

Ms. Elizabeth M. Murphy
Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, D.C. 20549-1090

31 January 2011

**Proposed rule: Disclosure of Payments by Resource Extraction Issuers
(Release No. 33-63549)
Commission File No. S7-42-10**

Dear Ms. Murphy:

Ernst & Young LLP is pleased to comment on the Securities and Exchange Commission's proposed rule *Disclosure of Payments by Resource Extraction Issuers*, which seeks to implement provisions in Section 1504 of the Dodd-Frank Wall Street Reform and Consumer Protection Act. These provisions would require resource extraction issuers to disclose in their SEC annual reports payments they made to foreign governments or the US Federal Government related to the commercial development of oil, natural gas or minerals.

Areas on which the Commission seeks comment

Many of the areas on which the SEC requests comments relate to specific definitions that issuers will have to apply to prepare the Resource Extraction Issuers Exhibit (the Exhibit). Accordingly, we will not comment on such areas. We are responding to the following request for comment.

76. Section 13(q) does not require the resource extraction payment information to be audited or provided on an accrual basis. Accordingly, the proposed rules do not include such requirements. Should we require resource extraction issuers to have the payment information audited or provide the payment information on an accrual basis? Why or why not? What would be the likely benefits and burdens? Would including such requirements be consistent with the statute?

While we fundamentally believe that independent assurance would add value by increasing reliability and enhancing public confidence in the completeness and accuracy of the information in the Exhibit, we are concerned that the cost and time required to obtain such assurance might outweigh the benefits to users. We believe that the costs of assurance could be significant for many issuers and would be a function of the nature of their operations and

the number of countries in which they operate. In addition, we note that Section 1504 of the Dodd-Frank Act does not require such information to be audited.

The payment information, which as proposed would be furnished in an exhibit to the annual report, would not be covered by the auditors' opinion on the issuer's annual financial statements. The scope of the auditors work on the financial statements is designed to express an opinion on those statements "taken as a whole". The scope of the audit is not designed to provide assurance on the fair presentation of any information underlying those financial statements. Furthermore, because the information in the Exhibit is not derived directly from a specific account appearing in the financial statements, auditors would not be able to rely on the procedures performed for that audit to provide limited assurance on the Exhibit, such as they now do on financial statement schedules filed with the annual report.

If an audit of the Exhibit were required, auditors would have to develop specific additional procedures to be able to provide assurance over the completeness and accuracy of the information provided. In addition, audit procedures would have to be designed to provide assurance over the accuracy of the categorization of the payments. Given the "de minimis" disclosure threshold in the proposed rule, an audit of the Exhibit also would require more extensive procedures than those based on the materiality thresholds established for the financial statement audit.

As proposed, the information in the Exhibit would be presented on a cash basis. However, the financial statements are prepared on an accrual basis. Therefore, the procedures performed to provide assurance over the completeness and accuracy of the information in the Exhibit would be different from those performed for the overall financial statement audit. Significant effort would be required to audit the Exhibit, regardless of whether the information is disclosed on a cash or accrual basis.

In summary, auditors would not be able to rely on the procedures performed for the financial statement audit. Therefore, the costs for issuers to obtain an audit of the Exhibit would likely outweigh the perceived benefits.

We would be pleased to discuss our comments with the Commission or its staff at your convenience.

Very truly yours,

Ernst + Young LLP