GLOBAL FINANCIAL INTEGRITY

December 11, 2017

Chairman Jeb Hensarling
Ranking Member Maxine Waters
House Financial Services Committee
2129 Rayburn House Office Building
Washington, DC 20515

Dear Hon. Chairman Hensarling and Ranking Member Waters,

On behalf of Global Financial Integrity, I am writing to encourage you and your colleagues **to vote NO on H.R. 4519**, the proposed repeal of Section 1504 of the Dodd-Frank Act, also known as the Cardin-Luger Anti-corruption law ("Section 1504"). Section 1504 was the result of a bipartisan effort by Members of Congress to combat corruption in the oil, gas and mining sectors globally. Corruption in these sectors are a major contributor to government instability in many resource-rich countries. That instability threatens the national security of these countries, which in turn puts American commercial interests at risk and creates significant national security concerns.

I hope the following information about some of the testimony that supported the adoption of Section 1504 may be helpful in your decision-making ahead of tomorrow's mark-up.

The first bills requiring mandatory, country-by-country disclosure by U.S.-listed extractive companies of their payments to governments, known as the Extractive Industries Transparency Disclosure Act, were introduced in the House in May 2008 and the Senate in July of 2008.[1] The bills failed to move beyond the committee stage and were terminated at the end of the congressional session of 2008. Nonetheless, several congressional hearings were held in 2007 and 2008 that raised awareness of the movement toward payment transparency in the extractive industries and that put evidence on the record that could be quoted and cited both in support of and against adoption of mandatory reporting requirements.

The June 2008 hearing on H.R. 6066 in the House highlighted some of the major criticisms that are still leveled against Section 1504 and which you may have heard recently. Issues such as whether the disclosure act put American companies at a competitive disadvantage, whether it undermined the Extractive Industries Transparency Initiative (EITI) globally, and whether the financial burden of the additional reporting regime outweighed any benefit that might be gained by investors from this level of transparency were raised and answered.

A former vice president for Royal Dutch Shell, Alan Detheridge, and Robert Jenkins, then-chairman of both the Investment Management Association of the United Kingdom and of F&C Asset Management

[1] H.R. 6066, 110th Cong. (2008) and S. 3389, 110th Cong. (2008).

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plc, made strong cases in favor of H.R. 6066 on grounds of corporate benefit and the importance of transparency for investors, while suggesting that competitiveness was not really an issue given the number and types of companies that would have to disclose under the proposed legislation.

Detheridge testified that when oil companies and the Nigerian government began publishing the revenue that federal, state, and local governments in Nigeria were receiving from oil production, it led to questioning of officials at the state and local level about what was being done with those revenues, and trials and prison sentences for corruption resulted. Detheridge pointed out that it was disingenuous for extractive companies to complain about the cost of implementing and reporting under H.R. 6066 when the same companies had agreed to such reporting when they supported the EITI, which all major American and European oil companies had done.

Jenkins focused on the impact of transparency on investors' abilities to judge risk and expected return, stating that, "action to curb corruption will bring real benefits to overall investment performance by stripping out inefficiency, reducing the risk of conflict, and improving the investment climate."

The final, successful push for binding legislation in the United States came in September 2009 with Senators Benjamin Cardin and Richard Lugar's introduction of a legislative proposal entitled the Energy Security through Transparency Act (S. 1700). Not long thereafter, the bill that would become the Dodd-Frank Wall Street Reform and Consumer Protection Act, H.R. 4173, was introduced. Senators Cardin and Lugar offered their proposed bill on financial transparency in the extractive industries as an amendment to the proposed Dodd-Frank Act and it was accepted.

Since its adoption in 2010, the European Union and Canada have adopted and implemented corresponding legislation. There have been no reported negative ramifications for companies required to provide equivalent public reporting under those regimes. Given that the vast majority of the world's internationally operating oil, gas and mining companies are subject to the laws of the US, Canada, or the EU, that means that Section 1504 is now an integral part of an international anti-corruption effort with truly global reach and from which we are just beginning to see the positive impact. We must retain Section 1504 and implement it with appropriate regulations (regulations that were recently vacated), as required by the statute.

My organization has supported this law, and its subsequent regulations, for many years. Oil, gas and mining transparency is a crucial tool in US efforts to combat corruption abroad, as well as to secure our national and energy security interests.

Please vote NO on H.R. 4519.

Thank you,

Heather A. Lowe
Legal Counsel and Director of Government Affairs