



United States Department of State

*Under Secretary for Economic Growth,  
Energy, and the Environment*

*Washington, D.C. 20520-7512*

January 21, 2016

Dear Madam Chair:

I am writing to commend the Commission's proposed rule to implement Section 1504 of the Dodd-Frank Wall Street Reform and Consumer Protection Act. The proposed rule advances the United States' strong foreign policy interests in promoting transparency and combating corruption globally.

Corruption and mismanagement of extractive resources impedes economic growth, reduces opportunities for U.S. trade and investment, diverts critically-needed funding from social services and other government activities, and contributes to instability and conflict. Efforts to increase transparency and reduce opportunities for corruption are high priorities for this Administration and the Department of State.

Accountability is a key component of reducing the risk of corruption. I note with approval that the proposed rule requires company-specific, project-level public disclosure of payments from the extractive industry to foreign governments for the development of oil, natural gas, and minerals. This level of transparency required by the proposed rule is key for ensuring that citizens have the necessary means to hold their governments accountable. As written, the rule's requirements directly advance the United States' foreign policy interests in increasing transparency and reducing corruption in the oil, gas, and minerals sectors and strengthen the United States' credibility and ability to fight corruption more broadly -- particularly as the Department of State engages diplomatically to encourage other countries to adopt strong and effective laws against corruption.

The proposed rule requires resource extraction issuers to disaggregate payments to foreign governments at the project level. The definition of "project" in the proposed rule -- operational activities that are governed by a single legal agreement that forms the basis for resource extraction issuers' payment liabilities with foreign governments -- provides clarity to issuers and supports U.S. foreign policy interests to support global efforts to improve transparency in the extractives industries. This level of granularity allows local communities

The Honorable

Mary Jo White,  
Chair,

U.S. Securities and Exchange Commission,  
100 F St, NE,  
Washington, DC 20549.

and civil society to have data on revenue flows and to evaluate the benefits of specific extractive projects. The proposed rule's focus on contracts provides additional flexibility on how to treat operations involving multiple, related contracts, which may help encourage compliance and reduce the burden of reporting.

The proposed rule also requires public disclosure of sufficiently detailed information concerning payments to foreign governments for the development of oil, natural gas, and minerals. This public disclosure requirement directly contributes to fiscal transparency and a credible public financial management system. Fiscal transparency is a critical element of effective public financial management and a tool for citizens to hold governments accountable, monitor fiscal health, and reinforce economic stability. In turn, it helps build market confidence and sets the stage for economic growth and sustainable development. Furthermore, governments that embrace greater fiscal transparency enjoy better access to domestic credit and international credit markets, are less prone to destabilizing debts and deficits, and are better able to address fiscal risks.

The proposed rule is compatible with similar transparency and disclosure measures such as the EU Accounting and Transparency Directives and Canada's Extractive Sector Transparency Measures Act. The rule also incorporates many of the principles in the Extractive Industries Transparency Initiative standard. Compatibility with these transparency measures further advances the United States' foreign policy interests.

The United States recognizes the corrosive effects of corruption and continues to demonstrate that cultures of corruption will not be rewarded or tolerated. The proposed rule is a strong tool to increase transparency and combat corruption, and helps the United States continue to lead by example.

Sincerely,

A handwritten signature in blue ink that reads "Catherine A. Novelli". The signature is written in a cursive, flowing style.

Catherine A. Novelli