

**TEMPLATE FOR SUBMISSION OF TEXTUAL PROPOSALS DURING THE 28TH SESSION:  
COUNCIL - PART III**

Please fill out one form for each textual proposal which your delegation(s) wish(es) to amend, add or delete and send to [council@isa.org.jm](mailto:council@isa.org.jm).

**1. Name of Working Group:**

Open Ended Working Group on the Financial Terms of Contracts

**2. Name(s) of Delegation(s) making the proposal:**

African Group and Canada

**3. Please indicate the relevant provision to which the textual proposal refers.**

DR 23 (Transfer of rights and obligations under an exploitation contract)

**4. Kindly provide the proposed amendments to the regulation or standard or guideline in the text box below, using the “track changes” function in Microsoft Word. Please only reproduce the parts of the text that are being amended or deleted.**

7. ~~Contractors shall pay a~~ Transfer Profit Share, which shall be levied on a pro rata basis by the Authority on gains made from the direct or indirect transfer of rights under an exploitation contract.

~~7.8.~~ The Authority shall publish a Standard for the effective operation of the Transfer Profit Share.

~~8-9.~~ Where the Commission determines that the requirements of paragraphs 4, 5, and 6 and 7 of this regulation have been fulfilled, it shall recommend approval of the application for consent to the Council. In accordance with article 20 of annex III to the Convention, the Council shall not unreasonably withhold consent to a transfer if the requirements of this regulation are complied with.

~~9-10.~~ A transfer is validly effected only upon:

(a) Execution of the assignment and novation agreement between the Authority, the transferor and the transferee;

(b) Payment of the prescribed transfer fee pursuant to appendix II; and

(c) Recording by the Secretary-General of the transfer in the Seabed Mining Register.

(d) Payment of the Transfer Profit Share in accordance with paragraph 7 of this regulation and the relevant Standard.

~~10-11.~~ The assignment and novation agreement shall be signed on behalf of the Authority by the Secretary-General or by a duly authorized representative, and on behalf of the transferor and the transferee by their duly authorized representatives.

**5. Please indicate the rational for the proposal. [150-word limit]**

This submission proposes amending DR 23 with a view to integrating an obligation for the Authority to levy a Transfer Profit Share on gains over a certain threshold generated from the transfer (direct or indirect) of rights under an exploitation contract. To this end, two new paragraphs have been added after paragraph 6 of DR 23. Additional amendments to subsequent paragraphs are included as appropriate.

The specific parameters and elements related to administering the Transfer Profit Share are proposed to be included in a Standard, which will facilitate subsequent reviews and/or adjustments as necessary. Draft text for such Standards will be submitted separately for consideration. The Draft text will be informed by several intersessional meetings and workshops that have been dedicated to the issue.

This proposal is consistent with Article 13 1(b) of Annex III of the Convention and Section 8 1(b) of the Annex to the Agreement given that the proposed Transfer Profit Share is comparable to Capital Gains Tax (CGT), which is widely implemented in land-based mining jurisdictions.