

NO ROCKS FOR WARS

QUICK STATS

- ✘ **CONFERENCE:** Regulation
- ✘ **TEAM:** Securities and Exchange Commission
- **FUMBLE:** \$3 to 4 billion cost in the first year for mineral tracking
- **HOW TO RECOVER THE BALL:** Congress should re-address conflict minerals

The Dodd-Frank Act, a massive 2,300-page financial regulation law enacted in 2010, does more than complicate business for community banks. As directed under Section 1502 of this law, SEC created a regulation on the use of conflict minerals originating in the DRC.⁸⁷ Conflict minerals are any minerals (for example, gold or tin) that can be sold to finance a country's internal conflict.

Conflict minerals have been sold for decades to finance the generations-long conflict within the DRC. This rule's intended goals are to prevent DRC conflict minerals from being used by American companies and to reduce conflict in this war-torn region. SEC estimated the rule will affect 6,000 companies and cost the companies a combined \$3 billion to \$4 billion in the first year with at least \$200 million in costs each year thereafter. Designed to remove conflict minerals from U.S. supply chains, the rule acknowledges it will not "generate measurable, direct economic benefits," and SEC estimates that generating these reports will require 5.6 million paperwork-reporting hours per year.

A recent *Washington Post* article describes how this well-intentioned rule may have actually exacerbated the situation. In an effort to comply with the regulation, the Congolese government shut down portions of the mining industry and launched a program to certify that the country's minerals were "conflict-free." However, the certification program was plagued with corruption, and many foreign companies stopped purchasing Congolese

minerals, forcing former miners to find new jobs, including joining armed rebel groups, which only deepened unemployment and the conflict.⁸⁸

Under the rule DOC is required to publish a list of conflict mineral smelters for the affected companies to use when completing this rule's required paperwork. But in 2014 GAO revealed this simple metric was still not issued in time to provide guidance to the companies.⁸⁹ While Americans want to see this violent conflict end, they do not want their government creating costly regulations that do little to solve the conflict or—even worse—exacerbate it.

American companies now file complicated conflict mineral forms and can face stiff fines if they do not file the conflict form saying they have no conflict minerals. Yes, a company faces huge fines if it does not report that it has nothing to report.

RECOVERY

We can all agree conflict minerals fuel the conflict in unstable portions of eastern DRC, and American companies should not purchase conflict minerals. However, the rule fails to achieve any tangible results and creates more chaos and confusion, while costing American businesses billions of dollars. To fix this mistake, Congress should re-examine more effective ways to prevent the purchase of conflict minerals by American companies.

[For more information, please visit:](#)

[GAO: Conflict Minerals: Stakeholder Options for Responsible Sourcing Are Expanding, but More Information on Smelters Is Needed](#)

[DOC: Conflict Mineral Report](#)

[SEC: Conflict Minerals Final Rule](#)

[SEC: Form SD Specialized Disclosure Report](#)

[The Washington Post: In Congo, trapped in violence and forgotten](#)