



DEPARTMENT OF THE TREASURY
BUREAU OF ALCOHOL, TOBACCO AND FIREARMS
WASHINGTON, D.C. 20226

DIRECTOR

FEB 4 2000

MEMORANDUM TO: Secretary Summers
Deputy Secretary Eizenstat

THROUGH: James E. Johnson *James E. Johnson*
Under Secretary (Enforcement)

FROM: Director

SUBJECT: New Firearms Regulatory Initiatives

The Bureau of Alcohol, Tobacco and Firearms (ATF) today published the first annual Report on Commerce in Firearms in the United States. The Report provides important data that will help the public understand the firearms industry and ATF's enforcement of the firearms laws.

I want to take this opportunity to inform you of the steps that ATF will take to respond to the findings in the Report on the sources of guns used in crime. Specifically, the Report shows that we need to focus our resources on the relatively small number of active retail dealers and pawnbrokers that are the source of a substantial proportion of traced crime guns. The majority (57.4 percent) of firearms traced in 1998 were sold by only 1,020 of the 83,272 licensed retail dealers and pawnbrokers. Each of these dealers and pawnbrokers had 10 or more crime guns traced to them in 1998.

While many of these Federal firearms licensees (FFLs) may be in full compliance with the law, we need to understand how the new guns they sell end up in criminal hands far more often than those sold by the majority of FFLs. Therefore, we will focus our inspection efforts on retail dealers and pawnbrokers who had 10 or more crime guns traced to them in 1999, and take appropriate action against them where needed.

Moreover, we must determine whether what is true for the new guns that FFLs sell is also true for the used guns that FFLs acquire from unlicensed sellers. These used guns make up a substantial proportion of the firearms sold by some licensees. When FFLs sell used firearms, these firearms are often not traceable because they have passed through the

Secretary
Deputy Secretary

hands of one or more non-licensed purchasers before the licensee obtains them. Once the chain from manufacturer or importer, wholesaler, and retailer is broken, it is extremely difficult to trace a firearm. To assist in the trace of guns used in crime, we will require certain retail dealers and pawnbrokers to submit information to ATF about used guns they have acquired for sale from nonlicensees.

Our ability to trace crime guns depends entirely upon the records kept by FFLs. Most FFLs are diligent about maintaining accurate records. Most respond promptly to ATF trace requests because they understand the need to act quickly to catch and prosecute gun criminals. Unfortunately, this Report also highlights that a small number of retail dealers and pawnbrokers repeatedly fail to cooperate with trace requests. We will take steps to ensure that we are able to trace the guns transferred by uncooperative retail dealers and pawnbrokers by requiring them to submit records of their firearms acquisitions and dispositions. We will also inspect these dealers and, where appropriate, seek to revoke their licenses to deal in firearms.

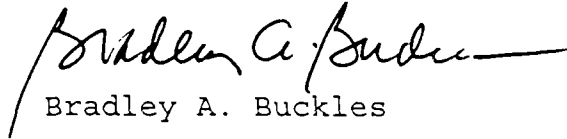
We also know that a significant number of firearms are stolen or otherwise diverted from the legal market each year. Many of these guns end up in the hands of violent criminals or juveniles. We will propose regulations to require FFLs to identify and report shortages in their inventory to ATF, as well as to report losses that occur in shipment. This will enable us to quickly focus our resources to combat illegal trafficking in stolen guns.

Next, to ensure that all FFLs are actively engaged in the business, we will require as part of the license renewal process a certification of the number of firearms they bought and sold during the previous 3 years. Finally, to assist the firearms industry in policing itself, upon request we will provide manufacturers and importers with a list of the firearms they sell that are the subject of crime gun traces.

More detailed descriptions of the actions ATF will take are set forth in the attachment to this memorandum. These initiatives will significantly improve ATF's ability to trace crime guns, initiate trafficking investigations,

Secretary
Deputy Secretary

curtail the illegal gun market that supplies criminals,
unauthorized juveniles and other prohibited persons, and
help law enforcement to prevent and respond to armed crime.


Bradley A. Buckles

Attachment

NEW ATF FIREARMS REGULATORY ACTIONS

Focus on Sources of Large Numbers of Crime Guns

A large number of crime gun traces by itself is not necessarily a significant trafficking indicator but, when coupled with other circumstances, can be cause for concern. While many high-trace-volume retail dealers and pawnbrokers may be in full compliance with the law, crime gun trace volume may indicate that diversion is occurring. The FFL might be a participant in a trafficking scheme, or simply an unwitting pawn of straw purchasers or other traffickers. Accordingly, we will focus our inspection resources on licensed retail dealers who had 10 or more crime guns traced to them in 1999. Approximately 1,000 out of 80,570 licensed retail dealers and pawnbrokers fall into this category and their crime gun traces comprised over half of all crime guns traced in 1999.

