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PROPOSED RULES

practices have been approved by the U.K. Government, their major customer, and may not thereafter be changed without further approval. They stated that they cannot assume an obligation to comply with Cost Accounting Standards which could be in conflict with U.K. Government Accounting Conventions and the governmentally approved accounting practices for the individual firms.

In view of the recurrence of this position and the high proportion of waiver requests involving U.K. firms, the Board undertook discussions with the U.K. Ministry of Defence concerning the application of Cost Accounting Standards and the Board's rules and regulations to firms which are U.K. defense contractors. As a result of these discussions it has been determined that U.K. defense contractors do disclose their accounting practices to the Ministry of Defence and that the Ministry of Defence approves companies' practices which then cannot be changed without further approval. It has further been determined that a Review Board for Government Contracts, whose chairman and members are nominated by the Government and industry and appointed by the Treasury, but which is established as an independent organization, among other duties periodically reviews and makes recommendations for changes in U.K. Government Accounting Conventions. The Review Board has issued or sponsored certain cost accounting standards for use by U.K. contractors with the Ministry of Defence.

In view of all of the above circumstances the Board is considering exempting from its rules and regulations any contract or subcontract to be performed substantially in the U.K. by a U.K. firm when the firm agrees to accept contract provisions requiring that it:

- (a) Follow consistently U.K. Government Accounting Conventions;
- (b) File with the Ministry of Defence a Disclosure Statement (CASB-DS-1) which will be retained by it but made available for use by appropriate U.S. authorities; and
- (c) Follow consistently its disclosed cost-accounting practices and agree to an adjustment in the contract price, together with the payment of interest, if the company fails to follow its disclosed practices and as a result of such failure there is increased cost paid by the U.S. Government.

The Board considers that such a conditional exemption will not substantially impair achieving major benefits which are derived from compliance with the Board's regulations and that it is consistent with Pub. L. 91-379.

A United Kingdom firm could find that its obligation to follow U.K. Government Accounting Conventions might require the firm to change a disclosed cost accounting practice. In such an event, the Board hopes that any such change would be negotiated in advance of the effective date of the Convention, so as to avoid the imposition of any interest charges or increased cost paid by the United States. The negotiation for

a change in disclosed practices would be patterned on the similar negotiation required under section (a)(4)(B) of the Cost Accounting Standards Clause.

The proposed conditional exemption is set forth below. Interested parties are invited to submit written views concerning this proposal to the Cost Accounting Standards Board, 441 G Street, N.W., Washington, D.C., 20548, to arrive no later than December 17, 1975. All written submissions made pursuant to this notice will be made available for public inspection at the Board's offices during regular business hours.

The following addition to Part 331 of the Board's regulations is proposed:

Section 331.30, Applicability, Exemption, and Waiver, is modified by adding paragraph (b) (9) to read as follows:

§ 331.30 Applicability, exemption, and waiver.

- (b) . . . . .
- (9) Any contract or subcontract made with a United Kingdom contractor for performance substantially in the United Kingdom, provided, that the contractor has filed with the U.K. Ministry of Defence a completed Disclosure Statement (Form CASB-DS-1) which shall be in accord with U.K. Government Accounting Conventions and which shall adequately describe its cost accounting practices; and provided further that such contract or subcontract contains the following provision:

CONSISTENCY IN COST ACCOUNTING PRACTICES

The contractor agrees that it will consistently following the cost accounting practices disclosed on Form CASB-DS-1 in estimating, accumulating and reporting costs under this contract. In the event the contractor fails to follow such practices, it agrees that the contract price shall be adjusted, together with payment of interest, if such failure results in increased costs paid by the U.S. Government. Interest shall be determined in accordance with the rules and regulations of the Cost Accounting Standards Board. The contractor agrees that the Disclosure Statement filed with the U.K. Ministry of Defence shall be available for inspection and use by representatives of the contracting agency, the Cost Accounting Standards Board, and the Comptroller General of the United States.

ARTHUR SCHOENHAUT,  
Executive Secretary.

