POSTAL SERVICE

39 CFR Parts 111 and 502

Manufacture, Distribution, and Use of Postal Security Devices and Information-Based Indicia

AGENCY: Postal Service.

ACTION: Proposed rule.

SUMMARY: This proposal would add new sections to the Domestic Mail Manual (DMM) and title 39, Code of Federal Regulations (CFR), to reflect policies and regulations pertaining to the Information-Based Indicia Program (IBIP). The proposed policies and regulations were originally published for public review and comment in the March 28, 1997, **Federal Register** (62 FR 14833). As a result of comments received on that original proposal, the regulations have been revised to reflect two significant changes. The first is that the proposed regulations only address ''open'' systems. It is the intent of the Postal Service to address ''closed'' systems at a future date. The second is a clarification on refund procedures. In addition, the March 3, 1998, **Federal Register** (63 FR 10419) provided information regarding potential alternative approaches to the physical nature and location of a security device. The proposed regulations have been amended to reflect these alternatives. These proposed IBIP policies and regulations are interim and may be revised after experience has been gained with the testing and implementation of the first of the Information-Based Indicia (IBI) systems.

DATES: Comments must be received on or before November 2, 1998.

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

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

SUPPLEMENTARY INFORMATION: The Information-Based Indicia Program (IBIP) involves the development of new technology to produce forms of postage evidencing through the use of two-dimensional barcodes, human-readable information, and cryptographic services to produce postage evidence from personal computers. This technology will support Postal Service efforts to reduce fraud, provide a convenient access to postage, and provide an opportunity for customer defined ''value added'' services.

There are five primary elements to an IBI. The indicia includes:

- Town circle information.
- Postage amount applied.
- Device identifier.
- Two-dimensional barcode.
- Optional advertising art.

The Postal Service has classified potential IBIP PC Postage products into four major categories:

1. Stand-alone system products.
2. Local Area Network (LAN) system products.
3. Wide Area Network (WAN) system products, and
4. Hybrid system products.

The proposed regulations pertain to current IBI stand-alone system performance criteria and will also be applied to the other potential categories as Providers present their systems for evaluation and approval.

Core security functions, such as digital signature generation and verification and the management of registers, are performed on a stand-alone system by a physical Postal Security Device (PSD). On all other systems these functions are performed remotely through another form of logical security element. Some customer and Provider requirements may differ according to each alternative system. The host system controls the customer infrastructure in system authorization, system audits, postage resetting and production of the indicia.

The IBIP key management component employs a public-key certificate-based digital signature that features a data integrity service and provides the means to validate the indicia. Finally, the product/service Provider infrastructure provides support for all IBIP functions including licensing, PSD production, maintenance of other logical security elements, and life cycle support, and provides an interface with both the customer and the Postal Service infrastructure. The Postal Service interface involves the issuance of licenses, updating licensee information, product/device inventory and tracking, resetting support and account reconciliation, lost and stolen/irregularity monitoring, and the assignment of digital certificates.

The following is a summary of the Postal Service's position on the general interest IBIP policy issues. In this document, the USPS will only address ''open'' systems. ''Closed'' systems will be addressed separately at a future date.

- Any proposed open system product or device must be submitted for approval under proposed ''Metering Technology Management Metering Product Submission Procedures'' (September 1, 1998 **Federal Register**). These procedures include specifics on letters of intent, nondisclosure agreements, the Provider's concept of operations and infrastructure, documentation requirements, product submissions, and most testing activities.
- In an attempt to use the existing Postal Service infrastructure as much as possible, customer licensing and product/device tracking will be included in the Centralized Meter Licensing System (CMLS). A license must be obtained prior to the use of a device. A customer already licensed to use postage meters will not have to apply again for an additional license. The Postal Service will simply update the customer's file.
- All IBIP-specific system components must be leased.
- Until the Postal Service has captured historical data on reliability and security, the total amount of postage in a descending register will be limited to a maximum of $500. Ascending registers must show all postage printed over time.
- Authorized Providers must keep records of the distribution, control, and maintenance of all IBIP systems throughout the complete lifecycle of the product. This includes tracking of all PSDs, including newly manufactured PSDs, active leased PSDs and inactive unleased PSDs, as well as lost and stolen PSDs.
- Indicia produced from the IBIP system may be used to indicate postage for single-piece rate First-Class Mail (including Priority Mail), Express Mail, and Standard Mail classes. Mail bearing the indicia is entitled to all privileges and subject to all conditions applying to these classes of mail.
- Providers are responsible for audit functions. The Postal Service will not take over this function but may at times participate in or review the audit process. PSDs and other logical security elements must be audited at least once every 3 months.
- Providers must perform an analysis of each submitted customer mailpiece as part of the Provider's Mailpiece Quality Assurance program to ensure the quality and readability of the indicia. The Provider must notify the customer and the Postal Service of any deficiencies.
- All postage downloads or settings will be made under the provisions of the Computerized Remote Meter Resetting System (CMRS). The Postal Service will conduct periodic audits of a Provider's resetting system to ensure that the system is operating correctly and that postal revenues are protected.

- Physical inspections of PSDs will be made at the time of submission for approval and if there is a subsequent suspicion of a security problem.
- The Postal Service will provide refunds for unused postage, for any balance remaining on a PSD or other logical security element, and for any balance remaining in the licensee's CMRS account.
- All approved systems must have the capability to update postage rates efficiently when such changes are announced.
- There are provisions in the IBIP regulations for the correction of postage and dates. These are similar to those used for metered postage. For date correction, the facing identification mark (FIM) and barcode will be suppressed; for postage correction, the FIM will be suppressed.
- Cautionary labels such as those affixed to postage meters will not be affixed to PSDs. However, Providers must make their customers aware of this information through their supplied software, and documentation.

Although exempt from the notice and comment requirements of the Administrative Procedure Act (5 U.S.C. 553(b), (c)) regarding proposed rule-making by 39 U.S.C. 410(a), the Postal Service invites public comments on the following proposed amendments to the Domestic Mail Manual, incorporated by reference in the Code of Federal Regulations. See 39 CFR part 111.

List of Subjects in 39 CFR Parts 111 and Part 502

Administrative practice and procedure, Postal Service.