1. ATF will conduct focused inspections of any of these dealers who have not been inspected within the preceding 12 months to ensure that they are in full compliance with the Gun Control Act and Federal firearms regulations, including maintaining all required records and conducting appropriate checks of the National Instant Criminal Background Check System. If violations are found, ATF will take appropriate action against these dealers. Even if these dealers are in full compliance with the law, ATF inspectors will try to identify improvements in the dealers' procedures that might make them less susceptible to straw purchasers and other traffickers.

A second and independent trafficking indicator is time-to-crime. When a gun moves much faster than the six-year average from the FFL to the scene of a crime, we know from investigative experience that there may be illegal trafficking. Accordingly, we will require retail dealers and pawnbrokers who have 10 or more crime guns traced to them in 1999, with a time-to-crime of three years or less, to provide ATF with certain information about used guns they have acquired from nonlicensees. ATF estimates that 450 retail dealers and pawnbrokers fall into this category.

2. ATF will require these dealers to submit information on the manufacturer or importer, serial number, model, and caliber or gauge of all used guns taken into their inventory from nonlicensees during the past year, and quarterly thereafter. No information on firearms purchasers will be submitted. Because these dealers are associated with a significant number of traces of new guns with a short time-to-crime, there is a substantial likelihood that used guns they sell also end up being used in crime. Used guns often make up a significant portion of many dealers' sales, but, because of inherent limitations in the tracing system, ATF's National Tracing Center usually cannot trace used crime guns. The information acquired through these demand letters will remedy this situation, enabling ATF to trace the used guns sold by these FFLs when they are recovered in crime. ATF also will use the information to try to resolve crime gun trace requests that previously could not be completed.

ATF may send demand letters to additional retail dealers and pawnbrokers who are associated with other trafficking indicators, such as a large number of crime gun traces, a high percentage of short time-to-crime traces, or a large number of stolen firearms.

We will submit an initial report to the Secretary by September 1, 2000, on the actions we take as a result of this focused inspection program and the information we obtain from the demand letters.

Focus on Uncooperative Dealers

FFLs who keep poor records or fail to respond promptly to ATF trace requests severely erode the effectiveness of the tracing system and our ability to catch and prosecute gun criminals.

3. ATF will issue demand letters to retail dealers who:

- Fail to respond to a crime gun trace request;
- On three or more occasions, do not respond to a crime gun trace request within 24 hours; or
- Provided incorrect information in response to a crime gun trace request.

ATF estimates that 50 dealers currently fall into this category. The demand letters will require submission of all information from these dealers' acquisition and disposition records for the past three years, and monthly thereafter. This information will enable ATF to verify the FFLs' responses to trace requests and quickly trace firearms sold by these dealers if they continue to be uncooperative. Moreover, FFLs who do not cooperate with trace requests frequently fail to maintain accurate records or fulfill other statutory and regulatory responsibilities. Access to these FFLs' records will enable ATF to monitor the dealers' compliance with their legal obligations and will deter noncompliance.

4. ATF will conduct focused inspections of retail dealers that fall into this category and, if violations are found, will take appropriate action. By September 1, 2000, ATF will report to the Secretary listing dealers who were uncooperative on ATF trace requests in the previous year and detailing actions taken by ATF to enforce compliance.
5. ATF will report to the Secretary by December 1, 2000, on why traces cannot be completed and make recommendations for any needed regulatory, enforcement or legislative actions, or improvements in industry practices.

Focus on Guns Stolen from FFLs

6. ATF will publish a Notice of Proposed Rulemaking requiring all FFLs to conduct regular inventories and report discrepancies to ATF. These inventories will enable FFLs to fulfill their statutory obligations to maintain accurate records of the acquisition and disposition of firearms and report the loss or theft of firearms to ATF.
7. ATF will publish a Notice of Proposed Rulemaking requiring FFLs who ship firearms to report to ATF any firearms that are lost or stolen in transit within 48 hours of discovering that the firearms are missing. This will alert ATF to investigate the specific loss or theft and larger trends involving guns lost or stolen during shipment.

