



# TRANSPARENCY INTERNATIONAL | USA

October 2, 2015

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

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

Dear Chair White:

We urge the Commission to act promptly to release a strong rule implementing Section 1504 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (15 U.S.C. §78m(q)) (“Section 1504”). The United States District Court for the District of Massachusetts in *Oxfam America, Inc. v. United States Securities and Exchange Commission* instructed the SEC to file an expedited schedule for promulgating the final rule. We welcome this ruling and ask the Commission to act now to issue a rule requiring public disclosure of project-level payments by companies. This is our second letter to you on this topic; we previously wrote to you on May 29, 2014.

Transparency International-USA is a non-profit organization founded in 1993 to combat corruption in government and international business and development and encourage transparency and accountability in government. TI-USA is the U.S. chapter of a global network of Transparency International chapters in more than 100 countries. TI-USA is also represented on the Department of Interior’s Federal Advisory Committee tasked with implementing EITI in the United States (the “U.S. Multi-Stakeholder Group” or “U.S. MSG”). On an international level, Transparency International chapters in many countries are involved in promoting revenue transparency in the extractive sector as a means to combat corruption and promote government transparency and accountability.<sup>1</sup>

Rapid Commission action is essential to support U.S. efforts to implement EITI. The international EITI standard requires country reports to be based on project-level reporting by companies. The first U.S. EITI report is scheduled to be released in December 2015. Due to the Commission’s delay in issuing a rule under Section 1504, the U.S. MSG was unable to agree on a definition for project-level reporting. As a result, the first U.S. EITI report does not include project-level reporting and does not meet the international EITI standard. In addition, the international EITI standard requires that companies report their tax payments. Without a rule under Section 1504, there is currently no obligation for companies to report this information. Only a quarter of U.S.

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<sup>1</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.

EITI in-scope<sup>2</sup> companies have reported their tax payments, also undermining the implementation of the EITI in the U.S. The failure of the Commission to act jeopardizes U.S. EITI compliance with the obligations that the U.S. has taken on as a candidate country.


The importance of issuing a strong rule implementing Section 1504 goes far beyond the U.S. domestic context. As part of the worldwide Transparency International movement, we are cognizant of the fact that in many countries, revenues paid to governments by extractive industry companies are completely opaque. As the mandate in Section 1504 applies to all companies publicly traded in the U.S., the promulgation of a strong implementing rule would do much to improve extractive industry revenue transparency around the world and would be of tremendous help to those fighting against corruption and in favor of better governance internationally.

Any rule adopted by the Commission must require the information reported by companies to be publicly available, not hidden in an aggregate report issued by the Commission. Transparency in this regard benefits not just citizens interested in better access to data about extractive revenues but also investors. Investor groups have pointed out to the Commission that project-level reporting by companies would enhance their ability to evaluate risk profiles and company performance.<sup>3</sup> Such reporting is already being done by Tullow Oil<sup>4</sup> and Statoil.<sup>5</sup>

Commission action on project-level public reporting is also urgently needed to set an international standard for reporting on extractive industry revenue. For citizens, investors and the extractive industry, consistent reporting across international borders will facilitate transparency and accountability. The Commission has already been reminded by industry of the importance of setting an example.<sup>6</sup> As part of the world-wide network of Transparency International chapters, we also appreciate the need for consistency and urge the Commission to set an example for others to follow.

TI-USA looks forward to providing further comments as part of the Commission's rulemaking process on Section 1504.

Sincerely,



Claudia Dumas  
Chief Executive Officer

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<sup>2</sup> The first U.S. EITI report will only report revenue data for companies that paid more than \$50 million to the Department of the Interior in 2013.

<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> Statoil Oil production and entitlement data by license, available at [http://www.statoil.com/AnnualReport2011/en/OurOperations/BusinessAreas/DevelopmentAndProductionNorway\(DP\)/FieldsInProductionOnTheNCS/Pages/ProductionOnTheNCS.aspx](http://www.statoil.com/AnnualReport2011/en/OurOperations/BusinessAreas/DevelopmentAndProductionNorway(DP)/FieldsInProductionOnTheNCS/Pages/ProductionOnTheNCS.aspx).

<sup>6</sup> Letter to Mary Jo White, Chair, Securities and Exchange Commission, from Simon Henry, CFO, Royal Dutch Shell, and Patrick T. Mulva, VP and Controller, Exxon Mobil Corporation, May 1, 2014, available at <http://www.sec.gov/comments/df-title-xv/resource-extraction-issuers/resourceextractionissuers-37.pdf>.

Commissioner Luis A. Aguilar  
Commissioner Daniel M. Gallagher  
Commissioner Kara M. Stein  
Commissioner Michael Piwowar  
Elizabeth Murphy, Associate Director, Division of Corporation Finance  
Barry Summer, Associate Director, Division of Corporation Finance  
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