Accordingly, Parts 111 and 502 of title 39, CFR are amended as follows:

PART 111—[AMENDED]

1. The authority citation for 39 CFR part 111 continues to read as follows:

Authority: 5 U.S.C. 552(a); 39 U.S.C. 101, 401, 403, 404, 3001–3011, 3403–3406, 3621, 3626, 5001.

2. Add the following sections to the Domestic Mail Manual as set forth below:

P050 Information-Based Indicia

1.0 BASIC INFORMATION

1.1 Description of IBI

The IBI system prints an authorized USPS Information-Based Indicia that shows evidence of postage. The indicia consists of a USPS-approved two-dimensional barcode and certain human-readable information such as city and state, 5-digit ZIP Code of licensing post office, device ID number, date, and amount of postage. The IBI system includes as a primary component a physical Postal Security Device (PSD), or another form (e.g., remote) of logical security element depending on the installed IBI system version, that provides critical functionality for accounting for postage with a computer-based host system. The security device and host system interact to generate the indicia. The security device is remotely set and requires the customer to have funds on deposit with the USPS before initial setting or resetting.

1.2 Provider Responsibilities

The IBI system is available only through a lease agreement from a USPS-authorized Provider. The USPS holds Providers responsible for the life cycle, control, operation, maintenance, and replacement of their IBIP products and devices.

1.3 Possession

A customer must have a USPS-issued license and a valid lease agreement to use the IBI system.

1.4 Classes of Mail

Indicia produced from the IBI system may be used to indicate postage for single-piece rate First-Class Mail (including Priority Mail), Express Mail, and Standard Mail classes.

1.5 Amount of Postage

The value of the IBIP indicia affixed to each mailpiece must equal or exceed the exact amount due for the piece when mailed.

1.6 Additional Postage

An indicia showing additional postage may be placed on a shortpaid mailpiece under 4.9, Postage Correction.

2.0 LICENSE

2.1 Procedures

The application and the license are processed through the Centralized Meter Licensing System (CMLS). An applicant must provide all applicable data for Form 3601-A, Application for a License to Lease and Use Postage Meters, to the Provider. The application must state the post office where the applicant intends to deposit mail produced using their IBI system. The Provider electronically transmits the information requested on Form 3601-A to CMLS in the USPS-specified format. When a Provider transmits the application on behalf of the applicant, the USPS notifies the Provider when a license is issued. A single license covers all IBI systems to the same applicant by the same post office, but a separate application must be submitted for each post office where the applicant wants to deposit IBI mail. There is no fee for the application and license. After approving an application, the USPS issues a Postage Meter License (Form 3601-B). A customer will not have to apply for a license to use an IBI system if the customer already possesses a valid postage meter license.

2.2 Refusal to Issue License

The USPS may refuse to issue a license for the following reasons: the applicant submitted false or fictitious information on the license application; the applicant violated any standard for the care or use of an IBI or product/device that resulted in the revocation of that applicant's license within 5 years preceding submission of the application; or there is sufficient reason to believe that the product/device is to be used in violation of the applicable standards. The USPS sends the licensee written notice when an application for a license is refused. The USPS notifies the Provider if the license is refused. Any applicant refused a license may appeal the decision under 2.4.

2.3 Revocation of License

A license is subject to revocation for any of the following reasons:

a. An IBI product/device is used for any illegal scheme or enterprise or there is probable cause to believe that the product/device is to be used in violation of the applicable standards.

b. The IBI product/device is not reset or audited within a 3-month period.

c. Sufficient control of an IBI product/device is not exercised or the standards for its care or use are not followed.

d. The IBI product/device is kept or used outside the boundaries of the United States or those U.S. territories and possessions without USPS approval.

e. IBI mail is deposited at other than the licensing post office (except as permitted by 5.0 or D072).

f. Failure to forward mailpieces to the Provider for quality assurance as required by 2.5h.

The USPS sends written notice to the licensee and the licensee's Provider of any revocation.

2.4 Appeals

An applicant who is refused a license, or a licensee whose license is revoked, may file a written appeal with the Manager of Metering Technology Management (MTM), USPS Headquarters, within 10 calendar days of receipt of the decision.

2.5 Licensee Responsibilities

The licensee's responsibilities for the care and use of an IBI product/device include the following:

a. After a PSD supporting a stand-alone system is delivered to a licensee, it must remain in the licensee's custody until it is returned to the authorized Provider.

b. The licensee must, upon request, make the PSD in the licensee's custody and corresponding records on transactions immediately available for review and audit to the Provider or the USPS.

c. The licensee must remote-set security devices at least once every 3 months.

d. The licensee must immediately notify the Provider of any change in the licensee's name, address, telephone number, the location of the product/device, or any other information on the Form 3601-A.

e. The USPS issues a revised license based on the transmission of updated information from the Provider. The licensee must verify and update license information on a periodic basis. If a licensee changes the post office where IBI mail is to be deposited, the PSD or other logical security element must be checked out of service by the authorized Provider. The customer must be relicensed at the new post office before the Provider can issue and reset a replacement PSD or other logical security element.

f. The licensee must report a misregistering or otherwise defective IBI product/device to the Provider under 2.7 and must ensure that the defective IBI product/device is not used.

g. The licensee must maintain address quality by updating the USPS AMS CD-ROM disk at least once every 6 months.

h. The licensee must forward a mailpiece produced by the IBI product/device to the Provider at least once every 6 months after initialization for quality assurance.

i. The customer must enter into a signed lease agreement with the Provider that includes a financial agreement for resetting the IBI product/device with postage.

2.6 Custody of Suspect PSDs

The Postal Service may conduct unannounced, on-site examinations of IBI product/devices reasonably suspected of being manipulated or otherwise defective. An inspector may also immediately withdraw a suspect IBI product/device from service for physical and/or laboratory examination. The inspector issues the licensee a receipt for the IBI product/device, forwards a copy to the Provider, and, if necessary, assists in obtaining a replacement IBI product/device. Where possible, the Inspection Service gives advance notice that an IBI product/device is to be inspected. Unless there is reason to believe that the IBI product/device is fraudulently set with postage, existing postage in the IBI product/device to be examined is transferred to the replacement PSD.

2.7 Defective PSD or Other Logical Security Element

The licensee must immediately report any defective PSD or other logical security element to the Provider. The Provider must retrieve any defective PSD within 3 business days of notification by the licensee and notify the USPS. A faulty PSD or other logical security element may not be used under any circumstance. Faulty PSDs must be returned to the Provider. The Provider will supply the licensee with a replacement PSD or will correct the logical security element, as applicable.