[FR Doc.75-31157 Filed 11-14-75;9:52 am]

FEDERAL RESERVE SYSTEM

[ 12 CFR Part 225 ]

[Reg. Y]

BANK HOLDING COMPANIES

Proposal Considering Whether Automobile Leasing Should Continue To Be Permissible Activity

In May, 1974, the Board issued an amendment to its Regulation Y, 12 CFR 225.4(a) (6) (a), to permit bank holding companies to engage in certain leasing activities with respect to personal property where the lease was on a full pay-

out basis and served as the functional equivalent to an extension of credit. In June, 1974, the National Automobile Dealers Association ("NADA") sought judicial review of this leasing regulation insofar as it permitted bank holding companies to engage in automobile leasing. NADA objected, in particular, to the provision in the regulation allowing lessors to deduct 20 percent of the acquisition cost of the leased property as residual value that need not be recovered by rentals or tax benefits in computing a full payout lease (12 CFR 225.4(a) (6) (a) (iv) (3)) and the provision permitting a lessor to deduct up to 60 percent of the acquisition cost of the leased property when such amount was guaranteed by a financially qualified lessee, manufacturer or third party (12 CFR 225.4(a) (6) (a) (iv) (4)). In addition, NADA argued that the activity of automobile leasing is not closely related to banking in that it is merchandising and dealing in used cars and does not serve as the "functional equivalent of an extension of credit" as required by the Board's regulation (12 CFR 225.4(a) (6) (a) (1)).

After briefing and oral argument of the case before the U.S. Court of Appeals for the D.C. Circuit, the Board sought and the Court granted a remand of the matter so that the Board might consider these issues raised by NADA and such other issues as are relevant to bank holding companies engaging in automobile leasing. Accordingly, the Board proposes to determine whether automobile leasing ought to continue to be included within the scope of the Board's personal property leasing regulation (12 CFR 225.4(a) (6) (a)) and, if it should be, under what conditions and limitations.

Interested persons are invited to submit relevant data, views, or arguments on this matter. Upon request, interested parties will be afforded an opportunity for an oral presentation of their views. Any such material and requests should be submitted in writing to the Secretary, Board of Governors of the Federal Reserve System, Washington, D.C. 20551, to be received not later than December 22, 1975. Such material will be made available for inspection and copying upon request, except as provided in § 261.9(a) of the Board's rules regarding availability of information.

[SEAL] THEODORE E. ALLISON,  
Secretary of the Board.

[FR Doc.75-30830 Filed 11-14-75;8:45 am]

LEGAL SERVICES CORPORATION

[ 45 CFR Part 1603 ]

STATE ADVISORY COUNCILS

Appointment and Function

Legal Services Corporation was established pursuant to the Legal Services Corporation Act of 1974, Pub. L. 93-385, 88 Stat. 378, 42 U.S.C. 2996-29901 ("the Act"). Section 1004(f) of the Act, 42 U.S.C. 2996c(f) provides that within six months after the first meeting of the

Board of Directors of the Corporation, the Board shall request the Governor of each state to appoint a state advisory council for legal services programs.

Pursuant to section 1003(e) of the Act, the Corporation hereby notices and publishes for comment the following proposed regulations regarding the appointment and functioning of state advisory councils. Public comment will be received by the Corporation at its headquarters offices, Suite 700, 733-15th Street, NW., Washington, D.C. 20006, on or before December 17, 1975. Comments may be accompanied by a memorandum or brief in support thereof. Received comments may be seen at the above offices during business hours, Monday through Friday.

Final regulations will be issued by the Corporation after the Board of Directors has reviewed and considered public comment received pursuant to this notice.

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Authority: Sec. 1004(f), 28 Stat. 379-380 (42 U.S.C. 2996c(f)).

§ 1603.1 Purpose.

The purpose of this part is to implement section 1004(f) of the Legal Services Corporation Act of 1974, 42 U.S.C. 2996c(f), which provides authority for the appointment of state advisory councils.

§ 1603.2 Definitions.

