

GEORGE SOROS

February 23, 2011

The Honorable Mary L. Schapiro
Chairman
Securities and Exchange Commission (SEC)
100 F Street NE
Washington, D.C. 20549

The Honorable Luis Aguilar
Commissioner
Securities and Exchange Commission
100 F Street NE
Washington, DC 20549

The Honorable Kathleen Casey
Commissioner
Securities and Exchange Commission
100 F Street NE
Washington, DC 20549

The Honorable Elisse Walter
Commissioner
Securities and Exchange Commission
100 F Street NE
Washington, DC 20549

The Honorable Troy Paredes
Commissioner
Securities and Exchange Commission
100 F Street NE
Washington, DC 20549

Re: File No. S7-42-10
Release No. 34-63549
Disclosure of Payments by Resource Extraction Issuers

Dear Commissioners:

I appreciate the opportunity to provide comments on the proposed rules for Disclosure of Payments by Resource Extraction Issuers as set forth in Section 1504 of the Dodd-Frank Wall Street Reform and Consumer Protection Act.

I am impressed by the open process in the preparation and presentation of the Commission's proposed rules for the implementation of Section 1504, or Section 13(q) to the Securities Exchange Act of 1934, as released on December 15, 2010. As the Commission finalizes the rules for this important reform, I urge

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strong consideration of the following comments, which would serve to enhance the proposal and ensure that investors are able to realize the maximum benefit of these critical disclosures.

I support the Commission's proposal requiring disclosure by all "resource extraction issuers" without exceptions for broad categories of issuers. In relation to Question 1 and the special reporting obligations of small entities considered in Section IV of the proposal, the Commission should exercise caution in providing exemptions to smaller reporting companies or foreign private issuers that are playing an increasingly important role in the extractive sector and attracting new investors. Smaller companies are often the first comers in the most risky environments. Such exemptions would undermine the value of this reform to investors by excluding issuers that are exposed to significant political and project- and country-specific risks, thereby preventing consistency and comparability in the information disclosed. In relation to Question 55 in the proposal, the Commission should not allow exemptions where the laws of the host country prohibit disclosure. It is precisely in these countries, which prevent transparency and disclosure of information, where the greatest investment risk lies. Such an exemption would create an incentive for countries to create such laws, thereby undermining the purpose and intent of the statute to provide information to investors and promote international transparency.

In relation to Question 88 in the proposed rules, I believe that the required disclosures are material and are to be provided for the protection of investors. We do not believe that these disclosures are qualitatively different from those that have historically been required under Section 13 of the Exchange Act. Therefore, these disclosures must have the investor assurance provided by Exchange Act Section 18 liability and must be included among the regular financial statements of the relevant issuers. For these reasons, the rules should require the resource extraction payment disclosure to be filed rather than furnished in the annual report on Form 10-K, Form 20-F, or Form 40-F of the relevant issuers.

In recent months, I have had occasion to speak individually to many senior government officials and business executives from around the world, about Section 1504 and the need for other countries to follow the U.S. lead. I perceive a strong inclination in the EU and the UK to do so. Many of their large companies are already covered by the US law, so they see the value of leveling the playing field. They are, however, waiting to see the SEC regulations before moving ahead.

I believe it is not an exaggeration to say that in promulgating the U.S. regulations for Section 1504 of Dodd-Frank, the Commission will be setting the rules for much of the world. I urge the Commission to fulfill its responsibility in the strongest and clearest manner possible to fulfill the clear intent of the U.S. Congress to make these important financial flows between companies and governments fully transparent to investors and the general public, country by country and project by project.

I appreciate the opportunity to provide comments on this important rule proposal, and would welcome an opportunity to discuss these comments further at the Commission's discretion.

Sincerely,



George Soros