2.8 Missing PSD

The licensee must immediately report to the Provider and licensing post office the loss or theft of any PSD or the recovery of any missing PSD. Reports must include the PSD identification number and/or serial number; the date, location, and details of the loss, theft, or recovery; and a copy of any police report. The Provider must report all details of the incident to the Manager, MTM.

2.9 Returning a PSD

After a PSD is delivered to a licensee, the PSD must be kept in the licensee's custody until returned to the authorized Provider. A licensee with a faulty or misregistering PSD or who no longer wants to keep a PSD must return the PSD to the Provider to be checked out of service. PSDs must be shipped by Priority Mail Returned Receipt for Merchandise unless the Manager, MTM, USPS Headquarters, gives written permission to ship at another rate or special service.

3.0 SETTING

3.1 Initial Setting of PSD or Other Logical Security Element

Before the licensee is issued a PSD or is granted access to another form of logical security element, the device must be initialized and authorized by the Provider. The customer must enter into a lease agreement with the Provider that includes a financial agreement for resetting the device with postage. Settings are made according to the provisions of the USPS Computerized Remote Postage Meter Resetting System (CMRS).

3.2 Payment for Postage

Payment must be made for postage before the IBI product/device is set. The customer is permitted to make payment in accordance with Treasury Handbook, F–3, section 2–11.

3.3 Postage Transfers and Refunds

Postage losses due to malfunctions are the responsibility of the Provider. The Postal Service will provide refunds for unused postage, for any balance remaining on a PSD or other logical security element, and for any balance remaining in the licensee's CMRS account.

- For unused postage, refunds will only be granted for mailpieces that are 30 days old or less. The mailpieces and a completed PS Form 3533, Application and Voucher for Refund of Postage and Fees, must be forwarded to the Provider for indicia verification and processing. Refunds will be credited to the licensee's CMRS account.
- Upon the return of a PSD, the Provider will verify the remaining balance. The refund will be credited to the licensee's CMRS account.
- Refunds from other logical security elements will be verified by the Provider and credited to the licensee's CMRS account.
- Licensees must notify the Provider in writing to request the closing of a CMRS account. After the request has been processed the licensee will receive a check for the balance.

3.4 Periodic Examinations

PSDs or other logical security elements must be reset at least once every 3 months. The Provider's update of the watchdog timer/device audit satisfies this requirement. The USPS reserves the right to examine security devices by remote access or otherwise.

3.5 Resetting

In addition to the conditions in Part B, Postal Security Device, of the ''Performance Criteria for Information-Based Indicia and Security Architecture for IBI Postage Metering Systems (PCIBISAIBIPMS),'' the following conditions must be met to reset a PSD or other logical security element:

a. The licensee's account must have sufficient funds to cover the desired postage increment, or the Provider must agree to advance funds to the USPS on behalf of the licensee. The USPS encourages the Providers to recommend the use of the following payment forms by order of preference:

1. ACH Debit

2. ACH Credit
3. Wire Transfer
4. Debit Card Optional
5. Credit Card Optional
6. Check

b. As part of the resetting procedure, the licensee must provide identification information according to the Provider's resetting specifications.

c. After a PSD or other logical security element is reset, the Provider supplies the licensee with documentation of the transaction and the balance remaining in the licensee's account, unless the Provider gives a monthly statement to the licensees documenting all transactions for the period and the balance after each transaction.

3.6 Amount of Postage

The descending register of the PSD or other logical security element is programmed not to exceed $500 for a given user at any time.

4.0 INDICIA

4.1 Design

The indicia designs (types, sizes, and styles) must be those the Provider specified when the IBI product/device was approved by the USPS for manufacture and distribution.

4.2 Legibility

The indicia must be legible. An illegible indicia is not acceptable when determining postage paid. Minimal standards for acceptable reflectance measurements of the indicia and the background material are in the Uniform Symbology Specifications PDF417 and DMM Section C840.5. The facing identification mark (FIM) must meet the dimensions and print quality specified in DMM C810. The address and POSTNET barcode must meet the specifications listed in the DMM C840.

4.3 On an Adhesive Label

The USPS-approved label must be used when IBI indicia are to be printed on a label. Labels are subject to corresponding standards in DMM C810 and must be approved by the Manager, MTM.

4.4 Position

The indicia must be printed or applied in the upper right corner of the envelope, address label, or tag. The indicia must be at least ¼ inch from the right edge of the mailpiece and ¼ inch from the top edge of the mailpiece. The indicia barcode must be horizontally oriented. The indicia must not infringe on the areas reserved for the FIM, POSTNET barcode, or optical character reader (OCR) clear zone. These apply to pieces meeting the dimensions specified in DMM C800.

4.5 Content

In usage, the indicia must consist of human-readable information and two-dimensional barcoded information unless specified otherwise. The human-readable information must show, as a minimum, the city, state, and 5-digit ZIP Code of the licensing post office, the device ID, date of mailing, rate category, and the amount of postage. On approval of the licensing post office, the indicia may contain the name and state designation of its local classified branch. This authorization does not apply to classified stations or to contract stations or branches. Alternatively, the indicia may show the ZIP Code rather than the city and state designation. In this case, the words ''Mailed From ZIP Code'' and the mailer's delivery address ZIP Code must appear in place of the city and state, respectively. When it is necessary to print multidenomination IBI product/device indicia on more than one tape, the human-readable information showing the post office must be on each adhesive label.

4.6 Complete Date

The month, day, and year must be shown in the indicia on all First-Class Mail. On Standard Mail the day may be omitted. Mailpieces bearing an indicia with only the month and year may be accepted during the month shown. They may also be accepted through the third day of the following month if the postmaster finds that the mailing was unavoidably delayed before deposit with the USPS.

4.7 Date Accuracy

The date shown in the indicia must be the actual date of deposit. Mail deposited after the day's last scheduled collection may bear the date of the next scheduled collection.

4.8 Date Correction

If date correction is required, an indicia showing actual date of mail and the word ''REDATE'' instead of the postage amount may be used. The indicia must be placed on the nonaddress side at least 20mm from the bottom edge of the mailpiece. The indicia impression must not bear the FIM or the two-dimensional barcode.

