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"Publish What You Pay" Standards Now in Force for Canada's Extractive Industries

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On June 1, 2015, the federal government declared into force the *Extractive Sector Transparency Measures Act*. This Act is the long-promised legislation to establish mandatory reporting standards for payments that Canadian extractive companies make to governments worldwide (commonly known as "publish what you pay" standards).

Extractive companies subject to the Act are required to report payments (including taxes, royalties, fees and production entitlements of $100,000 or more) to all levels of government in Canada and abroad, subject to two transitional periods. First, the Act will require reporting with respect to payments made in fiscal years commencing after July 1, 2015. Second, the Act defers reporting on payments made by reporting entities to Aboriginal governments in Canada until after June 1, 2017.

The Act allows for the substitution of the federal government's payment reporting requirements with those of another jurisdiction. This equivalency clause is also found in the European Union rule that requires reporting for payments made in 2016. The equivalency clause aims to minimize the administrative burden that could result from multiple reporting obligations.

Common reporting formats are expected for Canada, the United States and the European Union to further harmonize mandatory reporting standards. However, the U.S. Securities and Exchange Commission (SEC) rules on "publish what you pay" standards promulgated under the *Dodd-Frank Act* were overturned in 2013 and the SEC suggests that new rules may not be introduced until 2016.

Although there were initial discussions regarding the Ontario Securities Commission and other provincial securities regulators administering this transparency regime, there are no current plans for such involvement. Instead, Natural Resources Canada is developing a reporting template and guidelines in conjunction with a multi-stakeholder working group, which includes industry representatives and Aboriginal groups. These tools will be released for public comment later this year.

For background, read our October 30, 2014 (PDF) and January 22, 2014 (PDF) publications on this topic.

Click here to read the full *Extractive Sector Transparency Measures Act*.

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