Dealers Who Are Not Actively Engaged in the Business

Although there has been a substantial reduction of the total number of licensees in recent years, a survey of retail dealers and pawnbrokers indicates that there are still a significant number of licensed dealers who are not actively engaged in the firearms business. Only those engaged in the business of dealing in firearms are entitled to possess a dealer's license. FFLs not actively engaged in the business have the ability to purchase large quantities of firearms interstate at wholesale prices, which could be disposed of to the illegal market.

8. ATF will amend its Federal firearms license application to require dealers renewing their licenses to certify how many firearms they acquired and disposed of during the preceding three years. This will provide evidence to enable ATF to deny renewal applications of dealers who are not actively engaged in the business.

Providing Information to the Firearms Industry

Licensees often complain that they do not have sufficient information about guns they sell that end up in crime to be able to take appropriate action to decrease the likelihood that their guns will fall into the wrong hands.

9. Upon request, ATF will provide manufacturers and importers a list by serial number of the firearms they sold that were traced as crime guns during the previous year. This will enable the manufacturers and importers to screen the distribution of their firearms and discover for themselves whether any particular model of firearm they sell is frequently used in crime.

Clinton Presidential Records Digital Records Marker

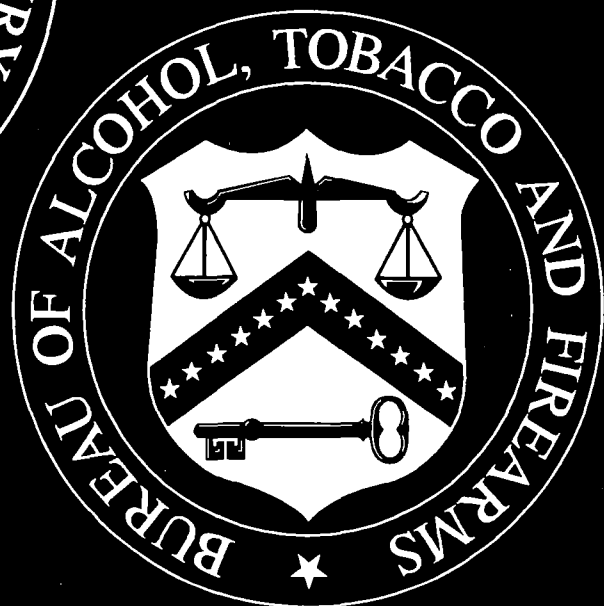
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Commerce in Firearms

in the United States



February 2000

**Department of the Treasury
Bureau of Alcohol, Tobacco & Firearms**

— FFWs have
to report their
inventory theft —
some don't consider it their inventory
once it is sent on common carrier.

PRESIDENT CLINTON RELEASES NEW REPORT ON GUN INDUSTRY AND ANNOUNCES ACTIONS TO CRACK DOWN ON ILLEGAL GUN TRAFFICKING

February 4, 2000

Today, President Clinton, joined by Treasury Secretary Larry Summers, will release a new study by the Bureau of Alcohol Tobacco and Firearms (ATF) that provides the most comprehensive overview of the firearms industry to date – with new 1999 data on the 1,639 gun manufacturers and 81,325 retail gun dealers and pawnbrokers, and other members of the gun industry that sell over 4.5 million new firearms in the United States every year. Among the key findings of today's report is that 1.2% of gun dealers account for 57% of the total number of crime guns traced to dealers that are still in business. In response, the President will announce new [executive actions] that the ATF will take to enhance enforcement efforts and prevent the diversion of firearms from these dealers into the illegal market – and into the hands of criminals, juveniles, and others prohibited under the law.

RELEASING GROUNDBREAKING REPORT ON FIREARMS INDUSTRY

Today, the President will announce the first annual report on Commerce in Firearms in the United States. The report provides important data on the gun industry and ATF's enforcement of the nation's firearms laws. Some of the report's key findings include:

- **One percent of gun dealers account for 57 percent of crime gun traces.** The majority (57.4 percent) of firearms traced by law enforcement to gun dealers active in 1998 were sold by 1,020 (1.2 percent) of the 83,272 licensed retail dealers and pawnbrokers. Each of these dealers and pawnbrokers had 10 or more crime guns traced back to them, and 132 of these dealers had 50 or more crime guns traced.
- **Domestic sales of new firearms are about half of what they were in 1993.** New firearms sales peaked in 1993 at nearly 8 million small arms. In recent years, sales have fallen to about 4.5 million guns annually. Another 2 million secondhand firearms are sold every year.

