

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

B-333087

March 19, 2021

The Honorable Sherrod Brown  
Chairman  
The Honorable Patrick J. Toomey  
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: Disclosure of Payments by Resource Extraction Issuers*

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 “Disclosure of Payments by Resource Extraction Issuers” (RIN: 3235-AM06). We received the rule on December 16, 2020. It was published in the *Federal Register* as a final rule on January 15, 2021.<sup>1</sup> 86 Fed. Reg. 4662. The effective date is March 16, 2021.

According to the Commission, the final rule implements section 13(q) of the Securities Exchange Act of 1934, 15 U.S.C. § 78m(q). The Commission stated section 13(q) directs it to issue rules requiring resource extraction issuers to include in an annual report information relating to payments made to a foreign government or the federal government for the purpose of the commercial development of oil, natural gas, or minerals. The Commission also stated section 13(q) requires these issuers to provide information about the type and total amount of payments made for each of their projects related to the commercial development of oil, natural gas, or minerals, and the type and total amount of payments made to each government. In addition, the Commission further stated section 13(q) requires a resource extraction issuer to provide information about those payments in an interactive data format.

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<sup>1</sup>The due date for this major rule report was January 30, 2021. Due to a processing error on our part, we are delayed in our issuance of this report.

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 Shari Brewster, Assistant General Counsel, at (202) 512-6398.

A handwritten signature in black ink that reads "Shirley A. Jones". The signature is written in a cursive, flowing style.

Shirley A. Jones  
Managing Associate General Counsel

Enclosure

cc: Vanessa A. Countryman  
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  
“DISCLOSURE OF PAYMENTS BY RESOURCE EXTRACTION ISSUERS”  
(RIN: 3235-AM06)

(i) Cost-benefit analysis

The Securities and Exchange Commission (Commission) estimated the final rule would provide significant and useful payment information to persons seeking to understand the resource extraction payment flows to foreign governments. The Commission further estimated the final rule could increase efficiency and capital formation either directly abroad or indirectly in the United States. The Commission also estimated the final rule would help reduce and combat corruption. The Commission also concluded the final rule would create positive externalities from increased investor confidence to the extent that improved economic growth and investment climate could benefit other issuers working in those countries.

The Commission estimated the disclosures required by the final rule could result in direct compliance costs for affected issuers. The Commission stated the direct compliance costs will stem from the time and effort, to the extent necessary, to modify issuers' core enterprise resource planning systems and financial reporting systems to capture and report payment data at the project level, for each type of payment, government payee, and currency of payment, to the extent that such payments are not currently tracked by the issuers' reporting systems.

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

The Commission certified the final rule would not have a significant economic impact on a substantial number of small entities.

(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 requirements of the Act.

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

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

On January 15, 2020, the Commission published a proposed rule. 85 Fed. Reg. 2522. The Commission received over 70 comments from companies, trade associations, non-governmental organizations, Members of Congress, and investors. The Commission addressed the comments in the final rule.

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

The Commission determined the final rule contained information collection requirements (ICRs) subject to the Act. The ICR is associated with Form SD (Office of Management and Budget Control Number 3235-0697). The Commission estimated the total aggregate burden of the ICR to be \$35,992,400.

Statutory authorization for the rule

The Commission promulgated the final rule pursuant to section 2 of title 7; section 5221 of title 12; sections 77c, 77d, 77g, 77j, 77s, 77z-2, 77z-3, 77eee, 77ggg, 77nnn, 77sss, 77ttt, 78c, 78c-3, 78c-5, 78d, 78e, 78f, 78g, 78i, 78j, 78j-1, 78k, 78k-1, 78l, 78m, 78n, 78n-1, 78o, 78o-4, 78o-10, 78p, 78q, 78q-1, 78s, 78u-5, 78w, 78x, 78dd, 78ll, 78mm, 80a-20, 80a-23, 80a-29, 80a-37, 80b-3, 80b-4, 80b-11, and 7201 *et seq.*, and 8302 of title 15; and section 1350 of title 18, United States Code, as well as various sections of Public Laws 111-203 and 112-106.

Executive Order No. 12866 (Regulatory Planning and Review)

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

Executive Order No. 13132 (Federalism)

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