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Submitted via: www.sec.gov/rules/submitcomments.htm

U.S. Securities and Exchange Commission Headquarters
Attn: Vanessa A Countryman
100 F Street, NE
Washington D.C. 20549-1090

Re: 23 March 2022 Federal Register Notice [File Number S7-09-22]: *Cybersecurity Risk Management, Strategy, Governance, and Incident Disclosure*

Dear Ms. Countryman,

The International Association of Drilling Contractors is a trade association representing the interests of oil and gas drilling contractors, onshore and offshore, operating worldwide. The breadth of industrial activities performed by IADC's drilling and support service contractor organizations enables access to vital energy reserves that underpin a 21st century global economy while serving to lift disadvantaged regions of the world from energy poverty.

The below comments represent a majority view of the IADC membership and are offered without prejudice to those comments that may also be offered or submitted directly by IADC members in response to this 23 March Federal Register Notice.

IADC respectfully requests that the Securities and Exchange Commission rescind this proposed rule for addressing cybersecurity risk management and disclosure. The basis of this most reasonable of requests is made after careful consideration of first; the remote likelihood that measures as currently proposed herein would achieve the intended objective of appreciably enhancing investor insight beyond information already required for disclosure; and secondly, the SEC's authority to undertake such action.

While cyber risk and management of related risk continues to take on increasing significance for most any 21st century organization, this concern is clearly associated with an operational support function akin to a number of other operational considerations in the conduct of an organization's business. IADC understands the SEC's concern for this issue. However, the question that naturally follows related to the subject matter scope reflected in this rule making is: Why does the SEC only consider cyber risk and management of such risk where other "business threats" seemingly manifest similarly risky impacts? Just as cyber risks are certainly a concern for an organization that relies on modern day interconnectivity, so too is a fundamental concern for workforce and industrial safety. Just as a cyber threat can pose a significant risk to an organization's wellbeing and its investors, systemic safety and/or a variety of industrial risks can, for example, similarly exact extreme consequences upon an organization's performance and jeopardize its

continued solvency. Identified business risks are, no doubt, challenges that must be reconciled in the context of how an organization's resources are employed as reflected in the dispatch of its *equipment assets, people, and organizational processes*. These proposed provisions, if enacted, would impose direct authority over an organization's operational decisions within the context of how cyber resources are to be employed and maintained. Moreover, such a precedent would leave open the prerogative of the SEC to further expand the scope of its disclosure concerns beyond cyber risks as would be in keeping with the presumed logic that has brought this proposed rule to fruition.

This proposed rule cites, as a central premise, a need for compelling an organization's disclosure as it relates to *material impact, material future impact, identification of remedy actions & capabilities, and learning from incidents to inform the management of procedures*. While IADC understands the SEC's function is to garner compliance of disclosure requirements that accurately reflect the financial health of a public organization, its proposed rule appears to assert regulatory privilege where such purview is already exercised by other executive agencies. IADC is concerned that longstanding operational mandates executed among respective state and federal agencies may not comport with SEC cyber risk provisions in a congruent manner – while consequently leaving an array of industries pondering the appropriate course for satisfying compliance. As no analysis of these proposed provisions is discussed in this rulemaking, the degree to which this proposal may or may not be complimentary to existing rules remains exceedingly unclear.

As this rule would, *inter alia*, seek to impose reporting requirements for certain company officers, director level personnel, and mechanisms within an organization's hierarchy, IADC is perplexed as to how the SEC, a securities regulatory commission, would assess the requisite technical knowledge, competencies, and practices necessary to determine satisfactory compliance. Though cyber risk best practice strategies and management frameworks continue to emerge, this nascent discipline does not yet enjoy a level of ubiquity that would otherwise facilitate reliable compliance reporting measures across industries or even within a particular business sector.

Finally, this rulemaking has been undertaken where authority to do so does not exist in the manner proposed. Section 2 of the Securities Exchange Act of 1934 (as amended on January 1, 2021), titled "*Necessity for Regulations as provided in this Title*", states the need for "*regulation and control of such transactions and of practices and matters related thereto.*" Reference to this phrase in Section 2 appertains to securities transactions conducted on exchanges and in over-the-counter markets with national public interest. Section 2 of the Act continues on to discuss the need for "*appropriate reports*" and to "*remove impediments to, and perfect the mechanisms of, a national market system for securities.....*" Discussion in Section 2 of the Act further continues to explain the need for effecting regulation that makes the process for securities transactions "*reasonably complete and effective.*" Nowhere in Section 2 is reference made to the need for the Act to compel compliance apart from that directly attributed to the transaction of securities. Should an argument be posited that

existing language in the Act does, in fact, support this rule making, then such logic would suggest a reductio ad absurdum pertaining to the entirety of the federal regulatory system.

Once again, this rescension request is made with the utmost consideration and prudent measure of reason with which the certainty of disclosure requirements can continue to be relied upon and satisfied.

IADC appreciates the opportunity to contribute to this consultative process and looks forward to further engaging on this matter as the SEC may invite.

Please feel free to contact Jim Rocco at jim.rocco@iadc.org for further clarification or insight on the comments provided herein.

Sincerely,

A handwritten signature in black ink that reads "Jason McFarland". The signature is written in a cursive, flowing style.

Jason McFarland
President, IADC