

Arlene McCarthy
MEMBER OF THE EUROPEAN PARLIAMENT
COMMITTEE ON ECONOMIC AND MONETARY AFFAIRS
VICE CHAIR

United States Securities and Exchange Commission
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Washington, DC 20549 - 1030

Friday 10th August 2012, Brussels

Dear Commissioner Schapiro,

Thank you for taking the time in your busy schedule to discuss with me key issues concerning the implementation of section 1504 of the Dodd Frank legislation on the Oil and Mining Transparency Rules.

I believe that in the interest of creating global rules and standards for global extractive industries it is important that the EU and the US introduce strong common and equivalent transparency rules for the extractive industries.

We are now coming to a critical decision making junction in the drive for greater global transparency. As you complete your rule making process and the European Parliament prepares to vote in September, the decision you take on 22nd August will provide an important signal to legislators and regulators globally and your intention to introduce tough rules in the spirit of the Dodd Frank legislation. If these rules are to be effective and deliver the necessary transparency to enable local communities to hold their governments to account for the use of revenues from the extraction of natural resources and to be able to link payments to local resources, then project level disclosure is essential.

There is no evidence that tough reporting requirements for project reporting will either be harmful to companies competitiveness or be over burdensome. As Lord Browne, the former Chief Executive of BP, pointed out in his Op-Ed in the Financial Times (April 25, 2012), the rules would not force disclosure of information during negotiations, which is the most sensitive period for dealings. Furthermore, with both the US and EU implement disclosure of payments to government around 90% of the world's extractive companies will be covered by the rules. Global reporting standards are under discussion at the G20 global rules are not only possible but entirely feasible.

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I would refer you to Lord Browne's arguments that the alleged administrative cost to the extractive industries is greatly exaggerated. The largest companies already spend a vast sum on compliance to both national and international reporting standards. The SEC itself estimated that increased costs arising from the new requirements would only be around 0.33%. If companies operating in the extractive industries are already complying with international good governance codes then they will already be maintaining extensive internal records tracking the payments that the company makes. As Lord Browne states, the new reporting requirements would only require companies to change *a few lines of accounting code*.

There is a strong majority in the European parliament for strong rules and strong reporting requirements including project level reporting. It is equally clear that investors are demanding more information and transparency on companies' activities. A strong ruling from the SEC would give a clear and unequivocal message that the EU and the US are united in our drive stronger transparency rules for the extractive.

Thank you once again for meeting with me.

Yours sincerely,

Arlene McCarthy MEP
Parliamentary draftsperson on the EU Transparency rules for the extractive sector