4.9 Postage Correction

An indicia for additional postage may be placed on a shortpaid mailpiece to correct postage. The corrected indicia must be printed on the nonaddress side at least 20mm from the bottom edge of the piece and not on an envelope flap. The impression on the nonaddress side must contain all the indicia elements except for the FIM. To meet two-dimensional barcode readability requirements, an indicia may be printed on a USPS-approved tape/label.

4.10 Other Matter Printed

Advertising matter, slogans, return addresses, and the postal markings specified in 4.11 may be printed with the indicia within space limitations. A licensee must obtain the content for printing this matter from the authorized Provider. Advertising art messages must include the mailer's name or words such as ''Mailer's Message.'' The advertising art must not be obscene, defamatory of any person or group, or deceptive and it must not advocate any unlawful action. The Provider must obtain prior approval for all advertising matter.

4.11 Postal Markings

Postal markings related to the class or category of mail are required. If placed in the advertising art area, only the postal marking may be printed, and it must fill the advertising art area as much as possible. All words must be in bold capital letters at least ¼ inch high (18-point type) and legible at 2 feet. Exceptions are not made for small advertising art that cannot accommodate a permissible marking.

4.12 FIM

The mailpiece generated by IBI product/device must bear a USPS-approved FIM D unless the envelope is courtesy reply with a FIM A or the piece is not a letter or a flat. The location of the FIM applies to pieces meeting the dimensions specified in DMM C800.

5.0 MAILINGS

5.1 Preparation of IBI

Mail is subject to the preparation standards that apply to the class of mail and rate claimed.

5.2 Combination

IBI mail may be combined in the same mailing with mail paid with other methods only if authorized by the USPS.

5.3 Where to Deposit

Single-piece rate First-Class Mail may be deposited in any street collection box or such other place where mail is accepted and that is served by the licensing post office. Limited quantities (i.e., a handful) of single-piece rate First-Class Mail may be deposited at offices other than the licensing post office to expedite dispatch.

6.0 AUTHORIZATION TO MANUFACTURE AND DISTRIBUTE IBI SYSTEMS

Title 39, Code of Federal Regulations, part 502, contains information about the authorization to manufacture and distribute IBI product/devices; the suspension and revocation of such authorization; performance standards, test plans, testing, and approval; required manufacturing security measures; and standards for distribution and maintenance. Further information may be obtained from MTM, USPS Headquarters.

3. Part 502 is added to read as follows:

PART 502—AUTHORITY TO MANUFACTURE AND DISTRIBUTE INFORMATION BASED INDICIA SYSTEMS

Sec.

502.1 Provider qualifications.
502.2 Provider authorization.
502.3 Changes in ownership or control.
502.4 Burden of proof standard.
502.5 Suspension and revocation of authorization.
502.6 Description of the IBIP.
502.7 Product/device Provider.
502.8 IBIP performance criteria.
502.9 Test plans.
502.10 Security testing.
502.11 IBI system approval.
502.12 Conditions for approval.
502.13 Suspension and revocation of approval.
502.14 Reporting.
502.15 Administrative sanction on reporting.
502.16 Materials and workmanship.
502.17 Destruction of product/device indicia.
502.18 Inspection of new IBI systems.
502.19 Distribution facilities.
502.20 Distribution controls.
502.21 Administrative sanction.
502.22 IBI system replacement.
502.23 Inspection of PSDs or other logical security elements in use.
502.24 PSDs not located.
502.25 Computerized remote resetting.
502.26 Indicia quality assurance.
502.27 IBI system refunds.
502.28 Key management requirements.
502.29 Provider infrastructure.

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

§ 502.1 Provider qualifications.

A potential Provider wanting authorization to lease or otherwise distribute an Information-Based Indicia (IBI) system, as approved by the Postal Service, for use by licensees under Domestic Mail Manual P050.1.2 must:

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

(b) Obtain approval of at least one prototype incorporating all the features and safeguards specified in § 502.9;

(c) Have, or establish, and keep under its supervision and control adequate manufacturing facilities suitable to carry out the provisions of §§ 502.18 through 502.21 to the satisfaction of the Postal Service (such facilities must be subject to unannounced inspection by representatives of the Postal Service); and

(d) Have, or establish, and retain adequate facilities for the control, distribution, and maintenance of IBI systems and their replacement when necessary.

§ 502.2 Provider authorization.

Upon qualification and approval, the applicant is authorized in writing to manufacture IBI products/devices and to lease them to persons licensed by the Postal Service.

§ 502.3 Changes in ownership or control.

Any person or concern wanting to acquire ownership or control of an authorized Provider must provide the Postal Service with satisfactory evidence of that person's or concern's integrity and financial responsibility.

§ 502.4 Burden of proof standard.

The burden of proof is on the Postal Service in the adjudication of suspensions and revocations under §§ 502.5 and 502.14 and administrative sanctions under §§ 502.16 and 502.22. Except as otherwise indicated in those sections, the standard of proof shall be the preponderance of evidence standard.

§ 502.5 Suspension and revocation of authorization.

(a) The Postal Service may suspend and/or revoke authorization to provide and/or distribute any or all of a Provider's IBI systems if the Provider engages in any unlawful scheme or enterprise, fails to comply with any provision in this part 502, or fails to implement instructions issued in accordance with any final decision issued by the Postal Service within its authority over the IBI product/device programs.

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

(c) Suspension in all cases shall be as follows:

(1) Upon determination by the Postal Service that a Provider is in violation of the provisions in this part 502, the Postal Service shall issue a written notice of proposed suspension citing deficiencies for which suspension or authorization to provide IBI systems may be imposed under paragraph (c) (2) of this section. Except in cases of willful violation, the Provider shall be given an opportunity to correct deficiencies and achieve compliance with all requirements within a time limit corresponding to the potential risk to postal revenue.

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

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

(4) At the end of the 90-day suspension, the Postal Service may:

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

(ii) Make a determination to revoke authorization to provide and/or distribute the Provider's products/devices in part or in whole; or

(iii) Withdraw the suspension based on identification and implementation of a satisfactory solution to the problem. Provider suspensions may be withdrawn before the end of the 90-day period if the Postal Service determines that the Provider's solution and implementation are satisfactory.

(d) The Provider may present the Postal Service with a written determination within 30 calendar days of receiving the written notice (unless a shorter period is deemed necessary). The defense must include all supporting evidence and specify the reasons for which the order should not be imposed.

