Wreckfish ITQ

Eligibility and Participation Options in an Online System

How Electronic Systems Apply Participation Options

- Electronic systems use conditional logic to perform different actions based on specific conditions, variables, or set of values

- An electronic ITQ system needs defined conditions to determine individual actions
  - Example: Is Account X eligible to receive a transfer of allocation?
  - If Account X meets the criteria, it appears in a drop down list of eligible accounts to receive allocation transfers

- This presentation discuss the criteria needed to determine eligibility and participation applications in the new Wreckfish online system

Review of Catch Share Account Structure

Shareholder Account

- Account names must match permit names
- Accounts are unique and do not change
- Holds shares & allocation
- Allows transfers of shares & allocation
- Controls vessel account access

Vessel Account

- Sub-account of the Shareholder account
- Linked to permit
- Receives allocation
- Verifies landing transactions through landing PIN

Dealer Account

- Account name must match GSAD permit names
- Submits landing transactions with vessel account verification
- Submits landing corrections (with shareholder verification)
- Can NOT hold shares or allocation

Eligibility vs Participation

Eligibility

- *Refers to the qualifications for an entity to <u>obtain</u> an account within the system*

- Example: Gulf IFQ shareholder*
  - Must be a US Citizen or permanent resident alien, or company majority owned by US Citizen or permanent resident alien
  - Must have a Reef Fish permit

Participation

- *Requirements and restrictions for eligible entities to <u>participate</u> within the program*

- Example: Gulf IFQ shareholder*
  - Required to submit citizenship or permanent resident alien paperwork and contact information at least every 2 years
  - Reef fish permit required to <u>receive</u> shares and allocation from <u>another shareholder</u> account
  - No permit is required to <u>maintain</u> shares or <u>receive allocation</u> from their <u>own shares</u>
  - No restrictions on transferring out shares or allocation

* Applies to the Gulf IFQ programs prior to public participation

Current Wreckfish Requirements

Wreckfish Permit

- Only wreckfish shareholder can apply for a wreckfish permit
- The vessel listed must be either the shareholder's vessel or the vessel's owner/operator must be an employee, contractor, or agent of the shareholder
- Vessel must have a snapper-grouper unlimited permit

Shareholder

- No restriction on who can become a wreckfish shareholder

Allocation

- Can be possessed by the shareholder it is issued or transferred to or that shareholder's employee, contractor, or agent

Harvest

- Wreckfish may be possessed on board a fishing vessel that has been issued a commercial snapper-grouper and wreckfish permits
- Wreckfish pounds on board may not exceed total of ITQ coupons on board

Action 3 (Permit requirement) is critical to determining eligibility and participation logic in the electronic program

Action 3 – Permit requirement Review

All alternatives require sufficient allocation to harvest based on participation requirements

Alt 1 (Status Quo)

- Requires <u>wreckfish</u> and <u>SG1</u> permit
- Wreckfish permit requires applicant be <u>shareholder</u>
  - <u>Allows agent</u> of shareholder to obtain wreckfish permit for agent's vessel

Alt 2

- Requires <u>wreckfish</u> and <u>SG1</u> permit
- Wreckfish permit requires applicant be <u>shareholder</u>
  - No provision for agent

Alt 3 (Preferred)

- Requires <u>SG1</u> permit
- Harvest requires SG1 permit holder to be <u>shareholder</u>

Alt 4

- Requires <u>SG1</u> permit
- Harvest based *<u>solely</u>* on eligibility and participation requirements in the online system

Eligibility & Participation by Action 3 alternatives

Alt 1 (Status Quo)
- Permits system would require significant rewrite to accommodate the 'agent' provision
  - Cost may be prohibitive
- Agents with permits in their own names are the only ones allowed to see their logbooks and landings due to MSA confidentiality

Alt 2 (Wreckfish and SG1 permits)
- SG1 permit pre-requisite to open an ITQ account (eligible entity)
- ITQ account is pre-requisite for receiving shares
- Holding shares is pre-requisite for obtaining wreckfish permit
- Wreckfish permit pre-requisite for receiving allocation
- Allocation is pre-requisite for harvesting wreckfish

Alt 3 (SG1 and shareholder - Preferred)
- SG1 permit pre-requisite to open an ITQ account (eligible entity)
- ITQ account is pre-requisite for receiving shares
- Shares are pre-requisite for receiving allocation
- Allocation is pre-requisite for harvesting wreckfish

Alt 4 (SG1 permit only)
- SG1 permit pre-requisite to open an ITQ account (eligible entity)
- ITQ account is pre-requisite for receiving shares
- ITQ account is pre-requisite for receiving allocation
- Allocation is pre-requisite for harvesting wreckfish

