**Section 1010.245 Electronic Registration and Titling (ERT) Program Provisions**

a) The Secretary may, in his or her discretion, establish a program for the electronic registration and titling (ERT) of motor vehicles. Transactions that may be conducted pursuant to an ERT program may include transmitting applications for titles and registration of motor vehicles, renewal of motor vehicle registrations, creating and removing liens from motor vehicle records, applying for salvage or junking certificates, and issuing registration plates and stickers by motor vehicle dealers, financial institutions and retail merchants, except that licensees under the Sales Finance Agency Act [205 ILCS 660] and the Consumer Installment Loan Act [205 ILCS 670] shall only be authorized to apply for titles and create and remove liens from motor vehicle records. Insurance companies shall only be permitted to apply for salvage or junking certificates and retail merchants shall only be authorized to issue registration renewal stickers.

b) Upon the establishment of an ERT program, the Secretary may enter into agreements with ERT service providers to serve as intermediaries between the Secretary of State's office and motor vehicle dealers, financial institutions and retail merchants (collectively referred to in this Section as "vendors"). For the purposes of this Section, the term "financial institution" shall mean any federal or state chartered bank, savings and loan, credit union, and armored carrier, and any currency exchange, either directly or indirectly through an armored carrier. The term shall also include insurance companies and licensees under the Sales Finance Agency Act and the Consumer Installment Loan Act. The term "retail merchant" shall mean a business that is engaged in the sale of goods or services to the general public and that has one or more permanently established places of business in Illinois.

c) The ERT service provider shall be responsible for the following:

1) establishing a computerized communication link between the vendors and the Secretary of State for the transmission of titling, registration, registration renewal and lien information, in compliance with all specifications of the Secretary of State's office. The communication link must provide for the secure transmission of information as required under this Section without permitting access to the vendor's confidential information by any entity that is not authorized by the vendor and the Secretary of State. Any entity that is authorized to access a vendor's information system, software, data or network must preserve its confidentiality and integrity. This provision does not limit or prohibit the Secretary of State from accessing confidential information;

2) transmitting all fees associated with the title and registration transactions to the Secretary of State and transmitting all sales taxes due and owing for the sales of motor vehicles to the Illinois Department of Revenue;

3) maintaining an inventory of registration plates and stickers at a secure location that is subject to inspection by the Secretary of State, distributing those plates and stickers to vendors as necessary, receiving unused, expired, damaged and voided plates and stickers and reports of lost or stolen plates and stickers from vendors, and forwarding those reports and returning those unused, expired, damaged and voided plates and stickers to the Secretary of State warehouse monthly. For purposes of this Section, the term "plates" shall mean vehicle registration license plates, and the term "sticker" shall mean the adhesive sticker affixed to license plates and the form, with a pre-printed control number and barcode, to which the sticker is attached when shipped and printed. When this Section provides for shipping, inventory, accounting or reconciliation of, or credit for returned, stickers, the sticker must be attached to the original form or affixed to a plate and recorded as issued with that plate.

A) The inventory control system shall accurately track all registration plates and stickers shipped to the service provider by the Secretary, those distributed by the provider to vendors (including tracking which specific plates and stickers were shipped to individual vendors), those returned by vendors to the provider, and those returned by the provider to the Secretary. The inventory yet to be shipped and the returned inventory shall be stored separately. In addition, the inventory system shall comply with one of the following:

i) All inventory shall be maintained in sequential order, according to document number, including inventory being held for shipping to vendors and inventory returned by vendors.

ii) The computerized inventory control system must utilize barcode readers that enable the service provider or Secretary of State employees to scan and accurately record inventory items yet to be shipped and returned inventory. Secretary of State employees must have access to a computer terminal at the service provider's site during inventory and reconciliation procedures, and the system must allow the printing of necessary inventory reports during these procedures.

B) Real-time access to the inventory control system shall be provided to Secretary of State staff, auditors and Secretary of State Police for review, reconciliation, auditing and inventory verification to ensure compliance with rules, policies and regulations, and for locating individual registration plates and stickers and determining to which vendor the individual registration plates and stickers were issued. All electronic information shall be maintained for not less than five years after receipt of the inventory by the service provider.