(e) After receipt and consideration of the defense, the Postal Service shall advise the Provider of the decision and the facts and reasons for it. The decision

shall be effective on receipt unless it provides otherwise. The decision shall also advise the Provider that it may appeal that determination within 30 calendar days of receiving written notice (unless a shorter period is deemed necessary), as specified therein. The appeal must include all supporting evidence and specify the reasons the Provider believes that the decision is erroneous.

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

§ 502.6 Description of the IBIP.

The IBI product/device prints an authorized USPS Information-Based Indicia that shows evidence of postage. The indicia consists of a USPS-approved two-dimensional barcode and certain human-readable information such as city and state, 5-digit ZIP Code of licensing post office, Device ID number, date, and amount of postage. The IBI product/device includes as a primary component a physical Postal Security Device (PSD), or a remote logical security element depending on the installed IBI system version, that provides critical functionality for accounting postage with a computer-based host system. The security device and host system interact to generate the indicia. The PSD or other logical security element is remotely set with postage value and requires the licensee to have funds on deposit with the Postal Service prior to initial setting or resetting. IBIP PC Postage products are classified into four major categories.

1. Stand-alone system products.
2. Local Area Network (LAN) system products.
3. Wide Area Network (WAN) system products, and
4. Hybrid system products.

Core security functions such as digital signature generation and verification and the management of registers are performed on a stand-alone system by a physical PSD. On all other systems these functions are performed remotely through another form of logical security element. Customer and Provider requirements may differ according to each alternative system.

§ 502.7 Product/device Provider.

The IBI system is available to licensees only through a lease agreement from a USPS authorized Provider. The host is envisioned to operate on personal computers.

§ 502.8 IBIP performance criteria.

The IBIP performance criteria describe system elements that include Postal Service infrastructure, Provider infrastructure, and customer infrastructure. The existing Postal Service infrastructure supports customer authorization, product audit, postage resetting reporting, total population management, key management support, financial reconciliation, product lifecycle tracking, and lost and stolen/irregularity management functions. The Provider infrastructure will support all IBIP functions. The customer infrastructure will consist of the applicable security device and host system. The Postal Service will evaluate and test IBIP systems for compliance with this infrastructure.

(a) The indicia data content is described in Part A, Indicium, of the ''Performance Criteria for Information-Based Indicia and Security Architecture for IBI Postage Metering Systems (PCIBISAIBIPMS).'' Contact the Manager, MTM, USPS, 475 L'Enfant Plaza SW, Room 8430, Washington DC 20260–2444 for these requirements.

(b) The PSD implements digital signature technology for the creation and verification of digital signatures. Postal Security Device performance criteria are described in Part B, Postal Security Devices, of the PCIBISAIBIPMS. Contact the Manager, MTM, USPS, 475 L'Enfant Plaza SW, Room 8430, Washington DC 20260–2444 for these requirements.

(c) Indicia design must comply with the requirements in Domestic Mail Manual (DMM) P050.

(d) Host System Functional Requirements are contained Part C, Host System, of the PCIBISAIBIPMS. Contact the Manager, MTM, USPS, 475 L'Enfant Plaza SW, Room 8430, Washington DC 20260–2444 for these requirements.

(e) Key Management functional requirements are contained in Part D, Key Management Plan, of the PCIBISAIBIPMS. Contact the Manager, MTM, USPS, 475 L'Enfant Plaza SW, Room 8430, Washington DC 20260–2444 for these requirements.

§ 502.9 Test plans.

Each IBI system that is submitted for USPS approval should be submitted in accordance with the provisions contained in the ''Metering Technology Management Metering Product Submission Procedures.'' Contact the Manager, MTM, USPS, 475 L'Enfant Plaza SW, Room 8430, Washington DC 20260–2444 for these requirements.

§ 502.10 Security testing.

The Postal Service reserves the right to require or conduct additional examination and testing at any time, without cause, of any IBI system submitted to the Postal Service for approval or previously approved by the Postal Service.

§ 502.11 IBI system approval.

As provided in § 502.14, the Provider has a duty to report security weaknesses to the Postal Service to ensure that each IBI system protects the Postal Service against loss of revenue at all times. An approval of a system does not constitute an irrevocable determination that the Postal Service is satisfied with its revenue-protection capabilities. After approval is granted to an IBI system, no change affecting the features or safeguards may be made except as authorized or ordered by the Postal Service in writing.

§ 502.12 Conditions for approval.

(a) The Postal Service may require at any time that approved production systems of IBI products/devices, as well as the design, user manuals, and specifications applicable to such IBI systems and any revisions thereof, be submitted to the Manager, MTM, USPS, 475 L'Enfant Plaza SW, Room 8430, Washington DC 20260–2444.

(b) Upon request by the Postal Service, additional IBI systems must be submitted to the Postal Service for testing, at the expense of the Provider.

(c) All product/device submissions should adhere to the requirements contained in the ''Metering Technology Management Metering Product Submission Procedures.'' Particular attention should be given to the requirement to simultaneously submit an identical IBI system to a laboratory accredited under the National Voluntary Laboratory Accreditation Program (NVLAP) for FIPS 140–1 certification.

§ 502.13 Suspension and revocation of approval.

(a) The Postal Service may suspend an IBI system if the Postal Service believes that an IBI system poses an unreasonable risk to postal revenue.

(b) Suspension procedures:

(1) Upon determination by the Postal Service that an IBI system poses an unreasonable risk to postal revenue, the Postal Service shall issue a written notice of proposed suspension citing deficiencies for which suspension may be imposed under paragraph (b)(2) of this section. The Provider shall be given an opportunity to correct deficiencies and achieve compliance with all requirements within a time limit

corresponding to the potential risk to postal revenue.

(2) If the Postal Service determines that the Provider has failed to correct cited deficiencies within the specified time limit, the Postal Service shall issue a written notice setting forth the facts and reasons for the decision to suspend and the effective date if a written defense is not presented as provided in paragraph (c) of this section.

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

(4) At the end of the 90-day suspension, the Postal Service may:

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

(ii) Make a determination to revoke the approval of the Provider's IBI system or class and/or version, or

(iii) Withdraw the suspension based on identification and implementation of a satisfactory solution to the problem. Provider suspensions may be withdrawn before the end of the 90-day period if the Postal Service determines that the Provider's solution and implementation are satisfactory.