- X {
- **Handguns account for nearly half of all new gun sales -- about 2 million per year.** Fifty years ago, handguns represented only one out of every 10 new gun sales. *80% of all arms*
 - **Snapshot of the industry:** The number of licensed firearms manufacturers, importers, distributors, dealers and collectors peaked at 284,000 in 1994 and has declined to 104,000 today. This decline followed implementation of stricter licensing requirements set forth in the 1993 Brady Act and the 1994 Crime Act. The size of the industry is relatively small compared to the impact it has on the nation. Domestic product shipments in 1997 were valued at about \$1.2 billion, and small arms manufacturing employed about 10,000 people.

CLINTON ADMINISTRATION: ACTING TO HALT ILLEGAL GUN TRAFFICKING

As part of his ongoing commitment to use every tool possible to reduce gun violence, the President will announce new [executive] actions that the ATF will take to crack down on suspicious gun dealers and prevent guns from slipping into the illegal firearms market. While the majority of gun dealers are law-abiding businesspeople, today's report shows the need to focus resources on the relatively small number of dealers and pawnbrokers that are the source of

most of the traced crime guns. Under these new actions, ATF will expand their efforts to target enforcement and inspection resources at dealers who have high numbers of crime gun traces, whose guns quickly turn up in crimes after sale, and who have a poor record of cooperation with law enforcement. These actions include:

- **Focusing on Sources of Crime Guns:** While many gun dealers linked to large numbers of crime guns may be in full compliance with the law, the quick or frequent diversion of guns to illegal markets from particular gun dealers is a cause for serious concern. Accordingly, the ATF will conduct focused inspections of the 1,000 gun dealers who had 10 or more crime guns traced to them in 1999. In addition, ATF will require the 450 dealers that had 10 or more crime guns traced to them that had more crime guns traced to them within three years of the gun's leaving the store to provide ATF with trace information on all secondhand sales. This will enable ATF to trace the guns if they are later used in crime. *How many crime guns? Types of crimes?*
- **Targeting Uncooperative Dealers:** Gun dealers who fail to respond promptly to ATF crime gun trace requests or keep poor records severely erode the ability of law enforcement to apprehend and prosecute gun criminals. In response, ATF will begin conducting focused inspections of the 50 dealers with poorest records of response to crime gun trace requests, and will issue demand letters requiring them to regularly submit all firearms acquisition and disposition records.
- **Focusing on Stolen Firearms:** ~~Missing and stolen firearms are frequently diverted to the illegal market.~~ In FY 1999, there were 1,290 crime guns were traced back to federal firearms licensees (FFLs) who claimed that the firearms were shipped but never received. To help alert ATF to theft and missing firearms, ATF will publish a Notice of Proposed Rulemaking to require all FFLs to conduct regular inventories and report discrepancies to ATF, helping to ensure that accurate records are maintained and that loss or theft of guns is reported. ATF will publish a second rule to require FFLs who ship firearms to report any firearms lost or stolen in transit within 48 hours. *How many crime guns are stolen?*
- **Providing Information to the Firearms Industry:** To help manufacturers and importers to monitor the distribution of their guns and learn whether particular models of their firearms are frequently used in crime, ATF will provide upon request a list by serial number of firearms they sold that were traced as crime guns during the previous year.

FIGHTING FOR PASSAGE OF COMMON SENSE GUN LEGISLATION AND AN AGGRESSIVE FIREARMS ENFORCEMENT BUDGET INITIATIVE

The President also will highlight additional proposals to keep guns out of the wrong hands. The President has proposed a \$280 million gun enforcement initiative that includes: 1) 500 new ATF agents and inspectors; 2) over 1,000 new federal, state and local gun prosecutors; 3) comprehensive crime gun tracing; 4) funding increases for ballistics testing; and 5) local media campaigns. In addition, the President's budget also includes \$10 million to support research in "smart gun" technologies that can limit a gun's use to its authorized owner. Finally, the President will emphasize again that it is long past time for Congress to pass common-sense gun measures to close the gun show loophole and require child safety locks. *Licensing?*

**PRESIDENT CLINTON AND VICE PRESIDENT GORE:
CRACKING DOWN ON ILLEGAL GUN TRAFFICKING**

February 4, 2000

"When 12 children are dying every day in America because of gun violence, we can't wait for congressional action. That's why I'm taking the actions that I have announced today. Working together, we've brought crime down for seven straight years. We can keep going until America is the safest big country in the world.."

President Bill Clinton

February 4, 2000



Today, at the White House, President Clinton, joined by Treasury Secretary Lawrence Summers, released a new report from the Bureau of Alcohol Tobacco and Firearms offering the most comprehensive overview ever of the firearms industry. The President announced landmark regulatory actions that ATF will take to bolster enforcement efforts and focus on problem dealers to prevent firearms from getting into the hands of criminals. The President also announced executive actions to help crack down on problem dealers and halt illegal firearms trafficking.

