

**§ 314.4 Elements.**

In order to develop, implement, and maintain your information security program, you shall:

- (a) Designate an employee or employees to coordinate your information security program.
- (b) Identify reasonably foreseeable internal and external risks to the security, confidentiality, and integrity of customer information that could result in the unauthorized disclosure, misuse, alteration, destruction, or other compromise of such information, and assess the sufficiency of any safeguards in place to control these risks. At a minimum, such risk assessment should include consideration of risks in each relevant area of your operations, including:
  - (1) employee training and management;
  - (2) information systems, including information processing, storage, transmission, and disposal; and
  - (3) prevention and response measures for attacks, intrusions, or other systems failures.

(c) For all relevant areas of your operations, including those set forth in paragraph (b) of this section, design and implement information safeguards to control the risks you identify through risk assessment, and regularly test or otherwise monitor the effectiveness of the safeguards' key controls, systems, and procedures.

(d) Oversee service providers, by:

- (1) selecting and retaining service providers that are capable of maintaining appropriate safeguards for the customer information at issue; and
- (2) requiring your service providers by contract to implement and maintain such safeguards.

(e) Evaluate and adjust your information security program in light of any material changes to your business that may affect your safeguards.

**§ 314.5 Effective date.**

Each financial institution subject to the Commission's jurisdiction must implement an information security program pursuant to this rule not later than one year from the date on which a final rule is issued.

By direction of the Commission.

**C. Landis Plummer,**  
*Acting Secretary.*

[FR Doc. 01-19338 Filed 8-6-01; 8:45 am]

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**DEPARTMENT OF THE TREASURY****Internal Revenue Service****26 CFR Parts 1 and 301**

[REG-103735-00; REG-110311-98; REG-103736-00]

**RIN 1545-AX81; 1545-AW26; 1545-AX79**

**Modification of Tax Shelter Rules II**

**AGENCY:** Internal Revenue Service (IRS), Treasury.

**ACTION:** Cross-reference notice of proposed rulemaking.

**SUMMARY:** These proposed rules provide the public with additional guidance needed to comply with the disclosure rules under section 6011(a), the registration requirement under section 6111(d), and the list maintenance requirement under section 6112 applicable to tax shelters. The proposed rules affect corporations participating in certain reportable transactions, persons responsible for registering confidential corporate tax shelters, and organizers of potentially abusive tax shelters. In the rules and regulations portion of this issue of the **Federal Register**, the IRS is issuing temporary regulations modifying the rules relating to the requirement that certain corporate taxpayers file a statement with their Federal corporate income tax returns under section 6011(a) and the registration of confidential corporate tax shelters under section 6111(d). The text of these temporary regulations also serves as the text of these proposed regulations.

**DATES:** Written or electronic comments and requests for a public hearing must be received by October 31, 2001.

**ADDRESSES:** Send submissions to: CC:ITA:RU (REG-103735-00; REG-110311-98; REG-103736-00), room 5226, Internal Revenue Service, POB 7604, Ben Franklin Station, Washington, DC 20044. Submissions may be hand delivered between the hours of 8 a.m. and 5 p.m. to: CC:ITA:RU (REG-103735-00; REG-110311-98; REG-103736-00), Courier's Desk, Internal Revenue Service, 1111 Constitution Avenue NW., Washington DC. Alternatively, taxpayers may submit comments electronically via the Internet by selecting the "Tax Regs" option of the IRS Home Page or by submitting comments directly to the IRS Internet site at [http://www.irs.gov/tax\\_regs/reglist.html](http://www.irs.gov/tax_regs/reglist.html).

**FOR FURTHER INFORMATION CONTACT:**

Concerning the regulations, Danielle M. Grimm, (202) 622-3080; concerning submissions, Guy Traynor, (202) 622-7180 (not a toll-free number).