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

(d) After receipt and consideration of the written defense, the Postal Service shall advise the Provider of the decision and the facts and reasons for it. The decision shall be effective on receipt unless it states otherwise. The decision shall also advise the Provider that it may appeal that determination within 30 calendar days of receiving written notice (unless a shorter period is deemed necessary), as specified therein. The appeal must include all supporting evidence and the reasons that the Provider believes that the decision is erroneous.

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

§ 502.14 Reporting.

(a) For purposes of this section, ''Provider'' refers to authorized Provider in § 502.1 and its foreign or domestic affiliates, subsidiaries, assigns, dealers, independent dealers, employees, and parent corporations.

(b) Each authorized Provider in § 502.1 must submit a preliminary report to notify the Postal Service promptly (in no event more than 21 calendar days of discovery) of the following:

(1) All findings or results of any testing known to the Provider concerning the security or revenue protection features, capabilities, or failings of any IBI system distributed by the Provider that has been approved for distribution by the Postal Service or any foreign postal administration; or have been submitted for approval by the Provider to the Postal Service or a foreign postal administration.

(2) All potential security weaknesses or methods of IBI system tampering that the Provider distributes of which the Provider knows or should know, and the IBI system or model subject to each method. All potential security weaknesses include but are not limited to suspected equipment defects, suspected abuse by an IBI licensee or Provider employee, suspected security breaches of the Computerized Remote Postage Meter Resetting System, cryptographic key compromises, occurrences outside normal performance, or any repeatable deviation from normal IBI system performance (within the same model family and/or by the same licensee).

(c) Within 45 days of the preliminary notification to the Postal Service under § 502.15(b), the Provider must submit a written report to the Postal Service. The report must include the circumstances, proposed investigative procedure, and the anticipated completion date of the investigation. The Provider must also provide periodic status reports to the Postal Service during subsequent investigation and, on completion, must submit a summary of the investigative findings.

(d) The Provider must establish and adhere to timely and efficient procedures for internal reporting of potential security weaknesses. The Provider is required to submit a copy of internal reporting procedures and instructions to the Postal Service for review.

§ 502.15 Administrative sanction on reporting.

(a) Notwithstanding any act, admission, or omission by the Postal Service, an authorized Provider may be subject to an administrative sanction for failing to comply with § 502.14.

(b) The Postal Service shall determine all costs and revenue losses measured from the date that the Provider knew, or should have known, of a potential security weakness, including, but not limited to, administrative and investigative costs and documented revenue losses that result from any IBI System for which the Provider failed to comply with any provision in § 502.14. The Postal Service may recover from the Provider any and all such costs and losses (net of any amount collected by the Postal Service from the licensees or users) with interest by issuing a written notice to the Provider setting forth the facts and reasons on which the determination to impose the sanction is based. The notice shall advise the Provider of the date that the action takes effect if a written defense is not presented within 30 calendar days of receipt of the notice.

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

(d) After receipt and consideration of the defense, the Postal Service shall advise the Provider of the decision and the facts and reasons for it; the decision shall be effective on receipt unless it states otherwise. The decision shall also advise the Provider that it may, within 30 calendar days of receiving written notice, appeal that determination as specified therein.

(e) The Provider may submit a written appeal to the Postal Service within 30 calendar days of receipt of the decision. The appeal must include all supporting evidence and specify the reasons that the Provider believes that the administrative sanction was erroneously imposed. The submission of an appeal stays the effectiveness of the sanction.

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

§ 502.16 Materials and workmanship.

All IBI systems must adhere to the quality in materials and workmanship of the approved prototype.

§ 502.17 Destruction of product/device indicia.

All IBIP indicia created in the process of testing the IBI system by the Provider,

or its agent, must be collected and destroyed daily.

§ 502.18 Inspection of new IBI systems.

All new IBI systems must be inspected carefully prior to distribution.

§ 502.19 Distribution facilities.

An authorized Provider must keep adequate facilities for and records of the distribution, control, and maintenance of IBI systems. All such facilities and records are subject to inspection by Postal Service representatives.

§ 502.20 Distribution controls.

Each authorized Provider must do the following:

(a) Hold title permanently to all leased systems except those purchased by the Postal Service.

(b) On behalf of applicants, electronically transmit copies of completed PS Forms 3601–A, Application for a License to Lease and Use Postage Meters, to the designated Postal Service central processing facility.

(c) Lease systems only to parties that have valid licenses issued by the Postal Service.

(d) Supply the host system with slogan or advertising art that meets the Postal Service requirements for suitable quality and content. The Provider must obtain prior approval for all advertising matter for IBI systems.

(e) Unless otherwise authorized by the Postal Service, the Provider must immediately obtain and check out of service PSDs, if the licensee no longer wants the PSD or if the PSD is to be removed from service for any other reason. If a logical security element resides in the Provider's server, it must be immediately disabled. If it resides at the Licensee's site, all resetting requests must be denied. The Provider must keep in its possession for at least 1 year the licensee's PS Form 3601–C, Postage Meter Activity Report.

(f) Retrieve any misregistering, faulty, or defective PSD to be checked out of service within 3 business days of being notified by the licensee of the defect. After examining the PSD withdrawn for apparent faulty operation affecting registration, the Provider must compile a report explaining the malfunction to MTM, USPS Headquarters.

(g) Report promptly the loss or theft of any IBI system or component. The Provider must provide notification to the Postal Service by completing a standardized lost and stolen incident report and filing it with the Postal Service within 30 days of the Provider's determination of a loss, theft, or recovery. The Provider must complete all preliminary location activities specified in § 502.24 before submitting this report to the Postal Service.

(h) Cancel a lease agreement with any lessee whose license is revoked by the Postal Service, remove the PSD within 15 calendar days, and have the PSD checked out of service.

(i) Promptly remove from service any PSD or other logical security element that the Postal Service indicates should be removed from service. When a license is canceled, all PSDs or other logical security elements in use by the licensee must be removed from service.

(j) Examine each IBI system withdrawn from service for failure to record its operations correctly and accurately, and report to the Postal Service the failure or fault that caused the failure.

(k) Provide MTM monthly with a compatible computer file of lost or stolen PSDs. The file is due on the first of each month (for the preceding month's activity).

