



# TRANSPARENCY INTERNATIONAL | USA

June 9, 2014

The Honorable Mary Jo White, Chair  
U.S. Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20549

Rulemaking under Section 1504 of the Dodd-Frank Wall Street Reform  
and Consumer Protection Act

Dear Chair White:

Transparency International – USA appreciates the significant efforts that the U.S. Securities and Exchange Commission has undertaken to implement Section 1504 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (15 U.S.C. §78m(q)) (Section 1504). We are writing to urge the Commission to reissue as soon as possible this year an implementing rule requiring public disclosure of project-level payments by companies. The Commission recently announced that it would act on Section 1504 as part of its 2015 agenda. Such a time frame is detrimental to bringing essential transparency to the extractive industries sector and to U.S. and international efforts to implement the Extractive Industries Transparency Initiative (EITI).

TI-USA is a non-profit organization dedicated to strengthening accountability and transparency and combating corruption in the United States and internationally. We work individually and with others, including other Transparency International chapters in nearly 100 countries. TI-USA is represented on the Department of Interior's Federal Advisory Committee tasked with implementing EITI in the United States (the U.S. Multi-Stakeholder Group).

Revenues from oil, gas, mining and forestry have the potential to lift millions in the developing world out of poverty. The necessity of transparency in reporting by companies to ensure that revenues are used for public benefit and not siphoned off through corruption is increasingly recognized by regulators and others, including the European Union Accounting and Transparency Directive.<sup>1</sup> Transparency International chapters in many countries are working to further revenue transparency in the extractive sector as a means to combat corruption, promote

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<sup>1</sup> Directive 2013/34/EU of the European Parliament and of the Council on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings (26 June 2013), available at <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2013:182:0019:0076:EN:PDF>.

government transparency, help citizens hold their governments accountable for funds received and encourage economic development.<sup>2</sup>

More rapid Commission action is also essential to support the United States' efforts to implement EITI. The U.S. was accepted as a candidate country by the international EITI in March 2014, and must issue its first report in the next year. As the international EITI standard requires country reports to be based on project-level reporting by companies, the U.S. Multi-Stakeholder Group is now considering how to define project-level. A delay by the Commission makes it difficult for the U.S. Multi-Stakeholder Group to reach definitional consensus, jeopardizing the timeliness of the first report and U.S. compliance with its obligations as a candidate country.

The Commission's rule must require the information reported by companies to be publicly available, rather than published in an aggregate report issued by the Commission. Such publicly available information will both enable citizens to identify funds provided to their governments and benefit investors. Investor groups have pointed out to the Commission that public project-level reporting by company would enhance investors' ability to evaluate risk profiles and company performance.<sup>3</sup> We note that there is already corporate precedent for project level reporting.<sup>4</sup>

Commission action on project-level public reporting is also needed to support an international standard for reporting on extractive industry revenue. For citizens, investors and the extractive industry, a consistent definition of "project" which applies across international borders will facilitate transparency and accountability. Many companies are subject to multiple jurisdictions, such as Canada and the member states of the European Union, and consistency will facilitate their reporting. As part of the world-wide Transparency International network, we particularly appreciate the need for consistency. Given the initial steps already taken by Canada and the European Union, we urge the Commission to act to contribute to the further development of an international standard.<sup>5</sup>

<sup>2</sup> In 2011, Transparency International and Revenue Watch published "Promoting Revenue Transparency: Report on Oil and Gas Companies, available at [http://www.transparency.org/whatwedo/pub/promoting\\_revenue\\_transparency\\_2011\\_report\\_on\\_oil\\_and\\_gas\\_companies](http://www.transparency.org/whatwedo/pub/promoting_revenue_transparency_2011_report_on_oil_and_gas_companies). This report noted the importance of Section 1504 disclosure and recommended that other countries follow the U.S. example.

<sup>3</sup> Letter to Mary Jo White, Chair, Securities and Exchange Commission, from 14 investor groups, April 28, 2014, available at <http://www.sec.gov/comments/df-title-xv/resource-extraction-issuers/resourceextractionissuers-36.pdf>.

<sup>4</sup> Tullow Oil plc. 2013 Annual Report. Pages 175 to 179, available at [http://files.the-group.net/library/tullow/files/pdf\\_383.pdf](http://files.the-group.net/library/tullow/files/pdf_383.pdf).

<sup>5</sup> Directive 2013/34/EU of the European Parliament and of the Council on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings (26 June 2013), cited in note 1. The United Kingdom has started the process of implementing this Directive. Department for Business Innovation and Skills, Consultation, UK Implementation of the EU Accounting Directive, available at [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/299454/bis-14-622-uk-implementation-of-the-eu-accounting-directive-chapter-10-extractive-industries-reporting-consultation.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/299454/bis-14-622-uk-implementation-of-the-eu-accounting-directive-chapter-10-extractive-industries-reporting-consultation.pdf). The Resource Revenue Transparency Working Group Recommendations on Mandatory Disclosure of Payments from Canadian Mining Companies to Governments, January 16, 2014, available at [http://www.revenuwatch.org/sites/default/files/working\\_group\\_transparency\\_recommendations\\_eng20140116.pdf](http://www.revenuwatch.org/sites/default/files/working_group_transparency_recommendations_eng20140116.pdf).

Thank you for your consideration of this letter, and the Commission's continued actions in promoting high standards of transparency in the extractives sector.

Sincerely,

A handwritten signature in black ink, appearing to read "Claudia J. Dumas". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Claudia J. Dumas  
President and Chief Executive Officer

cc:

Commissioner Luis A. Aguilar

Commissioner Daniel M. Gallagher

Commissioner Michael Piwowar

Commissioner Kara M. Stein

Geoffrey Aronow, Chief Counsel and Senior Policy Adviser, Office of International Affairs

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