Groundbreaking Report on the Firearms Industry. The President announced the release of the first annual report on Commerce in Firearms in the United States. The report provides never-before-released data on the gun industry and ATF's enforcement of the nation's firearms laws. Some of the report's key findings include:

- One percent of gun dealers account for 57 percent of crime gun traces;
- Handguns account for nearly half of all new gun sales – about 2 million per year; and
- ~~The firearms industry has been impacted by stricter gun laws~~ *In 1999, 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 34, 35, 36, 37, 38, 39, 40, 41, 42, 43, 44, 45, 46, 47, 48, 49, 50, 51, 52, 53, 54, 55, 56, 57, 58, 59, 60, 61, 62, 63, 64, 65, 66, 67, 68, 69, 70, 71, 72, 73, 74, 75, 76, 77, 78, 79, 80, 81, 82, 83, 84, 85, 86, 87, 88, 89, 90, 91, 92, 93, 94, 95, 96, 97, 98, 99, 100, 101, 102, 103, 104, 105, 106, 107, 108, 109, 110, 111, 112, 113, 114, 115, 116, 117, 118, 119, 120, 121, 122, 123, 124, 125, 126, 127, 128, 129, 130, 131, 132, 133, 134, 135, 136, 137, 138, 139, 140, 141, 142, 143, 144, 145, 146, 147, 148, 149, 150, 151, 152, 153, 154, 155, 156, 157, 158, 159, 160, 161, 162, 163, 164, 165, 166, 167, 168, 169, 170, 171, 172, 173, 174, 175, 176, 177, 178, 179, 180, 181, 182, 183, 184, 185, 186, 187, 188, 189, 190, 191, 192, 193, 194, 195, 196, 197, 198, 199, 200, 201, 202, 203, 204, 205, 206, 207, 208, 209, 210, 211, 212, 213, 214, 215, 216, 217, 218, 219, 220, 221, 222, 223, 224, 225, 226, 227, 228, 229, 230, 231, 232, 233, 234, 235, 236, 237, 238, 239, 240, 241, 242, 243, 244, 245, 246, 247, 248, 249, 250, 251, 252, 253, 254, 255, 256, 257, 258, 259, 260, 261, 262, 263, 264, 265, 266, 267, 268, 269, 270, 271, 272, 273, 274, 275, 276, 277, 278, 279, 280, 281, 282, 283, 284, 285, 286, 287, 288, 289, 290, 291, 292, 293, 294, 295, 296, 297, 298, 299, 300, 301, 302, 303, 304, 305, 306, 307, 308, 309, 310, 311, 312, 313, 314, 315, 316, 317, 318, 319, 320, 321, 322, 323, 324, 325, 326, 327, 328, 329, 330, 331, 332, 333, 334, 335, 336, 337, 338, 339, 340, 341, 342, 343, 344, 345, 346, 347, 348, 349, 350, 351, 352, 353, 354, 355, 356, 357, 358, 359, 360, 361, 362, 363, 364, 365, 366, 367, 368, 369, 370, 371, 372, 373, 374, 375, 376, 377, 378, 379, 380, 381, 382, 383, 384, 385, 386, 387, 388, 389, 390, 391, 392, 393, 394, 395, 396, 397, 398, 399, 400, 401, 402, 403, 404, 405, 406, 407, 408, 409, 410, 411, 412, 413, 414, 415, 416, 417, 418, 419, 420, 421, 422, 423, 424, 425, 426, 427, 428, 429, 430, 431, 432, 433, 434, 435, 436, 437, 438, 439, 440, 441, 442, 443, 444, 445, 446, 447, 448, 449, 450, 451, 452, 453, 454, 455, 456, 457, 458, 459, 460, 461, 462, 