



Reef Fish Amendment 36B:

# Commercial IFQ Program Modifications



# Overview

## Action 1 – Permit Requirement

- Require some or all shareholder accounts to have a commercial reef fish permit.

## Action 2 – Share Divestment

- Establish a process for share divestment for those unable to meet new permit requirement, both upon implementation of amendment and in the future.



# Action 1 – Permit Requirement

- **Alternative 1:** No Action. Do not establish new requirements to obtain or maintain individual fishing quota (IFQ) shares.

In order to obtain (transfer into a shareholder account) or maintain shares (hold existing shares in a shareholder account):

- **Alternative 2:** all shareholder accounts must be associated with a valid or renewable commercial reef fish permit.
- **Alternative 3:** shareholder accounts established after December 31, 2014, and that are still active must be associated with a valid or renewable commercial reef fish permit.
- **Alternative 4:** shareholder accounts established after October 2, 2019, (Reef Fish AP meeting date) and that are still active must be associated with a valid or renewable commercial reef fish permit.
- **Alternative 5:** shareholder accounts established following implementation of this amendment must be associated with a valid or renewable commercial reef fish permit.
- A shareholder account is considered to be associated with a permit if the permit has the exact same entities listed on both the shareholder account and permit.



# Require Accounts with Shares to Obtain a Permit

- Shareholders without a permit would be expected to respond in different ways, including:
  - Obtain a permit
  - Sell their shares
  - Consolidate related accounts or form new business partnerships
- Not expected that many shares would be reclaimed by NMFS.
- Public hearings could provide more insight.
- Accounts without shares could continue to transfer allocation without a permit.



# Alts 3-5: Exempted Accounts

- Under **Alternatives 3-5**, some IFQ accounts would be exempt from the permit requirement and be allowed to continue to hold shares without a permit.
- What is the Committee's intent for these accounts? (How can the accounts be used?)

Tables 1.1.2 and 2.1.2, providing number of accounts (active, initial, and suspended) on February 25, 2020.

	Permit	No Permit	Alt.	Require association with a permit (#)	Exempt from permit requirement (#)
Shares	369	314	2	314	0
No Shares	233	108	3	64	250
			4	4	310
			5	0	314+

$$602 + 422 = 1,024$$

# Alts 3-5: Exempted Accounts

- Account statuses: active, initial, suspended, and closed.
- Closed accounts may be reopened (names on account may not be changed). Based on the account's creation date, these accounts could be exempt from the permit requirement.
- Should closed accounts that are re-opened be exempt from the permit requirement?

# Active, initial, and suspended accounts (Feb 25, 2020)	1,024	
All account statuses, including closed (Dec 31, 2019):	Total	Closed
# accounts	1,891	≈867
# accounts <u>created</u> before Jan 2015 ( <b>Alt 3</b> )	1,463	≈439
# accounts <u>created</u> before Oct 2, 2019 ( <b>Alt 4</b> )	1,872	≈848

# Alts 3-5: Exempted Accounts

How can the exempted accounts be used?

- Can an exempt account increase its shares?
- Or, is an exempted account capped at the amount of shares it holds at the time this amendment is implemented?
- If an exempted account decreases the amount of shares it holds, does that become the new share cap for the account?

(Note: During the first 5 years of each program, you needed a permit to increase shareholdings.)



# Alts 3-5: Exempted accounts

- Currently, accounts that have been closed can be reopened, retaining the original date of creation.
- Changing the name(s) for an account requires creation of a new account.
- Changing the ownership behind an account in the name of a business does not require the creation of a new account.
- Is it the Committee's intent to allow closed accounts to be reopened and be exempt from the permit requirement for holding shares?





# Action 2 – Share Divestment

- **Alternative 1:** No Action. Shareholders must be in compliance with the requirement by the effective date of the final rule implementing this amendment, or the shares will be reclaimed by NMFS.
- **Alternative 2:** NMFS will reclaim all shares in a shareholder account that is not associated with a commercial reef fish permit:
  - Option 2a: 1 year
  - Option 2b: 3 years, or
  - Option 2c: 5 years following the effective date of the final rule implementing this amendment.
- **Alternative 3:** After implementation of this amendment, if a shareholder account no longer has an associated valid or renewable reef fish permit (i.e., the permit is transferred or is not renewed within one year of the expiration date and is terminated), the shareholder(s) must divest of the account's shares as needed to meet the requirements set in Action 1 or the shares will be reclaimed by NMFS:
  - Option 3a: 1 year
  - Option 3b: 3 years, or
  - Option 3c: 5 years following the transfer or termination of the permit.



# Additional information

## Shares reclaimed through 36A

Share category	Reclaimed Shares	2019 Quota (lbs gw)	2019 Allocation (lbs)	# Accounts with shares ≤ 500 lbs
<b>DWG</b>	0.028405%	1,024,000	291	207
<b>RG</b>	0.106974%	3,000,000	3,209	178
<b>GG</b>	0.182621%	939,000	1,715	291
<b>SWG</b>	0.451821%	525,000	2,372	336
<b>TF</b>	0.055081%	582,000	321	139
<b>RS</b>	0.078800%	6,937,838	5,467	111