118TH CONGRESS	C			
2d Session	5. _			
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IN THE SENATE OF THE UNITED STATES

Mr. Cardin introduced the following	bill; which	was read	twice a	and	referred
to the Committee on					

A BILL

To amend the Securities Exchange Act of 1934 to address the disclosure of payments by resource extraction issuers, and for other purposes.

- 1 Be it enacted by the Senate and House of Representa-
- 2 tives of the United States of America in Congress assembled,
- 3 SECTION 1. SHORT TITLE.
- 4 This Act may be cited as the "1504 Modernization
- 5 Act".
- 6 SEC. 2. SENSE OF CONGRESS; PURPOSE.
- 7 (a) Definitions.—In this section:
- 8 (1) Amended Provision.—The term "amend-
- 9 ed provision" means section 13(q) of the Securities

1	Exchange Act of 1934 (15 U.S.C. 78m(q)), as
2	amended by this Act.
3	(2) Commercial extractive industry ac-
4	TIVITY; FOREIGN GOVERNMENT; PAYMENT; RE-
5	SOURCE EXTRACTION ISSUER.—The terms "commer-
6	cial extractive industry activity", "foreign govern-
7	ment", "payment", and "resource extraction issuer"
8	have the meanings given those terms in the amended
9	provision.
10	(3) Commission.—The term "Commission"
11	means the Securities and Exchange Commission.
12	(4) Existing Provision.—The term "existing
13	provision" means section 13(q) of the Securities Ex-
14	change Act of 1934 (15 U.S.C. 78m(q)), as in effect
15	on the day before the date of enactment of this Act.
16	(b) Sense of Congress.—It is the sense of Con-
17	gress that—
18	(1) the United States should be a global leader
19	with respect to the principles of transparency, good
20	governance, and fighting corruption;
21	(2) increased transparency with respect to pay-
22	ments by resource extraction issuers reduces risks
23	for investors in the United States and allows citizens
24	in resource-rich countries to hold their leaders ac-
25	countable;

1	(3) under the existing provision, the Commis-
2	sion—
3	(A) has the authority to promulgate highly
4	effective rules; and
5	(B) should require resource extraction
6	issuers to disclose payments and other informa-
7	tion that would be most useful to combating
8	corruption abroad;
9	(4) the Commission should enforce the intent
10	behind the existing provision to cover all commercial
11	extractive industry activities and not only activities
12	relating to oil and natural gas;
13	(5) this Act, and the amendments made by this
14	Act, serve only to clarify, for the avoidance of doubt,
15	the intent of the existing provision and to broaden
16	compliance requirements under the amended provi-
17	sion to include all commercial extractive industry ac-
18	tivities;
19	(6) even if this Act, and the amendments made
20	by this Act, were not enacted into law, the Commis-
21	sion would have the ability to exercise the rule-
22	making authority of the Commission to achieve the
23	intent behind the existing provision, including, in
24	particular, to promulgate rules requiring project-by-

1	project reporting while prohibiting reporting based
2	on the aggregation of contracts; and
3	(7) the Commission should ensure that inves-
4	tors, and the public at-large, have the most detailed,
5	complete, and timely information disaggregated for
6	each commercial extractive industry activity carried
7	out by a resource extraction issuer for which a pay-
8	ment has been made to a foreign government in a
9	given fiscal year.
10	(e) Purposes.—The purposes of this Act, and the
11	amendments made by this Act, are to—
12	(1) clarify that the authorities provided by, and
13	the scope of, the existing provision include requiring
14	the disclosure of disaggregated payments, informa-
15	tion, or contracts on a project-by-project basis;
16	(2) under the amended provision—
17	(A) broaden the scope of resource extrac-
18	tion issuers and forms of payment that are sub-
19	ject to the requirements of the amended provi-
20	sion; and
21	(B) require the disclosure of payments
22	made to criminal networks or other illicit actors
23	that do not have legitimate governance claims
24	over the resources resulting from, or with re-
25	spect to the regulation of, commercial extractive

