

After consideration of all relevant material presented, including the information and recommendation submitted by the Board and other available information, it is hereby found that this rule, as hereinafter set forth, will tend to effectuate the declared policy of the Act.

#### List of Subjects in 7 CFR Part 984

Marketing agreements, Nuts, Reporting and recordkeeping requirements, Walnuts.

For the reasons set forth in the preamble, 7 CFR part 984 is amended as follows:

#### PART 984—WALNUTS GROWN IN CALIFORNIA

Accordingly, the interim final rule amending 7 CFR part 984 which was published at 62 FR 58641 on October 30, 1997, is adopted as a final rule without change.

Dated: February 17, 1998.

**Robert C. Keeney,**

*Deputy Administrator, Fruit and Vegetable Programs.*

[FR Doc. 98-4594 Filed 2-23-98; 8:45 am]

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## DEPARTMENT OF TRANSPORTATION

### Federal Aviation Administration

#### 14 CFR Part 71

[Airspace Docket No. 97-AWA-7]

RIN 2120-AA66

#### Revocation and Establishment of Class C Airspace Areas; Cedar Rapids, IA

**AGENCY:** Federal Aviation Administration (FAA), DOT.

**ACTION:** Final rule.

**SUMMARY:** This action revokes the Class C airspace area designated as "Cedar Rapids Municipal Airport, IA," and establishes a Class C airspace area in its place designated as "The Eastern Iowa Airport, IA." The name of the Cedar Rapids Municipal Airport has been changed to The Eastern Iowa Airport. In order to rename the Class C airspace area, it is necessary to revoke the existing airspace designation, and to reestablish the airspace under the new designation. This action also makes a minor change to the airport reference point for The Eastern Iowa Airport.

**EFFECTIVE DATE:** 0901 UTC, May 21, 1998.

**FOR FURTHER INFORMATION CONTACT:** Steve Brown, Airspace and Rules

Division, ATA-400, Office of Air Traffic Airspace Management, Federal Aviation Administration, 800 Independence Avenue, SW., Washington, DC 20591; telephone: (202) 267-8783.

#### SUPPLEMENTARY INFORMATION:

##### The Rule

This action amends 14 CFR part 71 by revoking the Class C airspace area designated as "Cedar Rapids Municipal Airport, IA," and establishing a Class C airspace area in its place designated as "The Eastern Iowa Airport, IA." The name of the airport changed from "Cedar Rapids Municipal Airport" to "The Eastern Iowa Airport." Additionally, the airport reference point will change in longitude by one second, from "91°42'40" W." to "91°42'39" W."

Since this action merely involves a name change to the title and the airport of the Class C airspace area and does not involve a change in the dimensions or operating requirements of that airspace, notice and public procedure under 5 U.S.C. 553(b) are unnecessary.

The FAA has determined that this regulation only involves an established body of technical regulations for which frequent and routine amendments are necessary to keep them operationally current. It, therefore—(1) is not a "significant regulatory action" under Executive Order 12866; (2) is not a "significant rule" under DOT Regulatory Policies and Procedures (44 FR 11034; February 26, 1979); and (3) does not warrant preparation of a regulatory evaluation as the anticipated impact is so minimal. Since this is a routine matter that will only affect air traffic procedures and air navigation, it is certified that this rule will not have a significant economic impact on a substantial number of small entities under the criteria of the Regulatory Flexibility Act.

Class C airspace areas are published in paragraph 4000 of FAA Order 7400.9E, dated September 10, 1997, and effective September 16, 1997, which is incorporated by reference in 14 CFR 71.1. The Class C airspace area listed in this document will be published subsequently in the Order.

#### List of Subjects in 14 CFR Part 71

Airspace, Incorporation by reference, Navigation (air).

#### Adoption of the Amendment

In consideration of the foregoing, the Federal Aviation Administration amends 14 CFR part 71 as follows:

#### PART 71—DESIGNATION OF CLASS A, CLASS B, CLASS C, CLASS D, AND CLASS E AIRSPACE AREAS; AIRWAYS; ROUTES; AND REPORTING POINTS

1. The authority citation for part 71 continues to read as follows:

**Authority:** 49 U.S.C. 106(g), 40103, 40113, 40120; E.O. 10854, 24 FR 9565, 3 CFR, 1959-1963 Comp., p. 389.

##### § 71.1 [Amended]

2. The incorporation by reference in 14 CFR 71.1 of the Federal Aviation Administration Order 7400.9E, Airspace Designations and Reporting Points, dated September 10, 1997, and effective September 16, 1997, is amended as follows:

*Paragraph 4000—Subpart C—Class C Airspace*

\* \* \* \* \*

#### ACE IA C Cedar Rapids Municipal Airport, IA [Removed]

\* \* \* \* \*

#### ACE IA C The Eastern Iowa Airport, IA [New]

The Eastern Iowa Airport, IA

(Lat. 41°53'05" N, long. 91°42'39" W.)