(l) Take reasonable precautions in the transportation and storage of PSDs to prevent use by unauthorized individuals. Providers must ship all PSDs by Postal Service Registered Mail unless given written permission by the Postal Service to use another carrier. The Provider must demonstrate that the alternative delivery carrier employs security procedures equivalent to those for Registered mail.

(m) Submit a daily financial transaction for each postage value download or postage refill according to established CMRS procedures.

§ 502.21 Administrative sanction.

The Postal Service holds Providers responsible for the life cycle, control, operation, maintenance, and replacement of their products/devices.

(a) For purposes of this section, an IBI system is defined as a system that is manufactured by an authorized Provider under § 502.1 that is not owned or leased by the Postal Service.

(b) An authorized Provider that, without just cause, fails to conduct or perform adequately any of the controls in § 502.20, to follow standardized lost and stolen incident reporting in § 502.24, or to conduct any of the inspections required by § 502.23 in a timely fashion is subject to an administrative sanction based on the investigative and administrative costs and documented revenue losses (net of any amount collected by the Postal Service from the licensee or user). Interest per occurrence measured from the date on which the cost and/or loss occurred, as determined by the Postal Service. Sanctions shall be based on the costs and revenue losses that result from the Provider's failure to comply with these requirements.

(c) The Postal Service may impose an administrative sanction under this section by issuing a written notice to the Provider setting forth the facts and reasons on which the determination to impose the sanction is based. The Postal Service shall determine all costs and losses. The notice shall advise the Provider of the date that the action shall take effect if a written defense is not presented within 30 calendar days of receipt of the notice.

(d) The Provider may present to the Postal Service a written defense to the proposed action within 30 calendar days of receipt of the notice. The defense must include all supporting evidence and specify the reasons for which the sanction should not be imposed.

(e) After receipt and consideration of the written defense, the Postal Service shall advise the Provider of the decision and the facts and reasons for it. The decision shall be effective on receipt unless it states otherwise.

(f) The Provider may submit a written appeal of the decision with 30 calendar days of receiving the decision, addressed to the Manager of MTM, Postal Service Headquarters. The appeal must include all supporting evidence and specify the reasons that the Provider believes that the administrative sanction was erroneously imposed. The submission of an appeal stays the effectiveness of the sanction.

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

§ 502.22 IBI system replacement.

(a) The Provider must keep its IBI systems in proper operating condition for licensees by replacing them when necessary or desirable to prevent electronic failure, malfunction, clock/timer/battery life expiration, or mechanical breakdown.

(b) The Provider must provide the licensees with modifications reflecting rate changes.

§ 502.23 Inspection of PSDs or other logical security elements in use.

The Provider must conduct audits of PSDs or other logical security elements at least once every 3 months in conjunction with the postage value resetting requirements in § 502.26. In general, the primary role of the PSD in

the device audit function is to create device audit messages and pass those messages to the host system for transmission to the Postal Service.

§ 502.24 PSDs not located.

Upon learning that one or more of its PSDs in service cannot be located, the Provider must undertake reasonable efforts to locate the PSD by following a series of Postal Service-specified actions designed to locate the PSDs. If these efforts are unsuccessful and a PSD is determined to be lost or stolen, the Provider must notify the Postal Service within 30 days by submitting a Lost and Stolen PSD Incident Report.

(a) If a licensee cannot be located, the Provider must, at a minimum, complete the following actions:

(1) Call directory assistance for the licensee's new telephone number.

(2) Contact the licensee's local post office for current change of address information.

(3) Contact the CMLS site and the local MATS coordinator to verify the location of the PSD or licensee currently maintained in those Postal Service records.

(4) Contact the rental agency responsible for the property where the licensee was located, if applicable.

(5) Visit the licensee's last known address to see whether the building superintendent or a neighbor knows the licensee's new address.

(6) Mail a certified letter with return receipt to the licensee at the last known address with the endorsement ''Forwarding and Address Correction Requested.''

(7) If new address information is obtained during these steps, any scheduled PSD inspection must be completed promptly.

(b) If a PSD is reported to be lost or stolen by the licensee, the Provider must, at a minimum, complete the following actions:

(1) Ensure that the licensee has filed a police report and that copies have been provided to the appropriate Inspection Service Contraband Postage Identification Program (CPIP) specialist.

(2) Withhold issuance of a replacement PSD until the missing PSD has been properly reported to the police and to the appropriate Inspection Service CPIP specialist.

(c) If the Provider later learns that the PSD has been located and/or recovered, the Provider must update lost and stolen PSD activity records, inspect the PSD promptly, initiate a postage adjustment or transfer, if appropriate, and check the PSD out of service if a replacement PSD has been supplied to the licensee.

(d) If a PSD reported to the Postal Service as lost or stolen is later located, the Provider is responsible for submitting a new Lost and Stolen PSD Incident Report that references the initial report and outlines the details of how the PSD was recovered. This report must be submitted to the Postal Service within 30 days of recovery of the PSD. The Provider is also responsible for purging lost and stolen PSD reports that are provided on a periodic basis to the Postal Service for those PSDs that have been recovered.

(e) Any authorized Provider that fails to comply with standardized lost and stolen reporting procedures and instructions is subject to an administrative sanction under § 502.21, as determined by the Postal Service.

§ 502.25 Computerized remote resetting.

(a) *Description.* The Computerized Remote Meter Resetting System (CMRS) permits postal licensees to reset PSDs or other logical security elements at their places of business and/or homes via modem and/or network interface. To reset a PSD, the licensee must connect to the Provider and provide identifying data and device audit data. Before proceeding with the setting transaction, the Provider must verify all the data (including conducting the product audit) and ascertain from its own files whether the licensee has sufficient funds on deposit with the Postal Service. If the funds are available and the product audit was successful, the Provider may complete the setting transaction.

(b) *Revenue protection.* The Postal Service shall conduct periodic assessments of the revenue protection safeguards of each Provider system and shall reserve the right to revoke a Provider's authorization if the CMRS system does not meet all requirements set forth by the Postal Service. The Provider must make its facilities that handle the operation of the computerized resetting system and all records about the operation of the system available for inspection by representatives of the Postal Service at all reasonable times.

