

CHRISTOPHER J. LEE
26TH DISTRICT, NEW YORK

COMMITTEE:
FINANCIAL SERVICES

SUBCOMMITTEES:
FINANCIAL INSTITUTIONS AND
CONSUMER CREDIT

OVERSIGHT AND INVESTIGATIONS

HOUSING AND COMMUNITY OPPORTUNITY

1711 LONGWORTH HOUSE OFFICE BUILDING
WASHINGTON, DC 20515
(202) 225-5265

325 ESSJAY ROAD, SUITE 405
WILLIAMSVILLE, NY 14221
(716) 634-2324

1577 WEST RIDGE ROAD
GREECE, NY 14615
(585) 663-5570

<http://chrislee.house.gov/>

Congress of the United States

House of Representatives

Washington, DC 20515

February 3, 2011

Mary L. Schapiro
Chairman
Securities and Exchange Commission (SEC)
100 F Street, NE
Washington, DC 20549

Re: Proposed Rule for Section 1502 Dodd-Frank Wall Street Reform and Consumer Protection
Act Conflict Minerals (File S7-40-10)

Dear Chairman Schapiro:

I write to you today to express my concerns that the proposed rules to implement Section 1502 of the Dodd-Frank Act will harm U.S. job creation by placing serious, new burdens on U.S. manufacturers and retailers struggling to compete in a global market.

For years, minerals such as gold and other raw materials commonly used to produce tin, tantalum, and tungsten have been mined and sold illegally by rebel groups in parts of the Democratic Republic of the Congo (DRC) and neighboring countries. These "conflict minerals" have fueled decades of fighting in central Africa.

The proposed SEC rule requires annual reports from U.S. businesses accounting for the specific origin and custody of specific minerals obtained in central Africa, including cassiterite, columbite-tantalite, wolframite, and gold. American manufacturers and retailers produce and sell a huge array of products using these and other minerals, such as cellular phones, machine tools, and medical devices.

I strongly support the intent of Section 1502 and the rule-making. The international community must work together to curb further bloodshed in this region. However, the proposed rules are sweeping and, according to SEC's own estimates, this rule would involve nearly 6,000 companies and retailers. Reporting requirements include a certification on whether the minerals originated from the DRC or an adjoining country; a report describing the mineral's chain of custody, including through subsidiaries; a report on the firm's auditing and due diligence practices on the matter; and an independent audit of the report.

Many manufacturers often do not exercise direct control over the origins of the materials they use to produce their products. Retailers sell products carrying their brand-name that are manufactured on an indirect, contracted basis, and out of their direct control. There are often many intermediaries standing between the sites where the minerals originate and the suppliers that oversee the refining of these materials and bring these raw materials to our domestic markets.

As someone with deep and direct experience in manufacturing, I can attest to the fact that compliance costs to adhere to the new rules will be significant, and there are bound to be numerous ways for well-meaning and conscientious manufacturers to inadvertently find themselves in violation of the new rules. U.S. manufacturers may also refrain from purchasing minerals from central Africa entirely to avoid inadvertently coming into conflict with the new rules, which would have the unintended and regrettable effect of reducing the legitimate business activity in central Africa that stands as a bulwark against the illegal conflict trade. It is my understanding that the U.S. Department of State shares this concern, as having a thriving, legitimate economy in the Congo will help reduce the violence and foster a peaceful, civil society.

U.S. manufacturers and businesses continue to be saddled with new requirements and government regulations that, while often well-intentioned, add duplicative and far-reaching burdens that cost them both significant time and resources. Ultimately, these new regulations may cost U.S. jobs and send them overseas. As you begin considering finalizing and implementing this rule, I hope you will make every effort to listen to the many manufacturers, retailers, affected businesses and their workers who, while struggling to grow and create jobs in a down economy, must comply with these new requirements.

Sincerely,

A handwritten signature in blue ink, appearing to read "Christopher J. Lee". The signature is fluid and cursive, with a large initial "C" and a long horizontal stroke at the end.

CHRISTOPHER J. LEE
Member of Congress