

# United States Senate

WASHINGTON, DC 20510

January 31, 2012

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

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

Dear Chairman Schapiro:

Thank you for the work you and your staff are doing to implement the Dodd-Frank Wall Street Reform and Consumer Protection Act.

The purpose of this letter is to express our concern that the Securities and Exchange Commission (SEC) has not yet issued a final rule to implement Section 1504 of the Dodd-Frank Act requiring companies registered with the SEC to report how much they pay the U.S. and foreign governments for access to their oil, gas, and minerals. The SEC issued its proposed rule in December 2010, over a year ago, and the statutory deadline of April 2011 for a final rule is long past. To re-propose the rule at this point would violate the clear statutory deadline provided. Section 1504 is critical to providing information of great value to investors as they assess the commercial, political and reputational risk faced by companies in often volatile locations. In addition, the greater transparency will discourage corruption, reduce conflict and enhance stability, secure energy supplies, and ensure a more predictable operating environment for extractive companies. Indeed, investors with over \$1 trillion in assets under management wrote to the SEC in support of strong rules. This includes, for example, the largest public pension fund in the United States, and asset managers for the third largest pension fund in Europe.

We urge the SEC to resist pressure to release a weak rule that does not follow the clear statutory language and legislative intent of Section 1504. To accurately reflect the letter and intent of the law, the final rule should apply to all countries and companies with no exemptions. The rule should also define the terms "project" and "payment" in ways that do not create reporting loopholes, particularly with regard to the threshold amount for reporting. The SEC should require the compilation of the payment data to be in addition to, and not in lieu of, the data produced by companies. Reporting data that is of high quality, and understandable and usable for investors and the general public is crucial to the efficacy of this section. For this reason, requiring issuers to "file" the Section 1504 disclosures, which would provide investors with a private right of action, would not only complement the SEC's own enforcement efforts, but would lead to more accurate and reliable data.

Further, any exemptions, including exceptions for conflicting host country laws, would not only encourage other countries to enact laws reducing transparency and start a “race to the bottom,” but would also create a dangerous precedent, by making the U.S. lawmaking process subservient to governments around the world, including dictators who do not share our commitment to transparency, good governance, and the rule of law. Such an exemption would not only distort the plain meaning of the law, but would also undermine the Congressional intent and the spirit of Section 1504.

We recognize the work that your staff has invested in producing the proposed rule and urge you to “stay the course” and enact a strong rule. In the recently passed FY 2012 Omnibus Appropriations measure, the Financial Services Explanatory Statement (based on Senate Report 112-79) and State and Foreign Operations Report language make it clear that this issue is a high priority for appropriators:

*Financial Services Explanatory Statement (based on Senate Report 112-79):*

*“The Committee remains concerned that American investors may be unwittingly investing in companies or organizations with ties to countries that sponsor terrorism or are linked to human rights violations. The Committee believes that a company’s association with sponsors of terrorism and human rights abuses, no matter how large or small, can have a materially adverse result on a public company’s operations, financial condition, earnings, and stock prices, all of which can negatively affect the value of an investment. Investors and consumers also have a reasonable right to know what activities their investments or purchases may be directly or indirectly supporting.*

*In order to protect American investors’ savings and to disclose these business relationships to investors, an Office of Global Security Risk was established within the Division of Corporation Finance. **The Committee notes that under the Dodd-Frank Act, public companies are required to provide disclosure to the SEC in matters involving conflict minerals, extractive industries, and mining safety matters. The Committee understands that the SEC will be implementing the requirements, as directed, in the coming months. The Committee expects the work of the Office to remain a high priority during fiscal year 2012 and directs the SEC to continue to submit quarterly reports on its activities.**”*

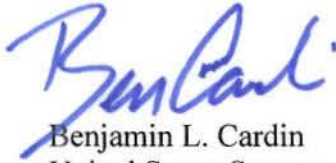
*State and Foreign Operations 2012 Omnibus Report Language:*

*“The conferees direct the Secretary of the Treasury to submit a report to the Committees on Appropriations describing, for each international financial institution, the amount and type of assistance provided, by country, for the extraction and export of natural resources in the preceding 12 months, and whether each institution considered, in providing such assistance, the extent to which the country has functioning systems, laws, and **regulations in place to prevent or limit the public disclosure of company payments as required by section 1504 of [Dodd Frank] Public Law 111-203.**”*

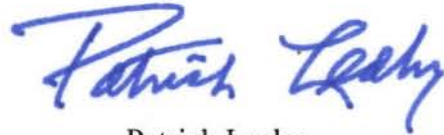
Section 1504 is a bipartisan effort that is creating momentum for transparency in the United States and around the world. The SEC should approve a strong final rule as Congress intended.

We would appreciate you providing a status update in the next two weeks on the timing and expected parameters of the final rule. Thank you for your assistance in this matter.

Sincerely,



Benjamin L. Cardin  
United States Senator



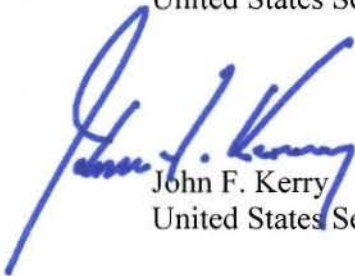
Patrick Leahy  
United States Senator



Charles E. Schumer  
United States Senator



Carl Levin  
United States Senator



John F. Kerry  
United States Senator

Cc: The Hon. Elisse B. Walter, Commissioner  
The Hon. Luis A. Aguilar, Commissioner  
The Hon. Troy A. Paredes, Commissioner  
The Hon. Daniel M. Gallagher, Commissioner