



441 G St. N.W.  
Washington, DC 20548

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January 10, 2019

The Honorable Mike Crapo  
Chairman  
The Honorable Sherrod Brown  
Ranking Member  
Committee on Banking, Housing, and Urban Affairs  
United States Senate

The Honorable Maxine Waters  
Chairwoman  
The Honorable Patrick McHenry  
Ranking Member  
Committee on Financial Services  
House of Representatives

Subject: *Securities and Exchange Commission: Modernization of Property Disclosures for Mining Registrants*

Pursuant to section 801(a)(2)(A) of title 5, United States Code, this is our report on a major rule promulgated by the Securities and Exchange Commission (Commission) entitled “Modernization of Property Disclosures for Mining Registrants” (RIN: 3235-AL81). We received the rule on November 1, 2018. The rule was received by the House of Representatives on November 2, 2018, and received by the Senate on November 13, 2018. It was published in the *Federal Register* as a final rule on December 26, 2018. 83 Fed. Reg. 66,344. The effective date of the final rule is February 25, 2019, except for the amendments to 17 C.F.R. §§ 229.801(g) and 229.802(g), which will be effective on January 1, 2021.

The final rule adopts amendments to modernize the property disclosure requirements for mining registrants, and related guidance, currently set forth in Item 102 of Regulation S-K under the Securities Act of 1933 and the Securities Exchange Act of 1934 and in Industry Guide 7. According to the Commission, the amendments are intended to provide investors with a more comprehensive understanding of a registrant’s mining properties, which should help them make more informed investment decisions. The Commission states that the amendments also will more closely align the Commission’s disclosure requirements and policies for mining properties with current industry and global regulatory practices and standards. In addition, the final rule is rescinding Industry Guide 7 and relocating the Commission’s mining property disclosure requirements to a new subpart of Regulation S-K.

Enclosed is our assessment of the Commission's compliance with the procedural steps required by section 801(a)(1)(B)(i) through (iv) of title 5 with respect to the rule. If you have any questions about this report or wish to contact GAO officials responsible for the evaluation work relating to the subject matter of the rule, please contact Shirley A. Jones, Assistant General Counsel, at (202) 512-8156.

signed

Julia C. Matta  
Managing Associate General Counsel

Enclosure

cc: Brent J. Fields  
Secretary  
Securities and Exchange Commission

REPORT UNDER 5 U.S.C. § 801(a)(2)(A) ON A MAJOR RULE  
ISSUED BY THE  
SECURITIES AND EXCHANGE COMMISSION  
ENTITLED  
“MODERNIZATION OF PROPERTY DISCLOSURES  
FOR MINING REGISTRANTS”  
(RIN: 3235-AL81)

(i) Cost-benefit analysis

The Securities and Exchange Commission (Commission) estimated the costs and benefits of the final rule. The Commission attempted to quantify to the extent feasible the costs, benefits, and effects on efficiency, competition, and capital formation expected to result from the rule. The Commission explained that in many cases, however, it was unable to quantify the economic effects. The Commission stated that many of the relevant economic effects, such as the effects of disclosure on information asymmetries experienced by investors, are inherently difficult to quantify. In other cases, the Commission stated that it lacked the information necessary to provide reasonable estimates, including costs of incomplete convergence with the Committee for Reserves International Reporting Standards based disclosure standards, benefits of disclosing mineral resources, or additional costs of hiring a qualified person subject to Section 11 liability, because, to the Commission's knowledge, no such data are publically available and commenters did not provide data to allow such quantification.

(ii) Agency actions relevant to the Regulatory Flexibility Act (RFA), 5 U.S.C. §§ 603-605, 607, and 609

The Commission found that the final rule will affect small entities that have material mining operations and which file registration statements under Section 6 of the Securities Act or Section 12 of the Exchange Act, and reports under Section 13(a) or 15(d) of the Exchange Act. For purposes of RFA, the Commission determined that, under their rules, an issuer, other than an investment company, is a “small business” or “small organization” if it has total assets of \$5 million or less at the end of its most recent fiscal year and is engaged or proposing to engage in an offering of securities that do not exceed \$5 million. From its review of Securities Act and Exchange Act filings made by registrants with mining operations from January 2016 through December 2017, the Commission estimated that there are approximately 114 issuers that may be considered small entities. The Commission prepared and included its Final Regulatory Flexibility Analysis.

(iii) Agency actions relevant to sections 202-205 of the Unfunded Mandates Reform Act of 1995, 2 U.S.C. §§ 1532-1535

As an independent regulatory agency, the Commission is not subject to the Act.

(iv) Other relevant information or requirements under acts and executive orders

Administrative Procedure Act, 5 U.S.C. §§ 551*et seq.*

On June 27, 2016, the Commission published a proposed rule. 81 Fed. Reg. 41,652. In the final rule, the Commission summarized the public comments it received, its responses to them, and the rules it is finalizing.

Paperwork Reduction Act (PRA), 44 U.S.C. §§ 3501-3520

The Commission stated that certain provisions of the rule contain collection of information requirements within the meaning of PRA. The Commission published a notice requesting comment on the collection of information requirements in the notice of proposed rulemaking and submitted the proposed rule to the Office of Management and Budget for review in accordance with PRA. The final rule included a summary of the collection of information requirements, an estimate of the number of potentially affected registrants, and an estimate of the reporting and cost burdens of the final rule by estimating the average number of hours it will take a registrant to prepare, review, and file the disclosure required by the final rule for each collection of information.

Statutory authorization for the rule

The Commission adopted the amendments contained in the rule pursuant to sections 3(b), 7, 10, 19(a), and 28 of the Securities Act and sections 3(b), 12, 13, 15(d), 23(a), and 36(a) of the Exchange Act.

Executive Order No. 12,866 (Regulatory Planning and Review)

As an independent regulatory agency, the Commission is not subject to the Order.

Executive Order No. 13,132 (Federalism)

As an independent regulatory agency, the Commission is not subject to the Order.