463, 464, 465, 466, 467, 468, 469, 470, 471, 472, 473, 474, 475, 476, 477, 478, 479, 480, 481, 482, 483, 484, 485, 486, 487, 488, 489, 490, 491, 492, 493, 494, 495, 496, 497, 498, 499, 500, 501, 502, 503, 504, 505, 506, 507, 508, 509, 510, 511, 512, 513, 514, 515, 516, 517, 518, 519, 520, 521, 522, 523, 524, 525, 526, 527, 528, 529, 530, 531, 532, 533, 534, 535, 536, 537, 538, 539, 540, 541, 542, 543, 544, 545, 546, 547, 548, 549, 550, 551, 552, 553, 554, 555, 556, 557, 558, 559, 560, 561, 562, 563, 564, 565, 566, 567, 568, 569, 570, 571, 572, 573, 574, 575, 576, 577, 578, 579, 580, 581, 582, 583, 584, 585, 586, 587, 588, 589, 590, 591, 592, 593, 594, 595, 596, 597, 598, 599, 600, 601, 602, 603, 604, 605, 606, 607, 608, 609, 610, 611, 612, 613, 614, 615, 616, 617, 618, 619, 620, 621, 622, 623, 624, 625, 626, 627, 628, 629, 630, 631, 632, 633, 634, 635, 636, 637, 638, 639, 640, 641, 642, 643, 644, 645, 646, 647, 648, 649, 650, 651, 652, 653, 654, 655, 656, 657, 658, 659, 660, 661, 662, 663, 664, 665, 666, 667, 668, 669, 670, 671, 672, 673, 674, 675, 676, 677, 678, 679, 680, 681, 682, 683, 684, 685, 686, 687, 688, 689, 690, 691, 692, 693, 694, 695, 696, 697, 698, 699, 700, 701, 702, 703, 704, 705, 706, 707, 708, 709, 710, 711, 712, 713, 714, 715, 716, 717, 718, 719, 720, 721, 722, 723, 724, 725, 726, 727, 728, 729, 730, 731, 732, 733, 734, 735, 736, 737, 738, 739, 740, 741, 742, 743, 744, 745, 746, 747, 748, 749, 750, 751, 752, 753, 754, 755, 756, 757, 758, 759, 760, 761, 762, 763, 764, 765, 766, 767, 768, 769, 770, 771, 772, 773, 774, 775, 776, 777, 778, 779, 780, 781, 782, 783, 784, 785, 786, 787, 788, 789, 790, 791, 792, 793, 794, 795, 796, 797, 798, 799, 800, 801, 802, 803, 804, 805, 806, 807, 808, 809, 810, 811, 812, 813, 814, 815, 816, 817, 818, 819, 820, 821, 822, 823, 824, 825, 826, 827, 828, 829, 830, 831, 832, 833, 834, 835, 836, 837, 838, 839, 840, 841, 842, 843, 844, 845, 846, 847, 848, 849, 850, 851, 852, 853, 854, 855, 856, 857, 858, 859, 860, 861, 862, 863, 864, 865, 866, 867, 868, 869, 870, 871, 872, 873, 874, 875, 876, 877, 878, 879, 880, 881, 882, 883, 884, 885, 886, 887, 888, 889, 890, 891, 892, 893, 894, 895, 896, 897, 898, 899, 900, 901, 902, 903, 904, 905, 906, 907, 908, 909, 910, 911, 912, 913, 914, 915, 916, 917, 918, 919, 920, 921, 922, 923, 924, 925, 926, 927, 928, 929, 930, 931, 932, 933, 934, 935, 936, 937, 938, 939, 940, 941, 942, 943, 944, 945, 946, 947, 948, 949, 950, 951, 952, 953, 954, 955, 956, 957, 958, 959, 960, 961, 962, 963, 964, 965, 966, 967, 968, 969, 970, 971, 972, 973, 974, 975, 976, 977, 978, 979, 980, 981, 982, 983, 984, 985, 986, 987, 988, 989, 990, 991, 992, 993, 994, 995, 996, 997, 998, 999, 1000*