As used in this part, the term—

(a) "Act" means the Legal Services Corporation Act of 1974, Pub. L. 93-355, 88 Stat. 378, 42 U.S.C. 2996-2996f;

(b) "Board" means the Board of Directors of the Legal Services Corporation;

(c) "Corporation" means the Legal Services Corporation established under the Act;

(d) "Council" means a state advisory council established pursuant to section 1004(f) of the Act;

(e) "eligible client" means any person financially unable to afford legal assistance;

(f) "Governor" means the chief executive officer of a State;

(g) "recipient" means any grantee, contractor, or recipient of financial assistance described in clause (A) of section 1006(a) (1) of the Act;

(h) "State" means any State of the United States, the District of Columbia, the Commonwealth of Puerto Rico, the Virgin Islands, Guam, American Samoa, the Trust Territory of the Pacific Islands,

and any other territory or possession of the United States.

§ 1603.3 Composition and term of office of council membership.

A council shall be composed of nine members. A majority of the members of the council shall be attorneys admitted to practice in the particular State. It is recommended that the remainder of the council, to the maximum extent possible, be broadly representative of citizens concerned with the effective functioning of legal services programs. Membership of the council shall be subject to annual reappointment, but it is recommended that no member of any council be appointed to serve for more than three consecutive years.

§ 1603.4 Procedure for appointment of council.

At the formal request of the Board of Directors of the Corporation, to be made before January 14, 1976, the Governor of each State may appoint a council for such State. Those council members who are attorneys admitted to practice in the State shall be appointed by the Governor after recommendations have been received from the State bar association. In appointing attorneys as members of the council, the Governor is also encouraged to consult with and solicit the recommendations of other bar associations in the State, representatives of groups organized to promote the interests of recipients and eligible clients, and other interested groups. The Governor is encouraged to appoint attorneys who have experience and knowledge in the delivery of quality legal services to the poor. It is recommended that the remaining members of the council, who are not attorneys, be selected after the Governor has consulted with representatives of groups organized to promote the interests of eligible clients. The Governor is also encouraged to seek recommendations from recipients in the State before appointing any members to the council. If 90 days have elapsed after the request of the Board to the Governor to appoint a council, and the Governor has not appointed a council, the Board is authorized to appoint a council in that particular State.

§ 1603.5 Council purpose and duties.

(a) The purpose of the council shall be to notify the President of the Corporation of any apparent violation of the provisions of the Act, or any rules, regulations or guidelines promulgated pursuant to the Act.

(b) In fulfilling the purpose set forth in paragraph (a) of this section, the council shall forward to the President of the Corporation all complaints it receives of any apparent violation of the Act, or any rules, regulations or guidelines promulgated pursuant thereto. The council may decide in its judgment, however, that the reported circumstances contained in a complaint, even if true, would not constitute a violation of the Act, or any rules, regulations or guidelines promulgated pursuant to the Act.

In that case, the Chairman of the council shall so inform the person(s) who brought the complaint of apparent violation to the attention of the council. At the same time, the Chairman of the council shall forward to the President of the Corporation a copy of the letter by which the council refused to make an official notification described in paragraph (a) of this section. In fulfilling the purpose set forth in paragraph (a) of this section, the council shall not conduct formal hearings or investigations to determine whether the facts justify the complaint of an apparent violation of the Act, or any rules, regulations or guidelines promulgated pursuant thereto. No official notification of apparent violation forwarded by the council to the Corporation shall constitute a position of the council as to the merits of any complaint of apparent violation.

(c) If the council notifies the President of the Corporation of an apparent violation of the Act or any rules, regulations or guidelines promulgated pursuant to the Act, the council shall, at the same time, furnish a copy of the notification of apparent violation to any recipient affected thereby.

(d) Any person may send a complaint directly to the Corporation without sending it to the council. Any person may also send a complaint directly to the Corporation after a complaint has been lodged with the council, even when the council has rejected the complaint.

§ 1603.6 Duties of corporation on receipt of notification of violation.

(a) Upon receipt of a notification from a council, the Corporation shall retain the responsibility for investigation and resolution of any apparent violation contained in such notification. The Corporation shall employ procedures consistent with section 1011 of the Act, for investigating any allegation contained in the notification, and for remedying the apparent violation, if the allegation proves well-grounded.