C) Bulk inventories of registration plates and stickers will be delivered by the Secretary to the service provider as needed. The service provider shall acknowledge receipt of the inventory in a manner approved by the Secretary and is responsible for the inventory upon receipt. The service provider shall store the inventory within the State of Illinois. The service provider shall distribute registration plates and stickers to vendors, as necessary, and shall accept returns from the vendors of unused, expired, damaged and voided plates and stickers.

D) Vendors shall not return unused, expired, damaged or voided plates and stickers directly to the Secretary. The Secretary shall not be responsible for inventory incorrectly returned.

E) Vendors who have inventory that is damaged, voided, missing, lost or stolen during a given month shall report those occurrences to the service provider not later than the final day of the following month. (Example: Inventory items damaged during August must be reported and returned to the service provider not later than the following September 30.) Credit for returned plates will only be granted when both plates in the set have been returned or accounted for, if the plates were of the type issued as a pair. All or as much as possible of the damaged or voided stickers must be returned to receive credit for returned inventory. When it is not possible to return any portion of a damaged or voided plate or sticker, an explanation as to the circumstances causing the plate or sticker to be voided or damaged, and the reasons no portion can be returned, must be provided. The Secretary shall have the right to determine whether the explanation will be accepted and whether inventory credit will be given for the plates or stickers not returned in whole or in part. In making this determination, the Secretary shall consider whether the vendor is able to retain and return the form on which the sticker is issued; whether matters beyond the control of the vendor may have contributed to the complete loss of the stickers (e.g., fires or industrial accidents that are accompanied by police reports, fire reports or insurance claims); and the history of the individual vendor with regard to the loss of stickers.

F) Service providers may be relieved of responsibility for payment for plates and stickers reported as stolen only if a copy of a police report concerning the theft is provided to the Secretary.

G) Not later than March 31 of each calendar year, vendors shall return to service providers all remaining stickers in their possession of the type and color that expire during that calendar year. (Example: During 2007, vendors sell stickers that expire during 2008, such that a sticker sold in March 2007 expires in March 2008. As of January 2008, vendors will be selling stickers of the type and color that expire in 2009. Therefore, not later than March 31, 2008, vendors shall return to the service provider all remaining stickers in their possession of the type and color that expire during 2008).

H) On a periodic basis, but not less than monthly, the Secretary and the service provider shall reconcile their records of plates and stickers shipped by the Secretary to the service provider, plates and stickers issued by vendors to vehicle owners and for which the appropriate documentation and fees were received by the Secretary, plates and stickers returned by vendors to the service provider as unused, expired, damaged or voided, explanations provided by vendors for damaged or voided stickers and plates that have not been returned in whole or in part, and plates and stickers still in the actual possession of the service providers and vendors. The review and accounting of inventory and returned items shall be conducted in the manner prescribed by the Secretary. After these periodic reconciliations, the unused, expired, damaged or voided plates and stickers shall be returned to the Secretary and the Secretary shall issue the service provider a receipt for the returned inventory. A preliminary report of missing billable inventory for the preceding month shall be provided after these periodic reconciliations.

I) Following the reconciliation after March 31, June 30, September 30 and December 31, the Secretary shall invoice the service provider for all plates or stickers unaccounted for during the preceding quarter. These reconciliations will be based on the reported inventory still in the possession of vendors. Service providers shall not receive credit for unaccounted for inventory items that are located after this quarterly reconciliation and billing.

J) The unaccounted for inventory shall be invoiced at the following rates. For unaccounted for stickers, the rate shall be $151 per sticker. For unaccounted for plates that are intended to be sold as a set (e.g., passenger vehicle or truck plates) the rate shall be $151 per set of plates. For unaccounted for plates that are intended to be sold individually (e.g., motorcycle or trailer plates) the rate shall be $151 per plate. Payment in full must be made to the Secretary within 45 days after receipt of the notice from the Secretary of the amount due. Service providers may recover such payments from vendors pursuant to the contracts between the service providers and the vendors.

