

# Memorandum

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## Congress Disapproves the SEC's Resource Extraction Rule

February 14, 2017

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The U.S. House of Representatives and U.S. Senate recently passed a joint resolution disapproving the “resource extraction rule” of the Securities and Exchange Commission (“SEC”).<sup>1</sup> The final rule, adopted by the SEC on June 27, 2016, implemented the Dodd-Frank requirement that issuers that engage in the commercial development of oil, natural gas, or minerals (“resource extraction issuers”) disclose annually payments made to the U.S. federal government or any foreign government for the purpose of the commercial development of oil, natural gas, or minerals by such resource extraction issuers, their subsidiaries and other entities under their control. Under the final rule, resource extraction issuers would have been required to comply with the rule commencing with their fiscal year ending on or after September 30, 2018.

Congress disapproved the resource extraction rule pursuant to the Congressional Review Act, which allows Congress to repeal any rule finalized in the past 60 legislative days through a simple majority vote in each of the House and the Senate. The joint resolution declares that the resource extraction rule “shall have no force or effect.” Notably, the joint resolution did not repeal the Dodd-Frank provision mandating that the SEC adopt a rule requiring the disclosure of payments by resource extraction issuers.

The joint resolution has been presented to President Donald J. Trump, who is expected to approve the measure. In a policy statement issued on February 1, 2017, the Trump administration expressed its support for Congress's actions “to begin to nullify unnecessary regulations imposed on America's businesses” via the Congressional Review Act.<sup>2</sup> With regard to the resource extraction rule in particular, the administration opined that “[t]he rule would impose unreasonable compliance costs on American energy companies that are not justified by quantifiable benefits. Moreover, American businesses could face a competitive disadvantage

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<sup>1</sup> See [H.J. Res. 41](#).

<sup>2</sup> [H.J. Res. 38](#), [H.J. Res. 36](#), [H.J. Res. 41](#), [H.J. Res. 40](#), [H.J. Res. 37 – Statement of Administration Policy](#) (Feb. 1, 2017).

in cases where their foreign competitors are not subject to similar rules.”

Assuming that President Trump signs the joint resolution, resource extraction issuers will not need to comply with the final rule previously adopted by the SEC. While it remains to be seen whether Congress will overturn the Dodd-Frank provision requiring the SEC to adopt a resource extraction rule, as soon as President Trump signs the joint resolution, there will be no resource extraction disclosure requirement in effect with which resource extraction issuers must comply.

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If you have any questions or would like additional information, please do not hesitate to contact **Yafit Cohn** at +1-212-455-3815 or [yafit.cohn@stblaw.com](mailto:yafit.cohn@stblaw.com) or any other member of the Firm's Public Company Advisory Practice.

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UNITED STATES

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New York  
425 Lexington Avenue  
New York, NY 10017  
+1-212-455-2000

Houston  
600 Travis Street, Suite 5400  
Houston, TX 77002  
+1-713-821-5650

Los Angeles  
1999 Avenue of the Stars  
Los Angeles, CA 90067  
+1-310-407-7500

Palo Alto  
2475 Hanover Street  
Palo Alto, CA 94304  
+1-650-251-5000

Washington, D.C.  
900 G Street, NW  
Washington, D.C. 20001  
+1-202-636-5500

EUROPE

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London  
CityPoint  
One Ropemaker Street  
London EC2Y 9HU  
England  
+44-(0)20-7275-6500

ASIA

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Beijing  
3901 China World Tower  
1 Jian Guo Men Wai Avenue  
Beijing 100004  
China  
+86-10-5965-2999

Hong Kong  
ICBC Tower  
3 Garden Road, Central  
Hong Kong  
+852-2514-7600

Seoul  
25th Floor, West Tower  
Mirae Asset Center 1  
26 Eulji-ro 5-Gil, Jung-Gu  
Seoul 100-210  
Korea  
+82-2-6030-3800

Tokyo  
Ark Hills Sengokuyama Mori Tower  
9-10, Roppongi 1-Chome  
Minato-Ku, Tokyo 106-0032  
Japan  
+81-3-5562-6200

SOUTH AMERICA

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São Paulo  
Av. Presidente Juscelino  
Kubitschek, 1455  
São Paulo, SP 04543-011  
Brazil  
+55-11-3546-1000