(b) In every case, however, on receipt from a council of a notification of apparent violation, the Corporation shall allow any recipient affected thereby a reasonable time (but in no case less than thirty days) to reply to any allegation contained in the notification.

(c) The Corporation shall inform the Chairman of a council as to what action, if any, the Corporation has taken with regard to any notification received from such council pursuant to § 1603.5(a).

§ 1603.7 Organization and procedural functioning of council.

(a) Within 30 days after the appointment of the council, the Governor shall send to the Secretary of the Corporation in Washington, D.C., a certified list of the members of the council for the particular State. This certified list shall be updated and sent to the Secretary of the Corporation annually and within thirty days after the appointment of any newly designated member. These certified lists of the members of the council shall include the name, address, telephone num-

ber(s) of each council member, and if a member is an attorney that fact should be noted.

(b) It is recommended that the Governor appoint from among those named to the council a Chairman of said council, whose term of office shall be for one year.

(c) It is recommended that each council establish at its first meeting such fair and reasonable procedures for its operation as it may deem necessary to carry out the purpose set forth in § 1603.5(a). It is suggested that the procedures for operation of the council shall include provisions for notifying the regional director of the Corporation in whose jurisdiction the particular State falls of the time and place of any meeting of the council.

(d) It is recommended that the council meet at the call of the Chairman thereof, or at the request to the Chairman of at least four members thereof, at such times as may be necessary to carry out its duties, but at least annually, and not more than four times per year.

(e) All meetings of the council shall be open to the public, and any minutes of such public meetings shall be available to the public, unless the membership of the council by two-thirds vote of those eligible to vote, determines that consideration of specific matter on a specific occasion shall be closed to the public. That part of a meeting closed to the public shall be known as an executive session. Agenda and non-agenda items may be considered in an executive session. It is recommended that an executive session consider only matter for which the required determination has been made. It is suggested that the

chairman of the meeting announce the subject of the executive session prior thereto. In determining whether an executive session is required, the Corporation contemplates that the council will be governed by the principle that the public is entitled to the fullest information regarding the decision-making process of the council consistent with the protection of personal privacy or with compelling interests of the council or the public. When, however, a council meets to consider whether to notify the President of the Corporation of an apparent violation pursuant to § 1603.5(a), such complaint of apparent violation may be considered in executive session or otherwise in confidence, consistent with the protection of personal privacy.

#### § 1603.8 Corporation support of Council.

(a) The Corporation shall provide council members with reasonable travel expenses so that they can attend meetings of the council. Such expenses shall be provided according to guidelines and procedures established by the Corporation for payment of travel expenses. If the council deems it necessary to hold more than four days of meetings in any one year, however, it shall obtain prior written approval from the President of the Corporation for the expenses expected to be incurred for each such additional day of meeting. Other reasonable expenses incurred for administrative costs of the council will be reimbursed by the Corporation.

(b) It shall be the duty of the President of the Corporation to keep the Chairman of each council informed of the work of the Corporation. The President of the Corporation shall from

time to time mail to the Chairman of each council a report concerning current issues regarding the work of the Corporation.

(c) The Secretary of the Corporation shall mail to each office of a recipient of the Corporation the name and address of the Chairman of the council which has jurisdiction over the particular recipient. The person in charge of each such office of a recipient shall be responsible for posting in plain public view said name and address of the Chairman of the council, together with a notice in the form prescribed by the Corporation indicating to any member of the public where complaints regarding legal services may be sent.

#### § 1603.9 Annual report of council.

On January 1, 1977, and January 1 of each succeeding year thereafter, the council shall submit to the President of the Corporation an annual report detailing the activities of the council during the previous 12 months. The report may contain comments or suggestions regarding how best to provide high quality legal assistance to the poor.

#### § 1603.10 Multi-state recipients.

Where a recipient has offices in more than one State, the council of the State in which the apparent violation occurred has the responsibility for notifying the Corporation of such apparent violation.

DAVID S. TAXEL,  
Counsel to the Corporation.

[FR Doc.75-30905 Filed 11-14-75;8:45 am]