(c) *Deposits with the Postal Service.* (1) A CMRS licensee is required to have funds available on deposit with the Postal Service before resetting a PSD or the Provider may opt to provide a funds advance in accordance with The Cash Management Operating Specifications for the Computerized Remote Postage Meter Resetting System. Contact the Treasurer's Office of the United States Postal Service, 475 L'Enfant Plaza SW, Washington DC 20260–5130 for this document. The details of this deposit requirement are covered within the Acknowledgment of Deposit Requirement document. By signing this document, the licensee agrees to transfer funds to the Postal Service through a lockbox bank, as specified by the Provider, for the purpose of prepayment of postage. The Provider representative must provide all new CMRS licensees with this document when a new account is established. The document must be completed and signed by the licensee and sent to the Minneapolis Accounting Service Center by the Provider.

(2) The licensee is required to incorporate the following language into its IBI rental agreements:

Acknowledgement of Deposit Requirement

See the Cash Management Operating Specifications for the Computerized Remote Postage Meter Resetting System. Contact the Treasurer's Office of the United States Postal Service, 475 L'Enfant Plaza SW, Washington DC 20260–5130 for this document.

§ 502.26 Indicia quality assurance.

The licensee is required to forward a mailpiece to the Provider at least once every 6 months for evaluation. If the licensee fails to comply with this requirement, the Provider must notify the licensee that, all future postage value resettings will be denied. The Provider must notify the Postal Service of all noncomplying licensees, so that license revocations can be initiated. The Provider is required to provide guidance to the licensee to correct any deficiencies that are discovered.

§ 502.27 IBI system refunds.

Postage losses due to malfunctions are the responsibility of the Provider. The Postal Service will provide refunds for unused postage, for any balance remaining on a PSD or other logical security element, and for any balance remaining in the licensee's CMRS account. The following procedures must be followed, depending on the type of refund requested:

(a) Unused Postage

(1) Postage refunds will be granted only for pieces that are 30 days old or less. The licensee will complete a PS Form 3533, Application and Voucher for Refund of Postage and Fees. This form may be supplied electronically to the licensee by the Provider. The licensee must supply refund details in Part IV of the form which shows the number of pieces grouped by postage value, the total postage value for each group, and the total postage for all listed groups.

(2) The unused mailpieces and the completed Form 3533 will be sent to the Provider for indicia verification and refund processing.

(3) The Provider will scan the indicia to ensure that they are valid. Part IV of the Form 3533 must be annotated to show corrections for nonqualifying pieces.

(4) An individual authorized by the Provider must certify the amount of the refund by signing Part IV below where the details of the mailpieces are shown.

(5) The Provider will send the Form 3533 to the MATS coordinator at the appropriate Postal Service District office for further refund processing.

(6) The District MATS coordinator will arrange for the amount of refunded postage to be credited to the licensee's CMRS account.

(7) The unused envelopes must be retained by the Provider for 45 days after the Form 3533 has been sent to the District. During this period the Postal Service reserves the right to audit the pieces and the Providers processing of the refund request.

(b) PSD or Other Logical Security Element Balance

(1) The Provider must verify the remaining balance in a returned PSD or other logical security element. This balance must be reconciled with the descending balance as noted by the Provider when the licensee notified the Provider that the PSD or other logical security element was to be taken out of service.

(2) The validated refund amount must be noted in section F of the completed Form 3601–C and the Providers representative must sign Section G.

(3) The completed Form 3601–C will be sent to the appropriate District MATS coordinator.

(4) The District MATS coordinator will arrange for the amount of refunded postage to be credited to the licensee's CMRS account.

(c) CMRS Account

(1) The licensee must notify the Provider in writing that the licensee's CMRS account is to be closed.

(2) The Provider will notify the Minneapolis Accounting Service Center of the closing of the account, according to CMRS procedures as administered by USPS Treasury Management.

(3) The Minneapolis Accounting Service Center will notify the lockbox bank to issue a refund check to the licensee.

§ 502.28 Key management requirements.

These requirements are contained in Part D, Key Management Plan, of the PCIBISAIBIPMS. Contact the Manager, MTM, USPS, 475 L'Enfant Plaza SW, Room 8430, Washington, DC 20260–2444 for these requirements.

§ 502.29 Provider infrastructure.

The Provider must establish and maintain an interface to USPS systems as specified in CMRS and CMLS documentation. CMRS documentation may be obtained from Corporate Treasury, USPS HQ, 475 L'Enfant Plaza SW, Room 8118, Washington, DC 20260–5130. CMLS documentation may be obtain from the Manager, MTM, USPS, 475 L'Enfant Plaza SW, Room 8430, Washington, DC 20260–2444.

Neva R. Watson,

Acting Chief Counsel, Legislative.

[FR Doc. 98–23559 Filed 8–28–98; 3:59 pm]

BILLING CODE 7710–12–P

POSTAL SERVICE

39 CFR Parts 501 and 502

Metering Product Submission Procedures

AGENCY: Postal Service.

ACTION: Proposed Procedure.

SUMMARY: The **Federal Register** dated January 7, 1997, reflected proposed interim product submission procedures for the Information-Based Indicia Program (IBIP). This revises, clarifies, and expands those proposed submission procedures to include all postage metering products, applications, and systems. The terms ''manufacturer'' and ''vendor'' are no longer referenced in these procedures and have been replaced by the more appropriate term ''Provider.'' Also, since the meter program administration office title has changed, all references to ''Retail Systems and Equipment'' have been deleted and replaced by ''Metering Technology Management.''

DATES: Comments must be received on or before November 2, 1998.

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

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

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

39 Code of Federal Regulations Section 501.9, Security Testing, currently states that ''The Postal Service reserves the right to require or conduct additional examination and testing at any time, without cause, of any meter submitted to the Postal Service for approval or approved by the Postal Service for manufacture and distribution.'' When the Postal Service elects to retest a previously approved product, the Provider will be required to resubmit the product for evaluation according to part or all of the proposed procedures. Full or partial compliance will be determined by the Postal Service prior to resubmission by the Provider.

The proposed submission procedures will be referenced in 39 CFR Parts 501 and 502 but will be published as a separate document as follows:

Metering Technology Management

Metering Product Submission Procedures

In submitting a metering product for Postal Service evaluation, the proposed Provider must provide detailed documentation in the following areas:

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

These sections must be completed in sequential order as detailed below:

1. Letter of Intent

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

The Letter of Intent must include:

(1) Date of correspondence.

(2) Name and address of all parties involved in the proposal: In addition to the Provider, those responsible for