That airspace extending upward from the surface to and including 4,900 feet MSL within a 5-mile radius of The Eastern Iowa Airport and that airspace extending upward from 2,100 feet MSL to and including 4,900 feet MSL within a 10-mile radius of The Eastern Iowa Airport. This Class C airspace area is effective during the specific dates and times established in advance by a Notice to Airmen. The effective date and time will thereafter be continuously published in the Airport/Facility Directory.

\* \* \* \* \*

Issued in Washington, DC, on February 13, 1998.

**Nancy B. Kalinowski,**

*Acting Program Director for Air Traffic Airspace Management.*

[FR Doc. 98-4703 Filed 2-23-98; 8:45 am]

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## SECURITIES AND EXCHANGE COMMISSION

### 17 CFR Parts 210 and 211

[Release No. 33-7507; 34-39676; IC-23029; FR-50]

#### Commission Statement of Policy on the Establishment and Improvement of Standards Related to Auditor Independence

**AGENCY:** Securities and Exchange Commission.

**ACTION:** Policy Statement.

**SUMMARY:** The Securities and Exchange Commission ("SEC" or "Commission") today reaffirmed that maintaining the independence of auditors of financial statements included in filings with the Commission is crucial to the credibility of financial reporting and, in turn, the capital formation process. In so doing, the Commission recognized the establishment of the Independence Standards Board ("ISB") and indicated that, consistent with its continuing policy of looking to the private sector for leadership in establishing and improving accounting principles and auditing standards, the Commission intends to look to the ISB for leadership in establishing and improving auditor independence regulations applicable to the auditors of the financial statements of Commission registrants, with the expectation that the ISB's conclusions will promote the interests of investors.

**EFFECTIVE DATE:** March 26, 1998.

**FOR FURTHER INFORMATION CONTACT:**

Robert E. Burns or W. Scott Bayless, Office of the Chief Accountant, at (202) 942-4400, Mail Stop 11-3, Securities and Exchange Commission, 450 Fifth Street, N.W., Washington, D.C. 20549.

**SUPPLEMENTARY INFORMATION:**

**I. Background**

The various securities laws enacted by Congress and administered by the Securities and Exchange Commission underscore the crucial function of independent auditors in protecting public investors by requiring, or permitting the Commission to require, that financial statements filed with the Commission by public companies, investment companies, broker-dealers, public utilities, investment advisers, and others be certified (or audited) by "independent" public accountants.<sup>1</sup> They also give the Commission the

authority to define the term "independent."<sup>2</sup>

Since the Commission's creation in 1934, it consistently has emphasized the need for auditors to remain independent. The Commission's regulations are set forth in Rule 2-01 of Regulation S-X<sup>3</sup> and in the extensive interpretations, guidelines, and examples for registrants and auditors to use in evaluating specific independence questions that are collected in Section 600 of the Codification of Financial Reporting Policies ("Codification"), entitled "Matters Relating to Independent Accountants."<sup>4</sup> The Commission also makes publicly available the staff's written responses to requests for informal advice on its independence requirements. Pursuant to the Commission's regulations, the basic test for auditor independence is whether a reasonable investor, knowing all relevant facts and circumstances, would perceive an auditor as having neither mutual nor conflicting interests with its audit client and as exercising objective and impartial judgment on all issues brought to the auditor's attention.<sup>5</sup> In determining whether an auditor is independent, the Commission considers all relevant facts and circumstances, and its consideration is not confined to the relationships existing in connection with the filing of reports with the Commission.<sup>6</sup>

In certain matters, the Commission also has referred registrants and their auditors to independence requirements adopted by the American Institute of Certified Public Accountants ("AICPA"), to the extent those standards do not conflict with those of the Commission.<sup>7</sup>

Day-to-day, the Commission's staff receives inquiries regarding the application of the Commission's independence regulations to specific situations confronting registrants and

their auditors. In recent years, these situations have become more complex as auditors have entered into new service areas for their clients, auditing firms have merged and restructured their operations, and business practices and technology have become more sophisticated and, increasingly, more global in scope. Some of the Commission's auditor independence regulations, written years ago, do not provide obvious guidance in today's business environment. The Commission recognizes, therefore, that an update of the Commission's regulations may be in order.