Eligibility & Participation by Action 3 alternatives

Alt 1 (Status Quo)
- Permits system would require significant rewrite to accommodate the 'agent' provision
  - Cost may be prohibitive
- Agents with permits in their own names are the only ones allowed to see their logbooks and landings due to MSA confidentiality

Alt 2 (Wreckfish and SG1 permits)
- Splits the permit application process, as you must first receive shares before obtaining a wreckfish permit
  - Requires modification to the permits system to access ITQ account
- System will need to track 2 permits (SG1 and Wreckfish) for participation rules – adds admin burden

Alt 3 (SG1 and shareholder - Preferred)
- Limits allocation transfers only to shareholders
- Limits harvesters only to shareholders
- Only path for "replacement fishermen" is through purchase of shares

Alt 4 (SG1 permit only)
- Allows all vessels with allocation to harvest wreckfish
- Allows for a mechanism to mimic the shareholder's employee, contractor, or agent from the status quo alternative
- Cost-effective pathway for replacement fishermen

Eligibility and Participation Decisions

- Team identified several areas that need eligibility and participation defined
    - Who is eligible to open a Wreckfish ITQ shareholder account
    - What are the criteria to maintain shares in an account
    - What are the criteria to obtain shares
    - What are the criteria to obtain allocation from shares
    - What are the criteria to obtain allocation from transfers
    - Who can harvest wreckfish
- Action 3 (permit requirement) is pivotal in these discussions

Eligible for an ITQ Shareholder Account

This decision confounded with permit requirement

Alt 1: US Citizen[1]

- Only restriction on who can open an ITQ shareholder account is citizenship

Alt 2: Requires wreckfish and SG1 permit

- Must be US citizen and hold both permits
- <u>Not possible due to permit requirement to hold shares before holding wreckfish permit</u>

Alt 3: Requires a SG1 Permit

- Must be US citizen and hold SG1 permits
  - Include mailed and expired permits?
- Aligns with Action 3's preferred Alternative 3 or 4 that requires only the SG1 permit

Additional considerations

- US citizen is required under MSA
- Should an entity with a sanction be allowed to obtain an ITQ shareholder account?

[1] U.S. citizen here means U.S. citizen as described in the Immigration and Nationality Act of 1952 and permanent resident aliens in accordance with US immigration laws.

New Action X1 – Maintain Shares

All alternatives presumes a US citizen, an ITQ shareholder account, and defined criteria for opening an ITQ shareholder account

Alt 1: US Citizen

- No current requirements listed in order to maintain shares
- Shares could be held by an account that <u>could not harvest</u> those privileges

Alt 2: Requires wreckfish and SG1 permit

- Wreckfish and SG1 permits required to maintain shares
- Shares remain in accounts that <u>can harvest</u>
- *Incompatible with eligibility to open a shareholder account*

Alt 3: Requires a SG1 Permit

- SG1 permit required to maintain shares
  - Include mailed and expired permits?
  - Divestment protocols and timeline needed
- Shares remain in accounts that <u>can harvest</u>

Additional considerations

- Should an account be required to be in good standing with other reporting requirements?
  - Cost Recovery? Logbooks? Sanctions?

New Action X2 – Obtain Shares

Alt 1: US Citizen

- No current restrictions on who can receive shares

- Shares could be obtained by an account that <u>could not harvest</u>

- *For all alternatives presumes you are a US citizen and have an ITQ shareholder account*

Alt 2: Requires wreckfish and SG1 permit

- To obtain shares you would always need both wreckfish and SG1 permits

- Shares only obtained for accounts that <u>can harvest</u>

- *Incompatible with eligibility to open a shareholder account*

Alt 3: Requires a SG1 Permit

- To obtain shares you would need a SG1 permit
  - Include mailed and expired permits?

- Shares only obtained for accounts that <u>can harvest</u>

Additional considerations

- Should an account be required to be in good standing with other reporting requirements?
  - Cost Recovery? Logbooks? Sanctions?

All alternatives presumes a US citizen, an ITQ shareholder account, and defined criteria for opening an ITQ shareholder account

New Action X3 – Receive Allocation Transfers

Alt 1: Account with Shares

- Currently, regulations restricts to another shareholder
- Account must hold shares
- Allocation could be obtained by an account that could not harvest

Alt 2: Requires wreckfish and SG1 permit

- To obtain allocation need both wreckfish and SG1 permits
- Allocation in accounts that can harvest
- Divestment protocol for allocation not needed - expires annually
- *Incompatible with eligibility to open a shareholder account*

Alt 3: Requires a SG1 Permit

- To obtain allocation need a SG1 Permit
  - Include mailed and expired permits?
- Allocation remains in accounts that can harvest
- Divestment protocol for allocation not needed - expires annually

Additional considerations

- Should accounts be required to hold shares to receive allocation?
- Should an account be required to be in good standing with other reporting requirements?
  - Cost Recovery? Logbooks? Sanctions?