Taking Executive Action to Halt Illegal Gun Trafficking. The President announced new ATF enforcement actions to prevent guns from entering the illegal firearms market, including:

- Conduct focused inspections of the 1,000 gun dealers who had 10 or more crime guns traced to them;
- Require the 450 current dealers with 10 or more crime guns traced to them with a "time-to-crime" of less than three years from the original sale to provide ATF with information on all used guns offered for sale;

- Take strong enforcement action against dealers found to be violating the law;
- Work closely with law-abiding gun dealers to develop new procedures to prevent illegal trafficking;
- Conduct focused inspections of the 50 dealers with the worst response records, and issue demand letters requiring them to regularly submit all firearms acquisition and disposition records;
- Focus on stolen firearms by proposing a new rule requiring all federal firearms licensees to conduct regular inventories and report discrepancies to ATF; and
- Help the industry increase accountability by providing to manufacturers a list of firearms they sold that were traced as crime guns during the previous year.

Working to Reduce Gun Crime. The President highlighted additional proposals to keep guns out of the wrong hands, including:

- State-based licensing for all handgun purchasers to ensure that all buyers are eligible to possess a firearm and know how to safely handle and store their gun;
- An unprecedented \$280 million gun enforcement initiative to hire 500 new ATF agents and inspectors, over 1,000 new federal, state and local gun prosecutors, and fund comprehensive crime gun tracing and increased ballistics testing to catch and prosecute more gun criminals;
- \$10 million in the President's budget to support research in "smart gun" technologies that can limit a gun's use to its authorized owner; and
- Urging Congress to pass common-sense gun legislation that closes the gun show loophole, bans the importation of large capacity ammunition clips, and requires child safety locks with every handgun sold.



DIRECTOR

DEPARTMENT OF THE TREASURY
BUREAU OF ALCOHOL, TOBACCO AND FIREARMS
WASHINGTON, D.C. 20226

FEB 4 2000

MEMORANDUM TO: Secretary Summers
Deputy Secretary Eizenstat

THROUGH: James E. Johnson
Under Secretary (Enforcement)

FROM: Director

SUBJECT: New Firearms Regulatory Initiatives

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Secretary
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Our ability to trace crime guns depends entirely upon the records kept by FFLs. Most FFLs are diligent about maintaining accurate records. Most respond promptly to ATF trace requests because they understand the need to act quickly to catch and prosecute gun criminals. Unfortunately, this Report also highlights that a small number of retail dealers and pawnbrokers repeatedly fail to cooperate with trace requests. We will take steps to ensure that we are able to trace the guns transferred by uncooperative retail dealers and pawnbrokers by requiring them to submit records of their firearms acquisitions and dispositions. We will also inspect these dealers and, where appropriate, seek to revoke their licenses to deal in firearms.

We also know that a significant number of firearms are stolen or otherwise diverted from the legal market each year. Many of these guns end up in the hands of violent criminals or juveniles. We will propose regulations to require FFLs to identify and report shortages in their inventory to ATF, as well as to report losses that occur in shipment. This will enable us to quickly focus our resources to combat illegal trafficking in stolen guns.

Next, to ensure that all FFLs are actively engaged in the business, we will require as part of the license renewal process a certification of the number of firearms they bought and sold during the previous 3 years. Finally, to assist the firearms industry in policing itself, upon request we will provide manufacturers and importers with a list of the firearms they sell that are the subject of crime gun traces.

More detailed descriptions of the actions ATF will take are set forth in the attachment to this memorandum. These initiatives will significantly improve ATF's ability to trace crime guns, initiate trafficking investigations,

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Secretary
Deputy Secretary

curtail the illegal gun market that supplies criminals,
unauthorized juveniles and other prohibited persons, and
help law enforcement to prevent and respond to armed crime.

A handwritten signature in black ink, appearing to read "Bradley A. Buckles", with a long horizontal stroke extending to the right.

Bradley A. Buckles

Attachment

NEW ATF FIREARMS REGULATORY ACTIONS

Focus on Sources of Large Numbers of Crime Guns

A large number of crime gun traces by itself is not necessarily a significant trafficking indicator but, when coupled with other circumstances, can be cause for concern. While many high-trace-volume retail dealers and pawnbrokers may be in full compliance with the law, crime gun trace volume may indicate that diversion is occurring. The FFL might be a participant in a trafficking scheme, or simply an unwitting pawn of straw purchasers or other traffickers. Accordingly, we will focus our inspection resources on licensed retail dealers who had 10 or more crime guns traced to them in 1999. Approximately 1,000 out of 80,570 licensed retail dealers and pawnbrokers fall into this category and their crime gun traces comprised over half of all crime guns traced in 1999.

1. ATF will conduct focused inspections of any of these dealers who have not been inspected within the preceding 12 months to ensure that they are in full compliance with the Gun Control Act and Federal firearms regulations, including maintaining all required records and conducting appropriate checks of the National Instant Criminal Background Check System. If violations are found, ATF will take appropriate action against these dealers. Even if these dealers are in full compliance with the law, ATF inspectors will try to identify improvements in the dealers' procedures that might make them less susceptible to straw purchasers and other traffickers.

A second and independent trafficking indicator is time-to-crime. When a gun moves much faster than the six-year average from the FFL to the scene of a crime, we know from investigative experience that there may be illegal trafficking. Accordingly, we will require retail dealers and pawnbrokers who have 10 or more crime guns traced to them in 1999, with a time-to-crime of three years or less, to provide ATF with certain information about used guns they have acquired from nonlicensees. ATF estimates that 450 retail dealers and pawnbrokers fall into this category.

