



28 April 2011

The Honorable Mary L. Schapiro  
Chairman, Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20549-1070

## Re: Section 1504 of the Dodd-Frank Act and supporting legislation in the European Union

Dear Chairman Schapiro,

European members of the Publish What You Pay coalition warmly congratulate the U.S. Government on passing the landmark oil, gas and mining disclosure provision through Section 1504 of the Dodd-Frank Wall Street Reform and Consumer Protection Act ("the Dodd-Frank Act"). This law is a critical contribution to secure the transparency that is essential for overcoming poverty and tackling corruption in many of the world's poorest, yet most resource-rich countries. We welcome the Commission's hard work and dedication in developing the implementing regulations, which will significantly influence the development of similar standards in other markets.

We write to inform the Securities and Exchange Commission ("the Commission") of regulatory developments in the European Union ("EU") that are relevant to the development of U.S. regulations for Section 1504 of the Dodd-Frank Act, and to urge the Commission to keep as closely as possible to the rule release date mandated by the legislation.

The EU is making fast and promising progress towards adopting legally binding extractive industry disclosure requirements to support those being introduced in the U.S. Our research shows that such EU stock exchange listing rules would be likely to, at a minimum, cover more than two trillion euros of extractive industry capital in companies that operate all over the world.

The British and French governments have publically stated their support for extractive industry reporting rules in the EU<sup>i</sup>. The European Commission ("EC") is now developing legislative proposals, likely to be published in the autumn, and European members of Publish What You Pay have submitted evidence to the EC as part of a public consultation on financial reporting by multinational companies, launched after the adoption of the Dodd-Frank Act<sup>ii</sup>. The Commissioner for Internal Market, Michel Barnier, is leading this process and has stated that he will bring forward initial proposals for disclosure requirements by the extractive industries and beyond this year:

*"Transparency will start with the extractive and forestry industries by obliging our European companies, via a European law which I will present in June - a transparency directive. We will oblige the European companies who work in your countries or elsewhere in the world, to say what they do and who pays what to whom."*

– **4th Annual Meetings of the African Union Conference of Ministers of Economy and Finance in Addis Ababa, 28 March 2011**<sup>iii</sup>

*"We are going to oblige the extractive sector to be transparent. We must establish rules of the game which are equitable and effective globally."*

– **Financial Times, 20 March 2011**<sup>iv</sup>.

Once the European Commission has published its proposals, a legislative process, which is likely to amend the EU Transparency Directive of 2004 which is due for revision this year, will be debated by the European Council (EU member states) and the European Parliament through the 'codecision procedure'<sup>v</sup>. Once the Directive has been agreed upon, it must be transposed into national law by the 27 member states of the European Union.

In the case of the UK for example, changes to the Transparency Directive will necessitate amendments to the Financial Services and Markets Act 2000, as amended by the Companies Act 2006, which regulates listing rules



for the London Stock Exchange. Given the strong statements of support from the UK Chancellor and Secretary of State for Business for these rules, we believe the amended Transparency Directive will be transposed into UK law very swiftly.

As was noted in comments to the Commission by U.S. Congressional representatives, companies and civil society alike, it is critical that country-by-country and project-by-project disclosure regulations are adopted across other major markets to ensure a level playing field and consistent reporting across countries. In this context, the commendable and rapid response from the EU to the demand for extractive industry and other sector disclosure regulations provides an important opportunity to secure broad adoption of the standard set by the U.S.

For these reasons, we look forward to the publication of the final U.S. regulations, and strongly urge the Commission to keep as closely as possible to the release date mandated by the legislation.

Please do not hesitate contact Jane Allen, UK Campaign Coordinator, at [jallen@publishwhatyoupay.org](mailto:jallen@publishwhatyoupay.org) or +44 7779 595609 for any further information about EU and UK procedures and progress.

This is truly a historic opportunity to ensure fairness and accountability in the oil, gas and mining industries and we thank the Commission again for its diligence and hard work on this important issue.

Yours sincerely,

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**Publish What You Pay UK**

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**CIDSE**

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<sup>i</sup> For example:

- French President, Nicolas Sarkozy, in a letter to Bono, January 2011: *"I have decided to ask the European Union to adopt, as speedily as possible, legislation to compel industries in the extractive sector to disclose their payments to all countries in which they operate."*

- UK Chancellor George Osborne, speaking after the discussion at the G20 Finance Minister's meeting on 20 February 2011, said: *"Vince Cable and I will be arguing for an European agreement that matches the new standards just set in the US."*

<sup>ii</sup> EC Consultation on Financial Reporting on a Country-by-Country Basis by Multinational Companies. See:

[http://ec.europa.eu/internal\\_market/consultations/2010/financial-reporting\\_en.htm](http://ec.europa.eu/internal_market/consultations/2010/financial-reporting_en.htm)

<sup>iii</sup> Michel Barnier at the African Union Conference of Finance Ministers, 28 March 2011:

<http://ec.europa.eu/avservices/video/videoplayer.cfm?ref=76624&sitelang=fr>

<sup>iv</sup> Interview with Michel Barnier in the Financial Times, 20 March 2011:

<http://www.ft.com/cms/s/0/bd92440e-530f-11e0-86e6-00144feab49a.html#axzz1HtkquOUR>

<sup>v</sup> For more details, see: [http://ec.europa.eu/codecision/stepbystep/text/index\\_en.htm](http://ec.europa.eu/codecision/stepbystep/text/index_en.htm)