All alternatives presumes a US citizen, an ITQ shareholder account, and defined criteria for opening an ITQ shareholder account.

New Action X4 – Receive Allocation from Shares

Alt 1: Account with Shares

- Account must hold shares
- Allocation could be obtained by an account that could not harvest

Alt 2: Requires wreckfish and SG1 permit

- To receive allocation from shares needs both wreckfish and SG1 permits
- Allocation remains in accounts that can harvest
- *Incompatible with eligibility to open a shareholder account*

Alt 3: Requires a SG1 Permit

- To receive allocation from shares needs a SG1 Permit
  - Include mailed and expired permits?
- Allocation remains in accounts that can harvest

Additional considerations

- Should an account be required to be in good standing with other reporting requirements?
  - Cost Recovery? Logbooks? Sanctions?

Note that the default assumes there is criteria for creating a shareholder account.
What is required to maintain shares may impact who can receive allocation.

Comparison of Roles and Functions between the current and electronic system

Share Transfers

Current System

- Shares denoted by numbered certificates
- Full or partial share transfers allowed
  - Restriction on shares between Feb 15 and Apr 15 to allow calculation of coupons
- Share transfers submitted by mail
  - Effective upon review by RA
  - RA reviews for share cap
- New share certificates created and mailed to shareholders
  - If only a portion of the shares are being sold, but entities get new share certificates

Electronic System

- Shares denoted as a percentage – no unique identifier
- Full or partial shares transfers allowed
- Share transfers initiated by 'seller'
  - Verified by NMFS for share caps and eligibility (sanctioned entities not allowed to receive shares)
  - 'Buyer' finalizes transfer and it becomes effective immediately
  - Share transfers must be completed *in X days*
  - Share transfers in progress at year-end (initiated but not finalized) are revoked
- Transfers must provided necessary information to be processed:
  - Amount of shares transferred, transferee, value of share transfer

Allocation Transfers

Current System

- Coupons distributed (100 or 500 lb increments) before fishing year starts
- Each coupon may be transferable to another shareholder
  - Possession of coupons is limited to shareholder or their employee, contractor, or agent
- Transfers only realized by NMFS after landing
  - No regulation requiring to notify NMFS at time of coupon transfer

Electronic System

- Allocation distributed at the start of the fishing year by ITQ system to shareholder account
- Minimum of single pound transferred allowed
- Allocation transfers one-step process
- Required to move allocation between any account
  - Shareholder to shareholder's vessel account
  - Shareholder's vessel to shareholder
  - Shareholder to another shareholder or shareholder's vessel account
- System can restrict sanctioned accounts from receiving allocation
- Includes data on transferor, transferee, allocation pounds, and price per pound

Dealers

Current System

- Dealer must have a valid Gulf and South Atlantic Dealer (GSAD) permit
- Dealer must comply with reporting requirements

Electronic System

- Dealer must have a valid Gulf and South Atlantic Dealer (GSAD) permit
- Dealer must obtain ITQ account prior to receiving Wreckfish
- Dealer must comply with reporting requirements
  - Consider any actions to be taken for non-compliance with reporting requirements (e.g. suspension of dealer account)

Landings

Current System

- Coupons must be on-board the vessel harvesting Wreckfish
  - Wreckfish pounds on-board vessel may not exceed coupons on vessel
- Prior to termination of the trip
  - Signature and date in ink on Fisherman portion of the coupon equal to weight of wreckfish on-board
  - Fishermen portion submitted with logbook
- Dealer can receive only from a vessel with commercial wreckfish and SG1 permit
  - Dealer receives Fish House portion of coupon equal to wreckfish received
  - Dealer enters permit number, date, dealer's number and signs Fish House coupon
  - Submits coupons with dealer logbook

Electronic System

- Allocation equal to wreckfish harvested must be in vessel or shareholder account prior to landing
  - Allocation equal to wreckfish harvested must be in vessel account prior to landing transaction
  - Fishermen submits logbook to SEFSC
- Dealer initiates landing transaction
  - Dealer must have ITQ account
  - Dealer can only receive from vessel with commercial permit[1]
  - Dealer enters landing transaction
  - System verifies sufficient allocation
- Vessel operator verifies landing transaction
  - Vessel operator uses Vessel Signature PIN to verify landings
  - Landing transaction completed and allocation deducted from the account

[1] Permit depends on alternative selected in Action 3

Landing Corrections

Current System	Electronic System

• Corrections submitted through SEFSC system for logbooks and dealer reports	• ITQ correction form mailed to SERO for ITQ corrections
	   • Correction form must be signed by dealer and a shareholder entity
	   • NMFS determines if correction is able to be processed
	   • NMFS processes correction within the system
	• Need for both signatures is needed as a change in allocation affects multiple accounts
	• Corrections to logbooks and dealer reports still required through existing mechanisms