1	industry activities that are conducted outside
2	the United States; and
3	(3) improve the security of critical supply
4	chains, provide investor confidence in the foreign
5	business operations of all resource extraction issuers
6	and support the ability of stakeholders in the United
7	States, and citizens of the United States, to under
8	stand the revenues received by foreign governments
9	so as to increase accountability and ensure that the
10	public in foreign countries receives benefits from
11	those payments for the exploitation of the natura
12	resources of those foreign countries.
13	SEC. 3. DISCLOSURE OF PAYMENTS BY RESOURCE EXTRAC
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	TION ISSUERS.
14	TION ISSUERS. Section 13(q) of the Securities Exchange Act of 1934
14 15	
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14 15 16 17	Section 13(q) of the Securities Exchange Act of 1934 (15 U.S.C. 78m(q)) is amended to read as follows: "(q) DISCLOSURE OF PAYMENTS BY RESOURCE EXTRACTION ISSUERS.— "(1) DEFINITIONS.—In this subsection: "(A) COMMERCIAL EXTRACTIVE INDUSTRY ACTIVITY.—The term 'commercial extractive in dustry activity' includes commercial develop

1	timber harvesting, or the conversion of natura
2	forested lands for agricultural production (in-
3	cluding livestock forage), or the acquisition of a
4	license for any such activity, as determined by
5	the Commission.
6	"(B) Foreign government.—The term
7	'foreign government' means, as determined by
8	the Commission—
9	"(i) a foreign central government, in-
10	cluding any department, agency, instru-
11	mentality, State-owned enterprise or com-
12	pany that is wholly or partially State
13	owned, central bank, or financial institu-
14	tion under the control of a foreign centra
15	government; or
16	"(ii) a subnational government or re-
17	gional authority, including any instrumen-
18	tality, department, agency, or authority op-
19	erated and controlled by a subnational gov-
20	ernment or regional authority.
21	"(C) Interactive data format.—The
22	term 'interactive data format' means an elec-
23	tronic data format in which pieces of informa-
24	tion are identified using an interactive data
25	standard.

1	"(D) Interactive data standard.—The
2	term 'interactive data standard' means a stand-
3	ardized list of electronic tags that mark infor-
4	mation included in the annual report of a re-
5	source extraction issuer.
6	"(E) Payment.—The term 'payment'—
7	"(i) means a payment that is—
8	"(I) made to further a commer-
9	cial extractive industry activity; and
10	"(II) not de minimis; and
11	"(ii) includes—
12	"(I) taxes, royalties, fees (includ-
13	ing license fees), production entitle-
14	ments, bonuses, inducements, services
15	securities, and other material benefits
16	that the Commission, consistent with
17	the guidelines of the Extractive Indus-
18	tries Transparency Initiative (to the
19	extent practicable), determines are
20	part of the commonly recognized rev-
21	enue stream for a commercial extrac-
22	tive industry activity;
23	"(II) a payment processed in
24	cryptocurrency; and

1	"(III) in-kind services or other
2	non-monetary exchanges between a re-
3	source extraction issuer and a foreign
4	government.
5	"(F) RESOURCE EXTRACTION ISSUER.—
6	The term 'resource extraction issuer' means an
7	issuer that—
8	"(i) is required to file an annual re-
9	port with the Commission; and
10	"(ii) engages in a commercial extrac-
11	tive industry activity.
12	"(2) Disclosure.—
13	"(A) Information required.—
14	"(i) In general.—Not later than
15	270 days after the date of enactment of
16	the 1504 Modernization Act, and subject
17	to the other provisions of this paragraph,
18	the Commission shall issue final rules that
19	require each resource extraction issuer to
20	include in an annual report of the resource
21	extraction issuer information relating to
22	any payment made by the resource extrac-
23	tion issuer, a subsidiary of the resource ex-
24	traction issuer, or an entity under the con-
25	trol of the resource extraction issuer to a

1	foreign government, the Federal Govern-
2	ment, or any other recipient, including any
3	bribe, ransom, or other payment paid to a
4	foreign criminal network, local warlord, or
5	chief that may not have legitimate govern-
6	ance claims, for the purpose of carrying
7	out a commercial extractive industry activ-
8	ity, including—
9	"(I) the type and total amount of
10	such payments made for each project
11	of the resource extraction issuer relat-
12	ing to those commercial extractive in-
13	dustry activities; and
14	"(II) the type and total amount
15	of such payments made to each such
16	entity or person.
17	"(ii) Elements.—
18	"(I) DEFINITION.—In this
19	clause, the term 'project' means as a
20	contract, lease, or license that forms
21	the basis of liability for a payment,
22	consistent with the definition for that
23	term used in other markets and by
24	the Extractive Industries Trans-
25	parency Initiative.

