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## **PROPOSED U.S. RULE ILL-EQUIPPED TO PREVENT SECRET PAYMENTS BY OIL, GAS, FORESTRY & MINING COMPANIES**

*Washington, D.C.* – The U.S. office of Transparency International urges the U.S. Securities and Exchange Commission (SEC) to revisit its proposed transparency rules for U.S. companies operating in the extractives industry.

In a written comment submitted to the SEC, Transparency International details shortcomings of the new proposed rule regarding payments to foreign governments by U.S. companies in the oil, gas, forestry and mining sectors.

The rule is mandated by Section 1504 of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010. This is the SEC's second attempt to implement Section 1504 after Congress struck the agency's first rulemaking proposal in 2017.

Transparency International finds that the proposed rule fails to require meaningful reporting of payments to foreign governments by: (1) only requiring that companies disclose payments at the national and major subnational level, as opposed to the individual project or contract level; (2) exempting situations in which a foreign law, or a pre-existing contract, prohibits such disclosure; and (3) exempting smaller and emerging growth companies altogether.

These limitations not only severely handicap the rule's potential impact, but threaten to enshrine into American law an incentive for foreign governments to proactively eliminate their own transparency laws.

Gary Kalman, Director of Transparency International's U.S. Office said:

"The SEC's proposed rule makes little sense and is doomed to fail unless significantly revised. Under the rule, public officials who take bribes can block the disclosure of those very bribes by enacting local laws. How long does anyone think it will take for corrupt officials to pass local laws that cover their tracks? That's not accountability; it's an invitation for evasion."

Transparency International calls on the SEC to draft a new rule that not only matches the intent of the original legislation, but that builds on the global standards used by some 30 countries. “When payments remain secret, the intended beneficiaries of a country’s natural resources – its citizens – are instead the first casualties of corruption,” noted Kalman.

### **Related Resources**

- [Transparency International’s full comment, 13 March 2020](#)
- SEC proposal: [Disclosure of Payments by Resource Extraction Issuers](#)
- Transparency International EU (2018), [\*Under the Surface: Looking into payments by oil, gas and mining companies to governments\*](#)

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