

United States Senate  
Washington, DC 20510-2004

December 1, 2010

The Honorable Mary L. Schapiro  
Chairman  
U.S. Securities and Exchange Commission  
100 F St NE  
Washington, D.C. 20549

Dear Chairman Schapiro:

The Securities and Exchange Commission is currently in the rule-making process for provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act (P.L. 111-203). As one of the authors of Sec. 1504, Disclosure of Payments by Resource Extraction Issuers, I write to provide further context behind the provision and to help inform the Securities and Exchange Commission (SEC) rule-making process.

The purpose of Sec. 1504 is to bring greater transparency to extractive-related payments made to governments by resource extraction issuers required to report to the SEC. This transparency will provide information important to investors as well as provide information important to citizens seeking to hold their government accountable for extractive revenues.

The language of Sec. 1504 is clear. However, during the rulemaking comment process, there are three areas that I believe deserve comment.

Scope of coverage

The intent of Sec. 1504 is to provide the broadest possible meaning to the term "resource extraction issuer". Specifically, the intent was to include all issuers, including foreign issuers, which have a reporting requirement to the SEC. For example, we would expect to see payment information included in reports such as Forms 10-K, 20-F, 40-F or an Annual Report to Security Holders (ARS).

Exemptions for Confidentiality of contracts

Some industry comments have cited the need for broad reporting exemptions if a company has a confidentiality agreement or the law in the country in which they operate prohibits this reporting. The language of Sec. 1504 is very clear: there should be no exemptions for confidentiality or for host-country restrictions. It would be too easy for countries who want to avoid disclosures to simply pass their own law against disclosure. The purpose of Sec. 1504 is to not allow for exemptions for confidentiality or other reasons that undermine the principle of transparency and full disclosure.

Reply To:

509 Hart Senate Office Building  
Washington, DC 20510-2004  
(202) 224-4524  
[www.cardin.senate.gov](http://www.cardin.senate.gov)

Reply To:

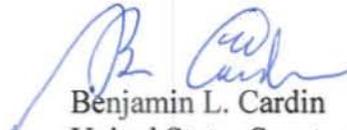
Tower 1 Suite 1710  
100 S. Charles Street  
Baltimore, MD 21201  
(410) 962-4436

Project level Reporting Standard and Relationship to EITI

Reporting under Sec. 1504 is designed to complement reporting done under the Extractive Industries Transparency Initiative (EITI), but does not mimic it, and purposefully requires reporting at the project level, disaggregated by payment stream. This is because EITI is a minimum reporting standard, and the intent of Sec. 1504 was to go beyond these requirements. Indeed, the EITI encourages implementing countries to innovate, and current practice within EITI-implementing countries clearly demonstrates that countries willingly go beyond these requirements. For example, half of EITI implementing countries have decided to report on a disaggregated basis, by company and payment type. Many have expanded reporting to the sub-national level, as well as to other sectors, and many are considering reporting on social payments. Where possible, the SEC rules should align with EITI disclosure practices, but Sec. 1504 is clear that reporting should go beyond the EITI's minimum reporting standards.

Thank you for the opportunity to comment.

Sincerely,



Benjamin L. Cardin  
United States Senator

Cc: Eric Spitler, Director of Legislative and Intergovernmental Affairs