**SUPPLEMENTARY INFORMATION:****Background**

The temporary regulations amend the Income Tax Regulations (26 CFR part 1) regarding rules relating to the filing and records requirements for certain corporate taxpayers under section 6011. The temporary regulations also amend the temporary procedure and administration regulations (26 CFR part 301) regarding the registration of confidential corporate tax shelters under section 6111.

The text of the temporary regulations also serves as the text of these proposed regulations. The preamble to the temporary regulations explains the regulations.

**Special Analyses**

It has been determined that this notice of proposed rulemaking is not a significant regulatory action as defined in Executive Order 12866. Therefore, a regulatory assessment is not required. It has also been determined that section 553(b) of the Administrative Procedure Act (5 U.S.C. chapter 5) does not apply to these regulations. Because these regulations impose no new collection of information on small entities, a Regulatory Flexibility Analysis under the Regulatory Flexibility Act (5 U.S.C. chapter 6) is not required. Pursuant to section 7805(f) of the Internal Revenue Code, this notice of proposed rulemaking will be submitted to the Chief Counsel for Advocacy of the Small Business Administration for comment on its impact on small business.

**Comments and Requests for a Public Hearing**

Before these proposed regulations are adopted as final regulations, consideration will be given to any written comments (preferably a signed original and eight (8) copies) or electronically generated comments that are submitted timely to the IRS. The IRS and Treasury request comments on the clarity of the proposed rules and how they can be made easier to understand.

All comments will be available for public inspection and copying. A public hearing will be scheduled if requested in writing by any person that timely submits written comments. If a public hearing is scheduled, notice of the date, time, and place for the public hearing will be published in the **Federal Register**.

**Drafting Information**

The principal author of these regulations is Danielle M. Grimm, Office of the Associate Chief Counsel (Passthroughs and Special Industries).

However, other personnel from the IRS and Treasury Department participated in their development.

#### List of Subjects

##### 26 CFR Part 1

Income taxes, reporting and recordkeeping requirements.

##### 26 CFR Part 301

Employment taxes, Estate taxes, Excise taxes, Gift taxes, Income taxes, Penalties, Reporting and recordkeeping requirements.

#### Proposed Amendments to the Regulations

Accordingly, 26 CFR parts 1 and 301, which were proposed to be amended at 65 FR 49909 (August 16, 2000), are proposed to be further amended as follows:

#### PART 1—INCOME TAXES

**Paragraph 1.** The authority citation for part 1 continues to read in part as follows:

**Authority:** 26 U.S.C. 7805 \* \* \*

**Par. 2.** Section 1.6011-4 as proposed at 65 FR 49909 (August 16, 2000) is amended as follows:

##### **§ 1.6011-4 Requirement of statement disclosing participation in certain transactions by corporate taxpayers.**

[The text of the amendments to this proposed section is the same as the text of the amendments to § 1.6011-4T published elsewhere in this issue of the *Federal Register*.]

#### PART 301—PROCEDURE AND ADMINISTRATION

**Par. 3.** The authority citation for part 301 continues to read in part as follows:

**Authority:** 26 U.S.C. 7805 \* \* \*

**Par. 4.** Section 301.6111-2 as proposed to be added at 65 FR 49909 (August 16, 2000) is amended as follows:

##### **§ 301.6111-2 Confidential corporate tax shelters.**

[The text of the amendments to this proposed section is the same as the text of the amendments to § 301.6111-2T published elsewhere in this issue of the *Federal Register*.]

**David A. Mader,**

*Acting Deputy Commissioner of Internal Revenue.*

[FR Doc. 01-19616 Filed 8-2-01; 2:50 pm]

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#### DEPARTMENT OF THE TREASURY

##### Internal Revenue Service

##### 26 CFR Parts 1, 5c, 5f, 18, and 301

[REG-106917-99]

**RIN 1545-AX15**

#### Changes In Accounting Periods; Correction

**AGENCY:** Internal Revenue Service (IRS), Treasury.

**ACTION:** Correction to notice of proposed rulemaking and notice of public hearing.

**SUMMARY:** This document contains corrections to a notice of proposed rulemaking and notice of public hearing that was published in the *Federal Register* on Wednesday, June 13, 2001 (66 FR 31850) relating to certain adoptions, changes, and retentions of annual accounting periods.

