

Mining and Natural Resources

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SEC Rules for Resource Extraction Issuer Disclosure Eliminated

On February 14, 2017, President Trump signed a joint resolution of Congress eliminating the new regime recently introduced by the Securities and Exchange Commission (SEC) setting out the rules for payments made to a government by domestic and foreign issuers that engage in the commercial development of oil, natural gas and mining.

Under the eliminated rules, issuers required to file annual reports with the SEC would have been required to disclose payments made to the U.S. federal government or a foreign government to further the commercial development of oil, natural gas or minerals. The issuers would also have been required to disclose payments made by a subsidiary or entity controlled by the issuer.

Background

The rules, which implemented Section 1504 of the Dodd-Frank Act directing the SEC to create payment disclosure rules for resource extraction issuers, were adopted in June 2016 and would have required resource extraction issuers to comply with the disclosure requirements starting in the fiscal year ending on or after September 30, 2018.

The payment disclosure rules were designed “to help combat global corruption and empower citizens of resource-rich countries to hold their governments accountable.” Similar disclosure rules have been implemented in Canada and elsewhere. The repeal by President Trump is part of his aggressive approach to reduce regulation on American companies.

Impact on Canadian Resource Industry

This development is not likely to have a significant impact on the Canadian resource industry. Canadian extractive companies remain subject to the recently enacted *Extractive Sector Transparency Measures Act* (ESTMA), which imposes mandatory reporting standards for payments made by Canadian extractive companies. (See our June 1, 2016 report, *Guide to Reporting under the Extractive Sector Transparency Measures Act*, for a detailed summary of the reporting requirements under ESTMA.)

Under ESTMA, issuers can satisfy the proposed disclosure requirements by filing a report prepared for a foreign regulator. At this time, only the EU Accounting and Transparency Directives form qualifies as an acceptable substitute. The Canadian government is committed to the mandatory reporting standards and it is unlikely it will follow President Trump’s steps in repealing the reporting requirements.

Please contact any member of our Mining and Natural Resources Group for further information on these new proposed disclosure rules.