

Dodd Frank Act, Section 1504 History

2010 Statute passed.

- Companies that are required to file an annual report with SEC, and that
- Engage in commercial development of oil, natural gas, or minerals,
 - SEC terminology: “Resource Extraction Issuer”
- Must disclose payments
- Paid to government
- For the purpose of the commercial development of oil, natural gas, or minerals

- Commercial development = exploration, extraction, processing, export, and other significant actions relating to oil, natural gas, or minerals
- Payments = (taxes, royalties, fees, production entitlements, bonuses, and other material benefits)(consistent with EITI to extent practicable)
- Payments on project level (not defined)



Rulemaking

- **November 2012** - Final Rule
 - Did not define project
- **July 2013** - Invalidated
- **September 2015** - District court requires “expedited schedule” for new rules
- **October 2015** - SEC Notice of Proposed rulemaking. Will publish Proposed Rule by end of 2015 and **Final Rule by June 2016**
- **December 2015** - SEC approves and publishes Proposed rule
- **January 25, 2016** - Comments due
- **February 16, 2016** - Reply comments due



DOI Comments to SEC

- November 2015
- Recommend that USEITI compliance = compliance with Dodd Frank
- Data portal can serve as publication mechanism
- SEC needs to define project and DOI recommends project equate to contract or agreement level
- SEC should require disaggregation by payment type



SEC Proposed Rule (per Fact Sheet)

- December 11 - SEC approves new Proposed Rule
- Resource Extraction Issuer must disclose payments “made to further commercial development of oil, natural gas, or minerals,” not de minimis, and payment types specified in the rule
- Commercial development = exploration, extraction, processing, export, and acquisition of a license for such activity
- “Not de minimis = equals or exceeds \$100,000”
- Payment types = taxes, royalties, fees, production entitlements, bonuses, and dividends, and payments for infrastructure improvement
- As clarified by the rule; consistent with the requirements of the EU, Canada, and EITI



SEC Proposed Rule (per Fact Sheet)

- Payment at project level
- **Project** = “using an approach that is focused on the **legal agreement** that forms the basis for payment liabilities with a government.”
- “In light of international developments, as well as the progress made by the U.S. Extractive Industries Transparency Initiative (USEITI), the proposed rules would **allow issuers to use a report prepared** for foreign regulatory purposes or **for the USEITI to comply with the proposed rules** if the **Commission determines the requirements are substantially similar to the proposed rules.**”