**FOR FURTHER INFORMATION CONTACT:** Roy A. Hirschhorn and Martin Scully, Jr. (202) 622-4960 (not a toll-free number).

#### SUPPLEMENTARY INFORMATION:

##### Background

The notice of proposed rulemaking and notice of public hearing that are the subject of this correction are under sections 441, 442, 706, 898, and 1378 of the Internal Revenue Code.

##### Need for Correction

As published, the notice of proposed rulemaking and notice of public hearing contains errors that may prove to be misleading and are in need of clarification.

##### Correction of Publication

Accordingly, the publication of the notice of proposed rulemaking and notice of public hearing (REG-106917-99), that was the subject of FR Doc. 01-13536, is corrected as follows:

1. On page 31850, column 3, in the preamble under the caption **SUMMARY:**, line 3, the language “441, 442, 706, and 1378 of the Internal” is corrected to read “441, 442, 706, 898, and 1378 of the Internal”.

2. On page 31851, column 2, in the preamble under the paragraph heading “A. Overview”, line 4, the language “taxable income), and sections 442, 706,” is corrected to read “taxable income), and sections 442, 706, 898.”

3. On page 31851, column 3, in the preamble under the paragraph heading “B. Section 441: Period for Computing Taxable Income,” the last line of the first paragraph, the language “514, 99th Cong., 2d Sess. 318 (1986).” is corrected

to read “841, 99th Cong., 2d Sess., II-318 1986-3 (Vol. 4) C.B. 318.”

4. On page 31852, column 2, in the preamble under the paragraph heading “3. 52-53-week Taxable Years.”, line 8 from the top of the column, the language “and Notice 2001-35 (IRB 2001-23). In” is corrected to read “and Notice 2001-35 (2001-23 I.R.B. 1314). In”.

5. On page 31852, column 2, in the preamble under the paragraph heading “5. Personal Service Corporations.”, paragraph 1, lines 3 and 4 from the bottom of the column, the language “now contained in Notice 2001-35 (I.R.B. 2001-23). Similarly, the rules regarding” is corrected to read “now contained in Notice 2001-35 (2000-23 I.R.B. 1314). Similarly, the rules regarding”.

6. On page 31852, column 3, in the preamble under the paragraph heading “5. Personal Service Corporations.”, paragraph 1, the last line of the paragraph, the language “and Notice 2001-34 (I.R.B. 2001-23).” is corrected to read “and Notice 2001-34 (2001-23 I.R.B. 1302).”.

##### **§ 1.441-3 [Corrected]**

7. On page 31859, column 3, § 1.441-3, in paragraph (a)(2), line 3, the language “taxable year (i.e., a fiscal year) if elects” is corrected to read “taxable year (i.e., a fiscal year) if it elects”.

**LaNita Van Dyke,**

*Acting Chief, Regulations Unit, Associate Chief Counsel, (Income Tax and Accounting).*

[FR Doc. 01-19788 Filed 8-6-01; 8:45 am]

**BILLING CODE 4830-01-P**

#### DEPARTMENT OF TRANSPORTATION

##### Coast Guard

##### 33 CFR Part 165

[CGD01-01-077]

**RIN 2115-AA97**

#### **Safety Zone; Long Island Sound, Thames River, Great South Bay, Shinnecock Bay, Connecticut River and the Atlantic Ocean Annual Fireworks Displays**

**AGENCY:** Coast Guard, DOT.

**ACTION:** Notice of proposed rulemaking.

**SUMMARY:** The Coast Guard proposes to establish 17 permanent safety zones for fireworks displays located on or in Long Island Sound, the Atlantic Ocean, the Thames River, Great South Bay, Shinnecock Bay and the Connecticut River. This action is necessary to provide for the safety of life on