or acts as a substitute for currency, but lacks legal tender status. The Agencies further proposed to clarify that these rules apply to domestic and cross-border transactions involving digital assets that have legal tender status.

- ***Anti-Money Laundering (AML) Program Effectiveness (Deregulatory)***

On September 17, 2020, FinCEN issued an advance notice of proposed rulemaking that sought public comment on potential regulatory amendments to establish that all covered financial institutions subject to an anti-money laundering program requirement must maintain an “effective and reasonably designed” anti-money laundering program. Any such amendments would be expected to further clarify that such a program assesses and manages risk as informed by a financial institution's risk assessment, including consideration of anti-money laundering priorities to be issued by FinCEN consistent with the proposed amendments; provides for compliance with Bank Secrecy Act requirements; and provides for the reporting of information with a high degree of usefulness to government authorities. The regulatory amendments under consideration are intended to modernize the regulatory regime to address the evolving threats of illicit finance, and provide financial institutions with greater flexibility in the allocation of resources, resulting in the enhanced effectiveness and efficiency of anti-money laundering programs.

Voluntary Information Sharing Among Financial Institutions Under Section 314(b) of the USA PATRIOT Act (Deregulatory)

FinCEN is considering issuing a notice of proposed rulemaking to strengthen the administration of the safe harbor allowing eligible financial institutions and associations of financial institutions to voluntarily share information with other financial institutions or associations of financial institutions.

- ***Other Requirements.***

FinCEN also will continue to issue proposed and final rules pursuant to section 311 of the USA PATRIOT Act, as appropriate. Finally, FinCEN expects that it may propose various technical and other regulatory amendments in conjunction with ongoing efforts with respect to a comprehensive review of existing regulations to enhance regulatory efficiency.

BUREAU OF THE FISCAL SERVICE

The Bureau of the Fiscal Service (Fiscal Service) administers regulations pertaining to the Government's financial activities, including: (1) implementing Treasury's borrowing authority, including regulating the sale and issue of Treasury securities; (2) administering Government revenue and debt collection; (3) administering government-wide accounting programs; (4) managing certain Federal investments; (5) disbursing the majority of Government electronic and check payments; (6) assisting Federal agencies in reducing the number of improper payments; and (7) providing administrative and operational support to Federal agencies through franchise shared services.

During fiscal year 2021, Fiscal Service will accord priority to the following regulatory projects:

- ***Surety Companies Doing Business with the United States***

Fiscal Service is proposing to amend its regulations governing surety companies doing business with the United States, found at 31 CFR part 223. When a federal law requires a person to post a bond through a surety, the person satisfies the requirement if the bond is underwritten by a company that is certified by Treasury to write federal bonds. Fiscal Service administers the regulations governing the issuance, renewal, and revocation of certificates of authority to surety companies to write or reinsure federal bonds. Fiscal Service proposes to amend its regulations governing how it values the assets and liabilities of sureties to keep pace with changes in regulation of the surety industry occurring at the state and international levels.

INTERNAL REVENUE SERVICE

The Internal Revenue Service (IRS), working with the Office of Tax Policy, promulgates regulations that interpret and implement the Internal Revenue Code (Code) and related tax statutes. The purpose of these regulations is 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 as clear and simple as possible.

During fiscal year 2021, the IRS and Treasury's Office of Tax Policy's priority is to continue providing guidance regarding implementation of key provisions of the Tax Cuts and Jobs Act (TCJA), Public Law 115-97, as well as the Taxpayer First Act, Public Law No: 116-25, Division O of the Further Consolidated Appropriations Act, 2020. Public Law No. 116-94, known as the Setting Every Community Up for Retirement Enhancement Act of 2019 (SECURE Act), and the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), Public Law 116-136. For example, regulations under section 904 of the Code (REG-101657-20) will provide guidance on the foreign tax credit categorization of net operating loss carrybacks resulting from the CARES Act, which is necessary to translate the post-TCJA foreign tax credit categories into pre-TCJA categories. Additionally, a key focus will be publishing guidance that removes unnecessary burdens that make it harder for taxpayers to comply with the tax law. For example, forthcoming guidance under section 1362(f) of the Code will provide procedures by which taxpayers may confirm the validity or continuation of an S corporation election in certain situations.

Every year, Treasury and the IRS identify guidance projects that are priorities for allocation of the resources during the year in the Priority Guidance Plan (PGP) (available on [irs.gov](https://www.irs.gov) and [regulations.gov](https://www.regulations.gov)). The plan represents projects that Treasury and the IRS intend to actively work on during the year. To help facilitate and encourage suggestions, Treasury and the IRS have developed an annual process for soliciting public input for guidance projects. The annual solicitation is done through the issuance of a notice inviting recommendations from the public for items to be included on the PGP for the upcoming plan year. See, for example, Notice 2020-47 (2020-27 I.R.B. 7) (June 29, 2020). We also invite the public to continue throughout the year to provide us with their comments and suggestions for guidance projects.