2. ATF will require these dealers to submit information on the manufacturer or importer, serial number, model, and caliber or gauge of all used guns taken into their inventory from nonlicensees during the past year, and quarterly thereafter. No information on firearms purchasers will be submitted. Because these dealers are associated with a significant number of traces of new guns with a short time-to-crime, there is a substantial likelihood that used guns they sell also end up being used in crime. Used guns often make up a significant portion of many dealers' sales, but, because of inherent limitations in the tracing system, ATF's National Tracing Center usually cannot trace used crime guns. The information acquired through these demand letters will remedy this situation, enabling ATF to trace the used guns sold by these FFLs when they are recovered in crime. ATF also will use the information to try to resolve crime gun trace requests that previously could not be completed.

ATF may send demand letters to additional retail dealers and pawnbrokers who are associated with other trafficking indicators, such as a large number of crime gun traces, a high percentage of short time-to-crime traces, or a large number of stolen firearms.

We will submit an initial report to the Secretary by September 1, 2000, on the actions we take as a result of this focused inspection program and the information we obtain from the demand letters.

Focus on Uncooperative Dealers

FFLs who keep poor records or fail to respond promptly to ATF trace requests severely erode the effectiveness of the tracing system and our ability to catch and prosecute gun criminals.

3. ATF will issue demand letters to retail dealers who:

- Fail to respond to a crime gun trace request;
- On three or more occasions, do not respond to a crime gun trace request within 24 hours; or
- Provided incorrect information in response to a crime gun trace request.

ATF estimates that 50 dealers currently fall into this category. The demand letters will require submission of all information from these dealers' acquisition and disposition records for the past three years, and monthly thereafter. This information will enable ATF to verify the FFLs' responses to trace requests and quickly trace firearms sold by these dealers if they continue to be uncooperative. Moreover, FFLs who do not cooperate with trace requests frequently fail to maintain accurate records or fulfill other statutory and regulatory responsibilities. Access to these FFLs' records will enable ATF to monitor the dealers' compliance with their legal obligations and will deter noncompliance.

4. ATF will conduct focused inspections of retail dealers that fall into this category and, if violations are found, will take appropriate action. By September 1, 2000, ATF will report to the Secretary listing dealers who were uncooperative on ATF trace requests in the previous year and detailing actions taken by ATF to enforce compliance.
5. ATF will report to the Secretary by December 1, 2000, on why traces cannot be completed and make recommendations for any needed regulatory, enforcement or legislative actions, or improvements in industry practices.

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Focus on Guns Stolen from FFLs

6. ATF will publish a Notice of Proposed Rulemaking requiring all FFLs to conduct regular inventories and report discrepancies to ATF. These inventories will enable FFLs to fulfill their statutory obligations to maintain accurate records of the acquisition and disposition of firearms and report the loss or theft of firearms to ATF.
7. ATF will publish a Notice of Proposed Rulemaking requiring FFLs who ship firearms to report to ATF any firearms that are lost or stolen in transit within 48 hours of discovering that the firearms are missing. This will alert ATF to investigate the specific loss or theft and larger trends involving guns lost or stolen during shipment.

Dealers Who Are Not Actively Engaged in the Business

Although there has been a substantial reduction of the total number of licensees in recent years, a survey of retail dealers and pawnbrokers indicates that there are still a significant number of licensed dealers who are not actively engaged in the firearms business. Only those engaged in the business of dealing in firearms are entitled to possess a dealer's license. FFLs not actively engaged in the business have the ability to purchase large quantities of firearms interstate at wholesale prices, which could be disposed of to the illegal market.

8. ATF will amend its Federal firearms license application to require dealers renewing their licenses to certify how many firearms they acquired and disposed of during the preceding three years. This will provide evidence to enable ATF to deny renewal applications of dealers who are not actively engaged in the business.

Providing Information to the Firearms Industry

Licensees often complain that they do not have sufficient information about guns they sell that end up in crime to be able to take appropriate action to decrease the likelihood that their guns will fall into the wrong hands.

9. Upon request, ATF will provide manufacturers and importers a list by serial number of the firearms they sold that were traced as crime guns during the previous year. This will enable the manufacturers and importers to screen the distribution of their firearms and discover for themselves whether any particular model of firearm they sell is frequently used in crime.

on legislation

" Let's not forget
that we need to
close loopholes in our
gun laws that impede
legislation

If NRA
is serious about
enforcement they
should support
these efforts as
well

gun
enforcement.
to the bill
to allow

more
inspections of
dealers.
In addition, our gun show
bill will not only
keep guns out of
hands of criminals
but help police
identify
all
authorities