**II. The Independence Standards Board**

After careful consideration, and without abdicating its statutory responsibilities, the Commission intends to look to a standard-setting body designated by the accounting profession—known as the Independence Standards Board ("ISB")—to provide leadership not only in improving current auditor independence requirements, but also in establishing and maintaining a body of independence standards applicable to the auditors of all Commission registrants.<sup>8</sup> The Commission has taken a similar course in developing its relationship with the Financial Accounting Standards Board ("FASB"), a standard-setting body designated by the accounting profession that provides leadership in establishing and improving accounting principles.<sup>9</sup> Although the Commission expects to look to the ISB as the private sector body responsible for establishing independence standards and interpretations for auditors of public entities, the Commission's existing authority regarding auditor independence is not affected. This includes the Commission's authority to institute such enforcement actions as it deems appropriate, such as actions or proceedings instituted pursuant to Rule 102(e), 17 CFR 102(e). The Commission also retains ultimate authority to not accept, or to modify or supplement, ISB independence standards and interpretations in the same manner that

<sup>1</sup> Certain provisions of the Securities Act of 1933 ("Securities Act") and Securities Exchange Act of 1934 ("Exchange Act") expressly require that financial statements be audited by independent public or certified accountants. Securities Act Schedule A, items 25 and 26, 15 U.S.C. 77aa(25) and (26); Exchange Act § 17(e), 15 U.S.C. 78q. Various provisions of the securities laws authorize the Commission to require the filing of financial statements audited by independent accountants. Exchange Act §§ 12(b)(1)(J) and (K) and 13(a)(2), 15 U.S.C. 78l and 78m; Public Utility Holding Company Act of 1935 ("PUHCA"), §§ 5(b) (H) and (I), 10(a)(1)(G), and 14, 15 U.S.C. 79e(b), 79j, and 79n. Investment Company Act of 1940, §§ 8(b)(5) and 30(e), 15 U.S.C. 80a-8 and 80a-29; Investment Advisers Act of 1940, § 203(c)(1)(D), 15 U.S.C. 80b-3(c)(1). In accordance with these provisions, the Commission has required that certain financial statements be audited by independent accountants. See, e.g., Article 3 of Regulation S-X, 17 CFR 210.3-01 *et seq.* (1996).

<sup>2</sup> Various provisions of the securities laws grant the Commission the authority to define accounting, technical, and trade terms. Securities Act § 19(a), 15 U.S.C. 77s(a); Exchange Act § 3(b), 15 U.S.C. 78c(b); PUHCA § 20(a), 15 U.S.C. 79t(a); and Investment Company Act § 38(a), 15 U.S.C. 80a-37(a).

<sup>3</sup> 17 CFR 210.2-01 (1996).

<sup>4</sup> Financial Reporting Codification, Section 600—Matters Relating to Independent Accountants, *reprinted in* SEC Accounting Rules (CCH) ¶ 3,851, at 3,781.

<sup>5</sup> This test encompasses an evaluation of an auditor's independence in both fact and appearance. See Codification § 601.01 (quoting Accounting Series Release No. 296).

<sup>6</sup> Rule 2-01(c), 17 CFR 210.2-01(c) (1996).

<sup>7</sup> See, e.g., Office of the Chief Accountant, *Staff Report on Auditor Independence*, Appendix II at 5-7 (1994) (discussing AICPA requirements regarding loans to or from an audit client or its officers, directors, or stockholders; and stating that Commission has not adopted additional requirements in this area).

<sup>8</sup> The Commission generally has required foreign issuers and the auditors of their financial statements to comply with United States independence requirements when foreign issuers' audited financial statements are filed with the Commission. Accordingly, the ISB's pronouncements would apply to foreign as well as domestic audit reports that are filed with the Commission.

<sup>9</sup> See Accounting Series Release No. 150 (Dec. 20, 1973) (recognizing establishment of FASB); Accounting Series Release No. 280 (Sept. 2, 1980) (commenting on FASB's role in establishing and improving accounting principles).

the Commission can modify or supplement accounting standards and interpretations issued by the FASB. Moreover, the functioning of the ISB does not affect the authority of state licensing or disciplinary authorities regarding auditor independence.

The Commission expects that the public interest will be served by having the ISB take the lead in establishing, maintaining, and improving auditor independence requirements; and that operation of the ISB will promote efficiency, competition, and capital formation. The ISB, which is composed equally of public members (from which the ISB chairman must be elected) and practicing accountants, has undertaken to develop an institutional framework that will permit prompt and responsible actions by the ISB and its staff flowing from research and objective consideration of the issues. Collectively, the ISB members bring substantial experience and expertise to the process. In addition, the accounting profession's commitment of financial resources to the ISB is evidence of the private sector's willingness and intention to support the ISB. Under these circumstances, the Commission expects that determinations of the ISB will preserve and enhance the independence of public accountants, and thereby promote the interests of investors.

