

July 18, 2012

To: Patrick Fuchs

From: Donna Lee

Subject: Summary in response to ICR reference no. 201201-3072-001

In the Notice of Office of Management and Budget Action dated 02/09/2012, ICR reference no. 201201-3072-001, and OMB Control Number 3072-0018, the comments section of the reference mention that “the agency must provide to OMB a summary of all comments pertaining to the information collection burden imposed by this rule and any changes made in response to these comments.” We received only one comment that discusses the information collection burden:

Mohawk Global Logistics: Richard J. Roche submitted comments on behalf of Mohawk Global Logistics. Mohawk believes that the optional rider method of conducting business is “a fair and equitable” solution to the alternative of posting a cash bond in China. Mohawk prefers bond coverage to cash deposit because it allows Mohawk to “expand [its] offering in China without having to make a significant investment of cash.” Similarly, Mohawk understands currency fluctuations, and “agree[s] that an increase in demonstrated bond coverage is warranted due to the lower value of the U.S. dollar today.” Mohawk did not identify disadvantages to the increase, other than the minor administrative burden of possibly prorating bonds in effect, addressing different bond premium dates, and the incremental increase in the cost of the China Bond Rider coverage. These disadvantages would be multiplied if the Commission added an automatic trigger based on a currency fluctuation of a defined percentage. If currencies fluctuated rapidly or drastically, it could cause additional administrative burdens on bondholders. Mohawk did not see this outcome as likely, and believed that an automatic trigger for additional coverage could prove workable. Mohawk also agreed with Econocaribe that many bondholders already demonstrate 800,000 RMB worth of coverage if one includes the aggregate amount posted for branch offices. In Mohawk’s view:
A more reasonable approach might be for China to set and exchange value as of a given date, and allow NVOCC’s to offset the bond coverage based on total bond value, adding any additional coverage as might be required to make up any shortfall not already covered by multiple branch offices. This would limit the bond transactions significantly, while providing simplicity and stability for all involved.

In response to the comments the Commission received, the rule amends Appendix E to Subpart C of Part 515 (individual NVOCC bonds) to remove pre-specified rider amounts to account for variances in NVOCCs’ combined total surety levels maintained to meet the Commission’s other financial responsibility requirements, including \$10,000 in bond coverage that NVOCCs maintain for each of their branch offices pursuant to 46 CFR § 515.21(a)(4). This recognition means that NVOCCs with branch offices may have rider amounts that vary to satisfy the level of coverage requested by the PRC, so long as their total coverage equals \$125,000.