1	"(II) Requirement.—The final
2	rules issued under clause (i) shall—
3	"(aa) require disclosures to
4	be made on a per commercial ex-
5	tractive industry activity basis
6	for a given fiscal year;
7	"(bb) require the
8	disaggregation of payments made
9	by a resource extraction issuer on
10	a per-commercial extractive in-
11	dustry activity basis, for the pe-
12	riod covered by the report in
13	which the applicable disclosure is
14	made; and
15	"(cc) require that reports be
16	filed and that furnished reports
17	shall not be sufficient.
18	"(iii) Limited exemptions.—The
19	final rules issued under clause (i) shall
20	only permit limited exemptions from those
21	rules, each of which—
22	"(I) shall be justified and noti-
23	fied to Congress before any exemption
24	is granted with respect to any such
25	rule; and

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1	"(II) may not permit the exclu-
2	sion of the disclosure of—
3	"(aa) any conflict of a re-
4	source extraction issuer with for-
5	eign laws or contract terms; or
6	"(bb) the commercial extrac-
7	tive industry activities of smaller
8	reporting companies or emerging
9	growth companies.
10	"(B) Consultation in Rulemaking.—In
11	issuing rules under subparagraph (A), the Com-
12	mission may consult with any agency or entity
13	that the Commission determines is relevant.
14	"(C) Interactive data format.—The
15	rules issued under subparagraph (A) shall re-
16	quire that the information included in the an-
17	nual report of a resource extraction issuer be
18	submitted in an interactive data format.
19	"(D) Interactive data standard.—
20	"(i) In general.—The rules issued
21	under subparagraph (A) shall establish an
22	interactive data standard for the informa-
23	tion included in the annual report of a re-
24	source extraction issuer.

1	"(ii) Electronic Tags.—The inter-
2	active data standard described in clause (i)
3	shall include electronic tags that identify,
4	for any payments made by a resource ex-
5	traction issuer to a foreign government or
6	the Federal Government—
7	"(I) the total amounts of the
8	payments, by category;
9	"(II) the currency, which may in-
10	clude cryptocurrencies, used to make
11	the payments;
12	"(III) the financial period in
13	which the payments were made;
14	"(IV) the business segment of
15	the resource extraction issuer that
16	made the payments;
17	"(V) the recipient of the pay-
18	ments, and the country in which the
19	recipient is located;
20	"(VI) the project of the resource
21	extraction issuer to which the pay-
22	ments relate; and
23	"(VII) such other information as
24	the Commission may determine is nec-
25	essary or appropriate in the public in-

1	terest or for the protection of inves-
2	tors.
3	"(E) International transparency ef-
4	FORTS.—To the extent practicable, the rules
5	issued under subparagraph (A) shall support
6	the commitment of the Federal Government to
7	international transparency promotion efforts re-
8	lating to commercial extractive industry activi-
9	ties.
10	"(F) Effective date.—With respect to
11	each resource extraction issuer, the final rules
12	issued under subparagraph (A) shall take effect
13	on the date on which the resource extraction
14	issuer is required to submit an annual report
15	relating to the fiscal year of the resource ex-
16	traction issuer that ends not earlier than 1 year
17	after the date on which the Commission issues
18	final rules under subparagraph (A).
19	"(3) Public availability of information.—
20	"(A) IN GENERAL.—To the extent prac-
21	ticable, the Commission shall make available
22	online, to the public, a compilation of the infor-
23	mation required to be submitted under the rules
24	issued under paragraph (2)(A).

1	"(B) OTHER INFORMATION.—Nothing in
2	this paragraph shall require the Commission to
3	make available online information other than
4	the information required to be submitted under
5	the rules issued under paragraph (2)(A).
6	"(4) Authorization of appropriations.—
7	There are authorized to be appropriated to the Com-
8	mission such sums as may be necessary to carry out
9	this subsection.".