

1310 L Street, NW, 7th Floor
Washington, DC 20005
cei.org

202 331 1010 *main*
202 331 0640 *fax*



January 31, 2017

The Honorable Paul Ryan
Speaker
U.S. House of Representatives
H-232, U.S. Capitol
Washington, DC 20515

The Honorable Mitch McConnell
Majority Leader
U.S. Senate
317 Russell Senate Office Building
Washington, DC 20510

Dear Speaker Ryan and Majority Leader McConnell:

On behalf of the Competitive Enterprise Institute (CEI), we write to express CEI's support for using the Congressional Review Act to repeal the Securities and Exchange Commission's rule relating to "Disclosure of Payments by Resource Extraction Issuers." CEI supports the joint resolution of disapproval, sponsored by Rep. Bill Huizenga (R-Mich.) and Sen. James Inhofe (R-Okla.), that is aimed at eliminating this harmful rule.

This rule is the second attempt to implement Section 1504 of The Dodd-Frank Act. The United States District Court for the District of Columbia struck down the first version for inadequately measuring costs. But the current regulation still imposes unnecessary costs to entrepreneurs and investors in return for dubious benefits.

The rule would force publicly-traded U.S. energy companies to disclose in their financial filings any payments to foreign governments. The rule, and the provision of the law on which it is based, stigmatizes routine payments such as fees to foreign governments by putting them in the same category as bribes of foreign officials.

Moreover, under the rule, U.S. energy companies exploring for resources abroad may be required to publicly disclose trade secrets, such as how much they paid for an individual project. Should this happen, state-owned oil companies in some of the world's most corrupt nations will have access to this valuable information, and they will not have to disclose anything in return. As American Petroleum Institute President Jack Gerard pointed out in *The Wall Street Journal*, "the 16 biggest oil companies in the world do not fall under SEC jurisdiction," because they don't list on U.S. exchanges.

The SEC, tasked by Congress with investor protection and facilitating capital formation for entrepreneurs, should not be promulgating rules implementing foreign policy objectives such as anti-corruption. Any such rules should come from clear foreign policy entities such as the Department of State.

We urge you and your colleagues in Congress to pass this joint resolution of disapproval under the Congressional Review Act and repeal Section 1504 of The Dodd-Frank Act. Thank you for your careful consideration of this issue.

Sincerely,

Kent Lassman
President & CEO
Competitive Enterprise Institute

John Berlau
Senior Fellow
Competitive Enterprise Institute