The central mission of the ISB will be to establish independence standards applicable to auditors of public entities that serve the public interest by promoting investor confidence in the securities markets. To further that goal, ISB standard-setting meetings will be open to the public, and proposed standards will be exposed for public comment before they are issued, in a process similar to that used by the FASB. In addition, the Commission will provide timely oversight of the ISB consistent with the Commission's statutory mandate to protect investors and safeguard the integrity of the capital markets.<sup>10</sup>

As noted, in the exercise of its statutory authority the Commission has the responsibility to ensure that independent audits of registrants' financial statements protect the interests of investors. In reviewing questions related to the fact or appearance of an

auditor's independence from an audit client, the Commission will consider an auditor to be not independent unless the auditor has substantial authoritative support for the position that the questioned transaction, event, or other circumstance, does not impair the auditor's independence. In this regard, the Commission will consider principles, standards, interpretations, and practices established or issued by the ISB as having substantial authoritative support for the resolution of auditor independence issues.<sup>11</sup> Conversely, the Commission will consider principles, standards, interpretations, and practices contrary to such ISB promulgations as having no such support.<sup>12</sup>

### III. Review of ISB Operations

Since the formation of the ISB, there have been public announcements of mergers of several of the "Big 6" accounting firms. The impact of these mergers, and the accelerating trend toward consolidation of auditing firms generally, on foreign and domestic self-regulatory programs is being discussed within the United States, other countries, and international organizations. These events will be monitored closely and may prompt the Commission to reconsider certain of the accounting profession's self-regulatory programs, including the ISB.

In view of the significance of auditor independence to investor confidence in the securities markets, the Commission also will review the operations of the ISB as necessary or appropriate and, within five years from the date the ISB was established, will evaluate whether this new independence framework serves the public interest and protects investors.

### IV. Regulatory Requirements

This general policy statement is not an agency rule requiring notice of proposed rulemaking, opportunities for public participation, and prior publication under the provisions of the Administrative Procedure Act ("APA").<sup>13</sup> Similarly, the provisions of the Regulatory Flexibility Act,<sup>14</sup> which apply only when notice and comment

are required by the APA or another statute, are not applicable.

### V. Codification Update

The "Codification of Financial Reporting Policies" announced in Financial Reporting Release No. 1 (April 15, 1982) (47 FR 21028) is updated to:

Add a new Section 601.04, captioned "Statement of Policy on the Establishment and Improvement of Standards Related to Auditor Independence" to include the text in topics I., II., and III. of this release.

The Codification is a separate publication of the Commission. It will not be published in the **Federal Register**/Code of Federal Regulations.

### VI. Conclusion

The Commission believes that the foregoing statement of policy provides a sound basis for the Commission and the ISB to make significant contributions to meeting the needs of investors and the capital markets.

Dated: February 18, 1998.

By the Commission.

**Margaret H. McFarland,**

*Deputy Secretary.*

[FR Doc. 98-4576 Filed 2-23-98; 8:45 am]

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## DEPARTMENT OF THE INTERIOR

### Office of Surface Mining Reclamation and Enforcement

#### 30 CFR Part 935

[OH-242-FOR, #75]

#### Ohio Regulatory Program

**AGENCY:** Office of Surface Mining Reclamation and Enforcement (OSM), Interior.

**ACTION:** Final rule; approval of amendment.

**SUMMARY:** OSM is approving a proposed amendment to the Ohio regulatory program (hereinafter referred to as the "Ohio program") under the Surface Mining Control and Reclamation Act of 1977 (SMCRA). Ohio proposed revisions to its statutes pertaining to attorney fees. The amendment is intended to revise the Ohio program to be consistent with the corresponding Federal regulations.

**EFFECTIVE DATE:** February 24, 1998.

**FOR FURTHER INFORMATION CONTACT:** George Rieger, Field Branch Chief, Appalachian Regional Coordinating Center, OSM, 3 Parkway Center, Pittsburgh, PA 15220, Telephone: (412) 937-2153.

<sup>10</sup> The Commission and its staff will consult with the ISB during the course of ISB consideration of standards or interpretations, including those dealing with matters addressed by existing SEC guidance. As the ISB reconsiders and effectuates changes in independence standards and practices that involve existing SEC guidance, the Commission will consider modifying or withdrawing its conflicting guidance unless the Commission determines that it should not accept the ISB position in a particular area.

<sup>11</sup> Positions of the ISB staff and consensuses of a permanent task force that will assist the ISB, the Independence Issues Committee, will not be considered authoritative unless or until ratified by the ISB. Positions issued by the ISB staff to a particular party, however, may be relied upon by that party in accordance with the ISB Operating Policies.

<sup>12</sup> Entities that may issue such principles, standards, or interpretations include the AICPA's Professional Ethics Executive Committee.

<sup>13</sup> 5 U.S.C. 553.

<sup>14</sup> 5 U.S.C. 601-602.