K) Certain types of registration stickers are sold outside of the one-year process noted in subsection (c)(3)(G) (e.g., registrations of fleet vehicles). To accommodate these sales, after the return and reconciliation of all inventory as provided in subsections (c)(3)(H) and (I), the Secretary may re-issue preceding year stickers to service providers for the use of vendors engaging in sales of vehicles requiring these registrations. These re-issued stickers shall be tracked separately in the service provider's inventory control system. Not less than three months after these re-issued stickers may no longer be legally sold, all remaining inventory of these stickers shall be returned to the service provider by the vendor, and the stickers shall be subject to the final reconciliation and billing process set forth in subsection (c)(3)(I).

L) The Secretary shall have the right to conduct physical inspections of the inventory of service providers and vendors during normal business hours.

M) The Secretary shall have the right to suspend or revoke the right of service providers and/or vendors to participate in the ERT program for failure to comply with the inventory control provisions set forth in this subsection (c)(3), or for excessive or repeated incidents of unaccounted for inventory;

4) complying with all requirements of the Secretary of State and the Department of Revenue concerning the security of the electronic information and funds transmissions, which shall prohibit access to a vendor's confidential information by any entity without authorization of the vendor and Secretary of State and a requirement that any entity that is authorized to access a vendor's confidential information must preserve the confidentiality and integrity of the vendor's information systems, software, data and network, the security of the registration plates and stickers, and maintaining an electronic inventory control system for the registration plates and stickers. This provision does not limit or prohibit the Secretary of State from accessing confidential information;

5) retaining records of all ERT transactions as directed by the Secretary;

6) posting a performance bond in an amount set by the Secretary, not to exceed $1,000,000. Beginning July 1, 2012, a service provider must post a performance bond in the amount of $1,500,000;

7) registering as a remittance agent pursuant to 625 ILCS 5/Ch. 3, Art. IX;

8) complying with all other terms and conditions set forth in the agreement between the Secretary of State and the ERT service provider;

9) providing a formal process for billing and enforcement of all vendor inventory issues and pending transaction issues and designating a specific representative to communicate with the Secretary of State on all vendor inventory issues and pending transaction issues.

d) The ERT service provider shall enter into agreements with vendors for participation in the ERT program.

1) All vendors must be currently licensed and in good standing with their regulatory agencies before being selected to participate in this program.

2) The Secretary shall have the sole discretionary right to review and approve these agreements and shall have the right to approve, deny or revoke the right to participate in the ERT program by individual vendors. Retail merchants wishing to serve as vendors must be approved in advance by the Secretary. Any decision to deny or revoke an individual vendor's right to participate in the ERT program shall be based on:

A) the vendor's prior compliance with or violations of applicable statutes, rules and regulations;

B) the vendor's participation in the Secretary's temporary registration permit program and any violations of the rules and regulations of the temporary registration permit program found in Section 1010.421;

C) violations by the vendor of this Section or violations of the terms of agreements entered into by the vendor in the ERT program;

D) the benefit to the public to be derived by the vendor's participation in the program;

E) the resources of the Secretary of State's office to support the vendor's participation in the program; and

F) The factors set forth in Section 1010.240(b)(2)(E)-(J).

3) Vendors shall inform customers that utilizing the electronic registration and titling system is optional.

4) The ERT program shall not be used to request or obtain specialty, vanity or personalized registration plates.

5) Fees collected for an ERT title transaction are nonrefundable by the Secretary, unless a title application has not been processed by the Secretary of State.

6) Registration plates and stickers may only be issued at the time an ERT transaction is processed.

7) Title, registration and registration renewal applications and other required documents shall be delivered to the Office of the Secretary of State within 20 days after vehicle sale, registration or registration renewal.

e) Except as permitted by the Secretary during a transition period, no vendor may simultaneously participate in the ERT program and the Over-the-Counter Sales Program (see Section 1010.240).

f) Beginning January 1, 2013, all franchised new motor vehicle dealers must electronically submit titling and registration applications to the Secretary of State, either through an ERT program or online through the Secretary of State website (cyberdriveillinois.com/departments/vehicles

/title\_and\_registration/pert.html).

g) Beginning January 1, 2019, all franchised new and used vehicle dealers must electronically submit titling and registration applications to the Secretary of State, either through an ERT program or online through the Secretary of State website (cyberdriveillinois.com/departments/vehicles/title\_and\_registration/pert.html).

(Source: Amended at 44 Ill. Reg. 2014, effective December 31, 2019)