

affiliate transactions, and the cost apportionment table must be accompanied by a statement quantifying the impact of each change on regulated operations. Changes in the description of time reporting procedures and the statement concerning affiliate transactions must be quantified in \$100,000 increments at the account level. Changes in cost apportionment tables must be quantified in \$100,000 increments at the cost pool level. The Chief, Common Carrier Bureau may suspend any such charges for a period not to exceed 180 days, and may thereafter allow the change to become effective or prescribe a different procedure.

(c) The Commission may by order require any other communications common carrier to file and maintain a cost allocation manual as provided in this section.

[57 FR 4375, Feb. 5, 1992, as amended at 59 FR 46358, Sept. 8, 1994; 61 FR 50246, Sept. 25, 1996; 62 FR 39779, July 24, 1997]

§ 64.904 Independent audits.

(a) Each local exchange carrier required to file a cost allocation manual, by virtue of having annual operating revenues that equal or exceed the indexed revenue threshold for a given year or by order of the Commission, shall have an audit performed by an independent auditor on an annual basis, with the initial audit performed in the calendar year after the carrier is first required to file a cost allocation manual. The audit shall provide a positive opinion on whether the applicable data shown in the carrier's annual report required by § 43.21(e)(2) of this chapter present fairly, in all material respects, the information of the carrier required to be set forth therein in accordance with the carrier's cost allocation manual, the Commission's Joint Cost orders issued in conjunction with CC Docket No. 86-111 and the Commission's rules and regulations including §§ 32.23 and 32.27 of this chapter, 64.901, and 64.903 in force as of the date of the auditor's report. The audit shall be conducted in accordance with generally accepted auditing standards, except as otherwise directed by the Chief, Common Carrier Bureau.

(b) The report of the independent auditor shall be filed at the time that

the local exchange carrier files the annual report required by § 43.21(f)(2) of this chapter.

[57 FR 4375, Feb. 5, 1992, as amended at 62 FR 39779, July 24, 1997]

Subpart J—International Settlements Policy and Waivers

§ 64.1001 International settlements policy and modification requests.

(a) The procedures set forth in this rule are subject to Commission policies on international operating agreements in CC Dkt. No. 90-337.

(b) If the accounting rate referred to in § 43.51(d)(1) of this chapter is lower than the accounting rate in effect in the operating agreement of another carrier providing service to or from the same foreign point, and there is no modification in the other terms and conditions referred to in § 43.51(d)(1) of this chapter, the carrier must file a notification letter under paragraph (e) of this section.

(c) If the amendment referred to in § 43.51(d)(2) of this chapter is a simple reduction in the accounting rate, and there is no modification in the other terms and conditions referred to in § 43.51(d)(2) of this chapter, the carrier must file a notification letter under paragraph (e) of this section.

(d) If the operating agreement or amendment referred to in §§ 43.51 (d)(1) and (d)(2) of this chapter is not subject to notification under paragraphs (b) and (c) of this section, the carrier must file a modification request under paragraph (f) of this section.

(e) A notification letter must contain the following information:

(1) The applicable international service;

(2) The name of the foreign telecommunications administration;

(3) The present accounting rate (including any surcharges);

(4) The new accounting rate (including any surcharges);

(5) The effective date (see paragraph (h) of this section);

(6) A statement that the accounting rate will be divided 50-50; and

(7) A statement that there has been no other modification in the operating agreement with the foreign correspondent regarding the exchange of services,

interchange or routing of traffic and matters concerning rates, accounting rates, division of tolls, allocation of return traffic, or the basis of settlement of traffic balances.

(f) A modification request must contain the following information:

- (1) The applicable international service;
- (2) The name of the foreign telecommunications administration;
- (3) The present accounting rate (including any surcharges);
- (4) The new accounting rate (including any surcharges);
- (5) The effective date;
- (6) The division of the accounting rate;
- (7) An explanation of the proposed modification(s) in the operating agreement with the foreign correspondent.

(g) Notification letters and modification requests must contain notarized statements that the filing carrier:

- (1) Has not bargained for, nor has knowledge of, exclusive availability of the new accounting rate;
- (2) Has not bargained for, nor has any indication that it will receive, more than its proportionate share of return traffic; and
- (3) Has informed the foreign administration that U.S. policy requires that competing U.S. carriers have access to accounting rates negotiated by the filing carrier with the foreign administration on a nondiscriminatory basis.

(h) The operating agreement or amendment subject to a notification letter is effective on the date the carrier files the notification letter; *provided that* the notification letter specifies an effective date for the modification that is later than the filing date; *provided further that*, if the purpose of the amendment is to match an accounting rate reduction specified in a notification letter previously filed by another carrier for the same point, the filing carrier may specify in the amendment and notification letter a retroactive effective date identical to that on which the previously-filed reduction became effective.

(i) If a carrier files a notification letter for an operating agreement or amendment that should have been filed as a modification request, the Bureau will return the notification letter to

the filing carrier and the Bureau will notify the carrier that, before it can implement the proposed modification, it must file a modification request under paragraph (f) of this section.

(j) An operating agreement or amendment filed under a modification request cannot become effective until the modification request has been granted under paragraph (l) of this section.

(k) On the same day the notification letter or modification request is filed, carriers must serve a copy of the notification letter or modification request on all carriers providing the same or similar service to the foreign administration identified in the filing.

(l) All modification requests will be subject to a twenty-one (21) day pleading period for objections or comments, commencing the date after the request is filed. If the modification request is not complete when filed, the carrier will be notified that additional information is to be submitted, and a new 21 day pleading period will begin when the additional information is filed. The modification request will be deemed granted as of the twenty-second (22nd) day without any formal staff action being taken: *provided*

- (1) No objections have been filed, and
- (2) The International Bureau has not notified the carrier that grant of the modification request may not serve the public interest and that implementation of the proposed modification must await formal staff action on the modification request. If objections or comments are filed, the carrier requesting the modification request may file a response pursuant to §1.45 of this chapter. Modification requests that are formally opposed must await formal action by the International Bureau before the proposed modification can be implemented.

[56 FR 25372, June 4, 1991, as amended at 58 FR 4354, Jan. 14, 1993; 60 FR 5333, Jan. 27, 1995; 62 FR 5541, Feb. 6, 1997]

§ 64.1002 Alternative settlement arrangements.

(a) A communications common carrier engaged in providing switched voice, telex, telegraph, or packet switched service between the United States and a foreign point may seek approval to enter into an operating